

EXHIBIT “B”

Audited Consolidated
Financial
Statements
and
Audited Financial Statements
Stamped
received by the BIR



March 15, 2017

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

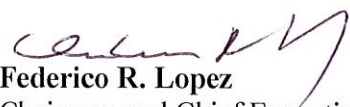
The management of First Gen Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


Federico R. Lopez
Chairman and Chief Executive Officer


Francis Giles B. Puno
President and Chief Operating Officer


Emmanuel P. Singson
SVP, CFO and Treasurer



SUBSCRIBED AND SWORN TO before me this APR 03 2017 day of April 2017, affiants exhibited to me their Community Tax Certificate Nos. as follows:

	<u>CTC/SSS NOS.</u>	<u>Date/Place Issued</u>
Federico R. Lopez	7397215	January 18, 2017 / Pasig City
	SSS 0372789020	
Francis Giles B. Puno	7397216	January 18, 2017 / Pasig City
	SSS 3355362021	
Emmanuel P. Singson	263986260	January 10, 2017 / Pasig City
	SSS 388564598	

Doc. No. 080
Page No. 017
Book No. I
Series of 2017.


JASON S. JIMENEZ
NOTARY PUBLIC
FOR AND IN THE CITIES OF PASIG AND SAN JUAN
AND IN THE MUNICIPALITY OF PATEROS, METRO MANILA
UNTIL DECEMBER 31, 2018
PTR NO. 2535558; 1/26/17; PASIG CITY
IBP NO. 1360948; RSM CHAPTER; LIFETIME MEMBER
ROLL NO. 65776 / APPOINTMENT NO. 113 (2017-2018)
6F ROCKWELL BUSINESS CENTER TOWER 3
ORTIGAS AVENUE, PASIG CITY

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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I	D	I	A	R	I	E	S																						

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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	P	a	s	i	g		C	i	t	y																			

Form Type

A	C	F	S	
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Department requiring the report

C	F	D	
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

www.firstgen.com.ph

Company's Telephone Number

(02) 449-6388

Mobile Number

N/A

No. of Stockholders

360

Annual Meeting (Month / Day)

2nd Wednesday of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Maria Carmina Z. Ubaña

Email Address

czubana@firstgen.com.ph

Telephone Number/s

449-6253

Mobile Number

0917-3279054

CONTACT PERSON'S ADDRESS

6th Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
First Gen Corporation
6th Floor, Rockwell Business Center Tower 3
Ortigas Avenue, Pasig City

Opinion

We have audited the consolidated financial statements of First Gen Corporation (the Company) and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill Associated with the Acquisition of Energy Development Corporation (EDC)

Under PFRSs, the Group is required to test the recoverability of goodwill annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. As at December 31, 2016, the Group has goodwill amounting to \$972.1 million, of which \$909.4 million resulted from the Group's acquisition of EDC in 2007. The Group's recoverability test of goodwill is significant to our audit because the amount of goodwill is material to the consolidated financial statements. In addition, the assessment process involves significant management judgment about future market conditions, and estimation based on assumptions such as gross margin, economic growth rate and discount rate. The related disclosures on the Group's goodwill are included in Notes 3 and 11 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's recoverability assessment process and the related controls. We involved our internal specialist in evaluating the assumptions and methodology used. We compared the forecasted cash flow assumptions used in the recoverability testing such as budgeted gross margin to the historical performance of EDC. We also compared the estimated volume and price of electricity to be sold to the contracted customers and to the spot market, with historical information. In addition, we compared the economic growth rate used by management with those reflected in the published economic forecast in the region as well as relevant industry outlook. Likewise, we evaluated the discount rate used and assessed whether this is consistent with market participant assumptions for similar assets. We also reviewed the Group's disclosures about those assumptions to which the outcome of the recoverability test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Recoverability of Exploration and Evaluation Assets

The ability of the Group, through EDC, to recover its exploration and evaluation assets depends on the commercial viability of the geothermal reserves. The carrying value of exploration and evaluation assets as at December 31, 2016 amounted to \$62.5 million which is considered material to the consolidated financial statements. This matter is important to our audit because of the substantial amount of exploration and evaluation assets and the significant management judgment involved in performing a recoverability review. The related disclosures on exploration and evaluation assets are included in Notes 3 and 12 to the consolidated financial statements.



Audit Response

We obtained an understanding of the Group's capitalization policy and tested whether the policy has been applied consistently. We obtained management's assessment on the recoverability of the exploration and evaluation assets, and inquired into the status of these projects and their future plan of operation. We obtained the status of each exploration project as of December 31, 2016, as certified by EDC's technical group head, and compared it with the disclosures submitted to regulatory agencies. We reviewed the terms of contracts and agreements, and budget for exploration costs. We inspected the licenses and permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired or is not expiring in the near future. We also inquired of management about the project areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2016 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2016, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

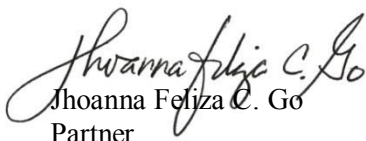


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is
Jhoanna Feliza C. Go.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001988-103-2017,

January 31, 2017, valid until January 30, 2020

PTR No. 5908703, January 3, 2017, Makati City

March 15, 2017



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

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 14, 24 and 25)	\$497,980	\$730,463
Receivables (Notes 6, 18, 24, 25 and 26)	344,482	317,482
Inventories (Note 7)	118,242	101,618
Financial assets at fair value through profit or loss (FVPL) (Notes 8, 24 and 25)	22,534	30,108
Other current assets (Notes 9, 12, 24 and 25)	129,573	119,321
Total Current Assets	1,112,811	1,298,992
Noncurrent Assets		
Property, plant and equipment (Notes 10, 14 and 26)	2,746,392	2,708,175
Goodwill and intangible assets (Note 11)	1,055,587	1,130,920
Deferred income tax assets - net (Note 22)	30,711	27,831
Other noncurrent assets (Notes 9, 12, 21, 24, 25 and 26)	343,802	352,769
Total Noncurrent Assets	4,176,492	4,219,695
TOTAL ASSETS	\$5,289,303	\$5,518,687
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 13, 24, 25 and 26)	\$378,473	\$388,157
Dividends payable (Notes 16, 24 and 25)	14,719	15,967
Income tax payable (Note 22)	11,617	8,807
Due to a related party (Notes 18, 24 and 25)	145	145
Current portion of:		
Long-term debts (Notes 9, 10, 14, 24 and 25)	289,274	285,661
Derivative liabilities (Notes 14, 24 and 25)	88	105
Total Current Liabilities	694,316	698,842
Noncurrent Liabilities		
Long-term debts - net of current portion (Notes 9, 10, 14, 24 and 25)	2,388,858	2,677,138
Retirement and other post-employment benefits (Note 21)	26,306	41,541
Derivative liabilities - net of current portion (Notes 14, 24 and 25)	16,347	26,388
Deferred income tax liabilities - net (Note 22)	32,861	20,651
Other noncurrent liabilities (Note 15)	41,048	48,644
Total Noncurrent Liabilities	2,505,420	2,814,362
Total Liabilities	\$3,199,736	\$3,513,204

(Forward)



	December 31	
	2016	2015
Equity Attributable to Equity Holders of the Parent Company (Notes 16 and 17)		
Redeemable preferred stock	\$69,345	\$69,345
Common stock	75,123	75,123
Additional paid-in capital	1,165,366	1,165,366
Deposits for future stock subscriptions	2,139	—
Cumulative translation adjustments (Notes 16 and 25)	(135,488)	(65,584)
Accumulated unrealized gain on Available-for-Sale (AFS) financial assets - net (Note 9)	345	296
Equity reserve (Note 2)	(378,744)	(378,744)
Retained earnings (Note 16)	986,981	841,503
Cost of stocks held in treasury (Note 16):		
Redeemable preferred stock	(97,829)	(85,639)
Common stock	(24,289)	(23,362)
	1,662,949	1,598,304
Non-controlling Interests (Notes 2 and 16)	426,618	407,179
Total Equity	2,089,567	2,005,483
TOTAL LIABILITIES AND EQUITY	\$5,289,303	\$5,518,687

See accompanying Notes to Consolidated Financial Statements.



FIRST GEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	Years Ended December 31		
	2016	2015	2014
REVENUES FROM SALE OF ELECTRICITY			
(Notes 10, 26 and 27)	\$1,561,484	\$1,836,268	\$1,902,630
COSTS OF SALE OF ELECTRICITY			
(Notes 7, 10, 11, 19, 26 and 27)	(872,390)	(1,145,809)	(1,212,551)
GENERAL AND ADMINISTRATIVE EXPENSES			
(Notes 7, 10, 11, 12, 19, 21 and 26)	(191,173)	(213,307)	(210,192)
FINANCIAL INCOME (EXPENSE)			
Interest income (Notes 5, 9 and 20)	8,964	10,075	6,479
Interest expense and financing charges			
(Notes 14, 15, 20 and 26)	(166,370)	(167,299)	(167,487)
	(157,406)	(157,224)	(161,008)
OTHER INCOME (CHARGES)			
Income from liquidated damages from contractors			
(Note 10)	47,826	—	—
Proceeds from insurance claims (Note 26)	31,977	34,675	27,038
Mark-to-market gain (loss) on financial assets at			
FVPL (Notes 8, 24 and 25)	72	(169)	171
Foreign exchange losses - net	(16,960)	(33,614)	(1,700)
Mark-to-market gain (loss) on derivatives - net			
(Note 25)	(2,371)	—	532
Reversal of impairment of damaged assets due to			
Typhoon Yolanda (Notes 7 and 10)	—	372	1,025
Loss on direct write-off of exploration and			
evaluation assets (Note 12)	—	(250)	—
Recovery of impairment of property, plant and			
equipment (Note 10)	—	—	46,265
Others - net (Notes 10, 12 and 14)	(3,581)	(3,284)	3,908
	56,963	(2,270)	77,239
INCOME BEFORE INCOME TAX	397,478	317,658	396,118
PROVISION FOR (BENEFIT FROM) INCOME TAX			
(Note 22)			
Current	100,542	74,561	74,780
Deferred	5,125	(2,175)	3,240
	105,667	72,386	78,020
NET INCOME	\$291,811	\$245,272	\$318,098
Net income attributable to:			
Equity holders of the Parent Company	\$199,590	\$167,318	\$193,155
Non-controlling interests	92,221	77,954	124,943
	\$291,811	\$245,272	\$318,098
Basic/Diluted Earnings Per Share for Net Income			
Attributable to Equity Holders of the Parent			
Company (Note 23)	\$0.047	\$0.037	\$0.046

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2016	2015	2014
NET INCOME	\$291,811	\$245,272	\$318,098
OTHER COMPREHENSIVE INCOME (LOSS):			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Net gains (losses) on cash flow hedge - net of tax (Note 25)	9,495	4,534	(389)
Exchange losses on foreign currency translation	(107,074)	(115,620)	(14,558)
Unrealized gains (losses) on AFS financial assets (Note 9)	124	(145)	24
	(97,455)	(111,231)	(14,923)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement of retirement and other post-employment benefits - net of tax	7,872	264	9,117
Total other comprehensive loss - net of tax	(89,583)	(110,967)	(5,806)
TOTAL COMPREHENSIVE INCOME	\$202,228	\$134,305	\$312,292
Total comprehensive income attributable to:			
Equity holders of the Parent Company	\$136,091	\$93,840	\$230,918
Non-controlling interests	66,137	40,465	81,374
	\$202,228	\$134,305	\$312,292

See accompanying Notes to Consolidated Financial Statements.



FIRST GEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in U.S. Dollars and in Thousands)

	Equity Attributable to Equity Holders of the Parent Company (Notes 16 and 17)													
	Capital Stock		Additional Paid-in Capital	Deposits For Future Stock Subscriptions	Cumulative Translation Adjustments	Accumulated Unrealized Gain (Loss) on AFS Financial Assets (Note 9)	Equity Reserve (Note 2)	Re- measurement of Retirement and Other Post- Employment Benefits	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 DECEMBER 31, 2015	\$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	—	—	—	—	(66,839)	49	—	3,291	199,590	—	—	136,091	66,137	202,228
Re-measurement of retirement and other post-employment benefits closed to retained earnings	—	—	—	—	—	—	—	(3,291)	3,291	—	—	—	—	—
Effect of First NatGas Power Corp. and EDC Burgos Wind Power Corporation's change in functional currency (Note 2)	—	—	—	—	(3,065)	—	—	—	—	—	—	(3,065)	5,295	2,230
Deposits for future stock subscriptions (Note 16)	—	—	—	2,139	—	—	—	—	—	—	—	2,139	—	2,139
Common stocks acquired by subsidiaries (Note 16)	—	—	—	—	—	—	—	—	—	—	(927)	(927)	—	(927)
Purchase of treasury stocks by EDC	—	—	—	—	—	—	—	—	—	—	—	—	(954)	(954)
Buyback of Series "F" & "G" preferred stocks (Note 16)	—	—	—	—	—	—	—	—	—	(12,190)	—	(12,190)	—	(12,190)
Cash dividends on preferred stocks (Note 16)	—	—	—	—	—	—	—	—	(30,399)	—	—	(30,399)	—	(30,399)
Cash dividends on common stocks (Note 16)	—	—	—	—	—	—	—	—	(27,004)	—	—	(27,004)	—	(27,004)
Dividends of subsidiaries (Note 16)	—	—	—	—	—	—	—	—	—	—	—	—	(51,039)	(51,039)
BALANCES AT DECEMBER 31, 2016	\$69,345	\$75,123	\$1,165,366	\$2,139	(\$135,488)	\$345	(\$378,744)	\$—	\$986,981	(\$97,829)	(\$24,289)	\$1,662,949	\$426,618	\$2,089,567
BALANCES AT DECEMBER 31, 2014	\$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	—	—	—	—	(73,867)	(58)	—	447	167,318	—	—	93,840	40,465	134,305
Re-measurement of retirement and other post-employment benefits closed to retained earnings	—	—	—	—	—	—	—	(447)	447	—	—	—	—	—
Proceeds from issuance of common stocks and treasury stocks through private placement (Note 16)	—	395	114,474	—	—	—	—	—	—	—	52,987	167,856	—	167,856
Transaction costs on private placement	—	—	(1,390)	—	—	—	—	—	—	—	—	(1,390)	—	(1,390)
Common stocks acquired by subsidiaries (Note 16)	—	—	—	—	—	—	—	—	—	—	(4,352)	(4,352)	—	(4,352)
Share in employee trusts of EDC	—	—	—	—	—	—	—	—	—	—	—	—	(117)	(117)
Purchase of treasury stocks by EDC	—	—	—	—	—	—	—	—	—	—	—	—	(627)	(627)
Buyback of Series "F" preferred stocks (Note 16)	—	—	—	—	—	—	—	—	—	(85,639)	—	(85,639)	—	(85,639)
Cash dividends on preferred stocks (Note 16)	—	—	—	—	—	—	—	—	(35,758)	—	—	(35,758)	—	(35,758)
Cash dividends on common stocks (Note 16)	—	—	—	—	—	—	—	—	(28,029)	—	—	(28,029)	—	(28,029)
Acquisition of non-controlling interests - PTHC	—	—	—	—	—	—	(163)	—	—	—	—	(163)	(949)	(1,112)
Acquisition of non-controlling interests - EDC	—	—	—	—	—	—	(6,142)	—	—	—	—	(6,142)	(2,871)	(9,013)
Dividends of subsidiaries (Note 16)	—	—	—	—	—	—	—	—	—	—	—	—	(43,247)	(43,247)
BALANCES AT DECEMBER 31, 2015	\$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



Equity Attributable to Equity Holders of the Parent Company (Notes 16 and 17)

	Capital Stock		Additional Paid-in Capital	Cumulative Translation Adjustments	Accumulated Unrealized Gain (Loss) on AFS Financial Assets (Note 9)	Equity Reserve (Note 2)	Re- measurement of Retirement and Other Post- Employment Benefits	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 DECEMBER 31, 2013	\$69,345	\$74,728	\$1,052,282	(\$19,909)	\$344	(\$365,496)	\$—	\$600,974	\$—	(\$62,253)	\$1,350,015	\$379,852	\$1,729,867
Total comprehensive income	—	—	—	28,192	10	—	9,561	193,155	—	—	230,918	81,374	312,292
Re-measurement of retirement and other post-employment benefits closed to retained earnings	—	—	—	—	—	—	(9,561)	9,561	—	—	—	—	—
Common stocks acquired by subsidiaries (Note 16)	—	—	—	—	—	—	—	—	—	(9,744)	(9,744)	—	(9,744)
Share in employee trusts of EDC	—	—	—	—	—	—	—	—	—	—	—	176	176
Investment from non-controlling interest of EDC	—	—	—	—	—	—	—	—	—	—	—	46	46
Cash dividends on preferred stocks (Note 16)	—	—	—	—	—	—	—	(39,893)	—	—	(39,893)	—	(39,893)
Cash dividends on common stocks (Note 16)	—	—	—	—	—	—	—	(26,272)	—	—	(26,272)	—	(26,272)
Acquisition of non-controlling interests - PTHC	—	—	—	—	—	(111)	—	—	—	—	(111)	(977)	(1,088)
Acquisition of non-controlling interests - EDC	—	—	—	—	—	(6,832)	—	—	—	—	(6,832)	(3,748)	(10,580)
Dividends of subsidiaries (Note 16)	—	—	—	—	—	—	—	—	—	—	—	(42,198)	(42,198)
BALANCES AT DECEMBER 31, 2014	\$69,345	\$74,728	\$1,052,282	\$8,283	\$354	(\$372,439)	\$—	\$737,525	\$—	(\$71,997)	\$1,498,081	\$414,525	\$1,912,606

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	\$397,478	\$317,658	\$396,118
Adjustments for:			
Depreciation and amortization (Notes 10, 11 and 19)	197,584	185,975	163,910
Interest expense and financing charges (Note 20)	166,370	167,299	167,487
Unrealized foreign exchange losses - net	22,883	29,128	2,261
Mark-to-market loss (gain) on derivatives - net (Note 25)	2,371	—	(532)
Provision for (reversal of) impairment of spare parts and supplies inventories (Notes 7 and 19)	1,236	1,567	(571)
Loss on direct write-off of input VAT claims (Note 12)	1,201	2,901	5,280
Interest income (Note 20)	(8,964)	(10,075)	(6,479)
Mark-to-market loss (gain) on financial assets at FVPL (Note 8)	(72)	169	(171)
Loss (gain) on sale of property and equipment	(44)	592	(8,167)
Reversal of impairment of damaged assets due to Typhoon Yolanda (Notes 7 and 10)	—	(372)	(1,025)
Loss on direct write-off of exploration and evaluation assets (Note 12)	—	250	—
Recovery of impairment of property, plant and equipment (Note 10)	—	—	(46,265)
Income before working capital changes	780,043	695,092	671,846
Decrease (increase) in:			
Receivables	(28,682)	71,037	(52,239)
Inventories	(2,630)	(4,510)	11,619
Other current assets	(18,680)	(37,751)	2,227
Increase (decrease) in:			
Accounts payable and accrued expenses	(22,478)	37,155	17,883
Retirement and other post-employment benefits	(7,329)	392	(798)
Cash generated from operations	700,244	761,415	650,538
Interest received	8,964	10,075	6,479
Income taxes paid	(97,406)	(74,891)	(68,170)
Net cash flows from operating activities	611,802	696,599	588,847
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Redemption of financial assets at FVPL (Note 8)	34,357	89,873	—
Performance securities (Note 10)	15,353	—	—
Disposal of property, plant and equipment (Note 10)	1,348	500	33,363
Decrease (increase) in debt service reserve account (Note 9)	6,276	(28,890)	—
Sale of AFS financial assets	2,780	—	7,811
Additions to:			
Property, plant and equipment (Note 10)	(281,574)	(464,870)	(605,658)
Other noncurrent assets	(53,829)	(87,471)	(83,269)
Financial assets at FVPL (Note 8)	(27,777)	(110,514)	(11,274)
AFS financial assets	(6,344)	—	—
Exploration and evaluation assets (Note 12)	(749)	(5,658)	(9,268)
Intangible assets (Note 11)	(93)	(312)	(1,952)
EDC's acquisition of business - net of cash acquired (Note 11)	—	—	(3,003)
Net cash flows used in investing activities	(310,252)	(607,342)	(673,250)

(Forward)



	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of long-term debt - net of debt issuance costs (Note 16)	\$88,044	\$615,884	\$516,994
Issuance of common stocks and treasury stocks through private placement - net of transaction costs (Note 16)	—	166,466	—
Availment of short-term loans (Note 14)	—	26,496	—
Investment from non-controlling shareholders of EDC	—	—	46
Payments of:			
Long-term debts (Note 14)	(329,260)	(448,061)	(286,670)
Interest expense and financing charges (Note 20)	(160,477)	(160,703)	(161,481)
Dividends to non-controlling shareholders of subsidiaries (Note 16)	(51,039)	(43,247)	(42,198)
Cash dividends to preferred shareholders (Note 16)	(31,674)	(39,606)	(40,075)
Cash dividends to common shareholders (Note 16)	(27,004)	(28,029)	(26,272)
Buyback of Series “F” & “G” preferred stocks (Note 16)	(12,190)	(85,639)	—
Purchase of treasury stocks by EDC	(954)	(627)	—
Parent Company shares acquired by subsidiaries (Note 16)	(927)	(4,352)	(9,744)
Short-term loans (Note 14)	—	(26,496)	(53,829)
Acquisition of non-controlling interest in EDC (Notes 2 and 16)	—	(9,013)	(10,580)
Transaction costs on the amendment of EDC’s FXCN loan (Note 14)	—	(1,429)	—
Acquisition of non-controlling interest in PTHC (Notes 2 and 4)	—	(1,112)	(1,088)
Increase (decrease) in other noncurrent liabilities	(6,662)	7,109	3,021
Payments to related parties	—	—	(112)
Net cash flows used in financing activities	(532,143)	(32,359)	(111,988)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(1,890)	(328)	31
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(232,483)	56,570	(196,360)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	730,463	673,893	870,253
CASH AND CASH EQUIVALENTS AT END OF YEAR			
(Note 5)	\$497,980	\$730,463	\$673,893

See accompanying Notes to Consolidated Financial Statements.



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

1. Corporate Information and Authorization for Issuance of the Consolidated Financial Statements

Corporate Information

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

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

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

On 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 Shares 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 ₱100.0 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 stock.

On May 11, 2016, the Board of Directors (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. In 2016, the Parent Company purchased from the open market 10,010 and 5,026,280 Series "F" and Series "G" redeemable preferred stocks, respectively. Total payments for the buyback of the Series "F" and Series "G" redeemable preferred stocks amounted to ₱1.1 million (\$0.02 million) and ₱598.8 million (\$12.2 million) (see Note 16).

As of December 31, 2016 and 2015, FPH directly and indirectly owns 66.24% of the common stocks of First Gen and 100% of First Gen's voting preferred stocks. FPH is 46.47% and 46.50%-owned by Lopez Holdings Corporation (Lopez Holdings), a publicly-listed Philippine-based entity, as at December 31, 2016 and 2015, respectively. 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 December 31, 2016 and 2015, there are 360 and 356 common stockholders of record of First Gen, respectively, and 3,660,943,557 common stocks issued and outstanding as of December 31, 2016 and 2015 (see Note 16).

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.

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements of First Gen Group were reviewed and recommended for approval by the Audit Committee to the BOD on March 15, 2017. The same consolidated financial statements were approved and authorized for issuance by the BOD on March 15, 2017.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements are prepared on a historical cost basis, except for derivative financial instruments, financial assets at FVPL, and AFS financial assets that are measured at fair value. The consolidated financial statements are presented in United States (U.S.) dollar, which is the Parent Company's functional currency, and are rounded to the nearest thousands, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of First Gen Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.



Significant Accounting and Financial Reporting Policies

First Gen Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on First Gen Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and Philippine Accounting Standards (PAS) 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify 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) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to First Gen Group since none of the entities within First Gen Group is an investment entity nor does First Gen Group have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3, *Business Combinations*), to 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.

These amendments do not have any impact on First Gen Group as there has been no interest acquired in a joint operation during the period.

- PFRS14, *Regulatory Deferral Accounts*

PFRS 14 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 income 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.



Since First Gen Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

- 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 statement of income and other 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
- 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.

These amendments do not have any impact to First Gen Group.

- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*

The 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.

These amendments are applied prospectively and do not have any impact to First Gen Group, given that First Gen Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture, Bearer Plants*

The 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 are applied retrospectively and do not have any impact on First Gen Group as First Gen Group does not have any bearer plants.



- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*

The amendments 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.

These amendments do not have any impact on First Gen Group's consolidated financial statements.

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:

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

The amendment is applied prospectively and 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.

- Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*

PFRS 7 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 for continuing involvement 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.

- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and 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.



- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*

This amendment is applied prospectively and 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.

- Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment is applied retrospectively and 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).

Basis of Consolidation

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

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; and
- First Gen Group's voting rights and potential voting rights.

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

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



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

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany balances and transactions, including intercompany profits and losses, are eliminated.

Non-controlling Interests

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

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

For the years ended December 31, 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. In 2014, the non-controlling interests arise from the profits or losses and net assets not held by First Gen Group in Prime Terracota Holdings Corp. (Prime Terracota) and EDC and Subsidiaries.

Acquisition of non-controlling interests

EDC

In 2015 and 2014, the Parent Company through its subsidiary, Northern Terracotta Power Corp. (Northern Terracotta), acquired EDC shares amounting to \$9.0 million and \$10.6 million, respectively. The amount of equity reserve pertaining to the acquisition of non-controlling interests amounted to \$6.1 million and \$6.8 million in 2015 and 2014, respectively. The transaction resulted in the proportion of equity interest held by non-controlling interest in EDC of 49.45% and 49.71% in 2015 and 2014, respectively.

Prime Terracota

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 Corp. (QRC) and the Employees Retirement Plan of Lopez, Inc. (Lopez, Inc. Retirement Fund) [LIRF], respectively, for a total consideration of \$1.1 million. As of December 31, 2016 and 2015, the Parent Company has a 100% direct voting interest in Prime Terracota and a 67.0% effective voting interest in EDC through Prime Terracota. The amount of equity reserve pertaining to the acquisition of the non-controlling stakes of QRC and LIRF in Prime Terracota amounted to \$0.2 million.



The Parent Company's acquisition of non-controlling interest in Prime Terracotta was accounted for as an equity transaction, whereby the carrying amounts of the controlling and non-controlling interests were adjusted to reflect the changes in their relative interests in Prime Terracotta and any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid is recognized directly in equity, under "Equity reserve" account, and attributed to the owners of the Parent Company.

Subsidiaries

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

	Percentage of Voting Interest		
	2016	2015	2014
First Gen Renewables, Inc. (FGRI)	100	100	100
Unified Holdings Corporation (Unified)	100	100	100
AlliedGen Power Corp. (AlliedGen)	100	100	100
First Gen Luzon Power Corp. (FG Luzon)	100	100	100
First Gen Visayas Hydro Power Corporation (FG Visayas)	100	100	100
First Gen Mindanao Hydro Power Corporation (FG Mindanao)	100	100	100
First Gen Ecopower Solutions, Inc. (FG Ecopower) ¹	100	100	100
First Gen Energy Solutions Inc. (FGES)	100	100	100
First Gen Premier Energy Corp. (FG Premier)	100	100	100
First Gen Prime Energy Corporation (FG Prime)	100	100	100
First Gen Visayas Energy, Inc. (FG Visayas Energy)	100	100	100
FG Bukidnon Power Corporation (FG Bukidnon) ²	100	100	100
Northern Terracotta	100	100	100
Blue Vulcan Holdings Corporation (Blue Vulcan)	100	100	100
Prime Meridian Powergen Corporation (Prime Meridian) ³	100	100	100
Goldsilk Holdings Corporation ⁷	100	100	100
Dualcore Holdings Inc. ⁷	100	100	100
Onecore Holdings Inc. ⁷	100	100	100
FG Mindanao Renewables Corp. (FMRC) ⁸	100	100	100
FGen Northern Mindanao Holdings, Inc. (FNMHI) ⁸	100	100	100
FGen Tagoloan Hydro Corporation (FG Tagoloan) ⁹	100	100	100
FGen Tumalaong Hydro Corporation (FG Tumalaong) ⁹	100	100	100
FGen Puyo Hydro Corporation (FG Puyo) ¹⁰	100	100	100
FGen Bubunawan Hydro Corporation (FG Bubunawan) ¹⁰	100	100	100
FGen Cabadbaran Hydro Corporation (FG Cabadbaran) ¹⁰	100	100	100
First Gas Holdings Corporation (FGHC)	100	100	100
FGP ⁴	100	100	100
First NatGas Power Corp. (FNPC) ⁵	100	100	100
First Gas Power Corporation (FGPC) ⁶	100	100	100
First Gas Pipeline Corporation (FG Pipeline) ⁶	100	100	100
FGLand Corporation (FG Land) ⁶	100	100	100
FGEN LNG Corporation (FGEN LNG) ¹¹	100	100	100
First Gen LNG Holdings Corporation (LNG Holdings)	100	100	100
First Gen Meridian Holdings, Inc. (FGEN Meridian)	100	100	100
FGen Power Ventures, Inc. (FGEN Power Ventures)	100	100	100
FGen Casecanan Hydro Power Corp. (FGEN Casecanan)	100	100	100
FGen Power Holdings, Inc. (Power Holdings)	100	100	100
FGen Prime Holdings, Inc. (Prime Holdings)	100	100	100
FGen Eco Solutions Holdings, Inc. (FGESHI)	100	100	100
FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings)	100	100	100
FGen Reliable Energy Holdings, Inc. (FG Reliable Energy)	100	100	100
FGen Power Solutions, Inc. (FG Power Solutions)	100	100	100
FGen Vibrant Blue Sky Holdings, Inc. (FGVBShI)	100	100	100
FGen Aqua Power Holdings, Inc. (FG Aqua Power)	100	100	100

(Forward)



	Percentage of Voting Interest		
	2016	2015	2014
FGen Natural Gas Supply, Inc. (FGen NatGas Supply) ^{13, 15}	100	100	—
FGen Power Operations, Inc. (FPOI) ¹⁶	100	100	—
FGen Fuel Line Systems, Inc. (FGen Fuel Line) ¹⁷	100	100	—
Prime Terracota ¹⁴	100	100	73
First Gen Hydro Power Corporation (FG Hydro) ¹²	40	40	40
FGen Northern Power Corp. (FGEN Northern Power) ¹⁸	—	—	100

¹Through FGESHI

²Through FGRI

³Through FGEN Meridian

⁴60% through Unified and 40% through Onecore

⁵Through AlliedGen

⁶Through FGHC

⁷Through Blue Vulcan

⁸Through FG Mindanao

⁹Through FMRC

¹⁰Through FNMHI

¹¹Through LNG Holdings

¹²The Parent Company has 40% direct voting interest in FG Hydro while its effective economic interest is 70.0% through Prime Terracota.

¹³Through Liquefied Holdings

¹⁴On 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 December 31, 2016 and 2015, the Parent Company has a 100% direct voting interest in Prime Terracota and a 67% voting interest in EDC through Prime Terracota.

¹⁵On 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.

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

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

¹⁸On July 7, 2015, Conal Holdings Corp. (Conal) subscribed to 37,500 common stocks of FGEN Northern Power at par value of P1.00 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.

All of the foregoing subsidiaries are incorporated in the Philippines.

As of December 31, 2016, FG Luzon, FG Visayas, FG Mindanao, FG Ecopower, FG Premier, FG Prime, FG Visayas Energy, Northern Terracotta, FMRC, FNMHI, FG Tagoloan, FG Tumalaong, FG Puyo, FG Bubunawan, FG Cabadbaran, FG Pipeline, FG Land, FGEN LNG, LNG Holdings, FGEN Northern Power, FGEN Power Ventures, FGEN Casecnan, Power Holdings, Prime Holdings, FGESHI, 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 December 31, 2015, AlliedGen, FNPC, FG Luzon, FG Visayas, FG Mindanao, FG Ecopower, FG Premier, FG Prime, FG Visayas Energy, Northern Terracotta, Prime Meridian, FMRC, FNMHI, FG Tagoloan, FG Tumalaong, FG Puyo, FG Bubunawan, FG Cabadbaran, FG Pipeline, FG Land, FGEN LNG, LNG Holdings, FGEN Meridian, FGEN Northern Power, FGEN Power Ventures, FGEN Casecnan, Power Holdings, Prime Holdings, FGESHI, Liquefied Holdings, FG Reliable Energy, FG Power Solutions, FGVBSHI, FG Aqua Power, FGen NatGas Supply, FPOI, and FGen Fuel Line have not started commercial operations.

As of December 31, 2014, AlliedGen, FNPC, FG Luzon, FG Visayas, FG Mindanao, FG Ecopower, FG Premier, FG Prime, FG Visayas Energy, Northern Terracotta, Prime Meridian, FMRC, FNMHI, FG Tagoloan, FG Tumalaong, FG Puyo, FG Bubunawan, FG Cabadbaran, FG Pipeline, FG Land, FGEN LNG, LNG Holdings, FGEN Meridian, FGEN Northern Power, FGEN Power Ventures, FGEN Casecnan, Power Holdings, Prime Holdings, FGESHI, Liquefied Holdings, FG Reliable Energy, FG Power Solutions, FGVBSHI, and FG Aqua Power have not started commercial operations.



As of December 31, 2016, 2015, and 2014, Prime Terracota's subsidiaries include the following companies:

	Percentage of Voting Interest		
	2016	2015	2014
Red Vulcan Holdings Corporation (Red Vulcan)	100	100	100
EDC ¹	60	60	60
First Gen Hydro Power Corporation (FG Hydro)	60	60	60
EDC Drillco Corporation (EDC Drillco)	60	60	60
EDC Geothermal Corp. (EGC) ⁴	60	60	60
Green Core Geothermal Inc. (GCGI)	60	60	60
Bac-Man Geothermal Inc. (BGI)	60	60	60
Unified Leyte Geothermal Energy Inc. (ULGEI)	60	60	60
Southern Negros Geothermal, Inc. (SNGI) ³	60	60	60
EDC Mindanao Geothermal, Inc. (EMGI) ^{3,5}	—	60	60
Bac-Man Energy Development Corporation (BEDC) ³	60	60	60
Kayabon Geothermal, Inc. (KGI) ^{3,5}	—	60	60
Mount Apo Renewable Inc. (MAREI) ^{3,5}	—	60	60
EDC Wind Energy Holdings, Inc. (EWEHI) ⁴	60	60	60
EDC Burgos Wind Power Corporation (EBWPC)	60	60	60
EDC Pagudpud Wind Power Corporation (EPWPC) ³	60	60	60
EDC Bayog Burgos Wind Power Corporation (EBBWPC) ³	60	60	60
EDC Pagali Burgos Wind Power Corporation (EPBWPC) ³	60	60	60
Matnog 1 Renewable Energy Corporation (M1REC) ²	60	—	—
Matnog 2 Renewable Energy Corporation (M2REC) ²	60	—	—
Matnog 3 Renewable Energy Corporation (M3REC) ²	60	—	—
Iloilo 1 Renewable Energy Corporation (I1REC) ²	60	—	—
Negros 1 Renewable Energy Corporation (N1REC) ²	60	—	—
EDC Bright Solar Energy Holdings, Inc. (EBSEHI) ⁴	60	60	60
EDC Bago Solar Power Corporation (EBSPC) ³	60	60	60
EDC Burgos Solar Corporation (EBSC) ³	60	60	60
EMGI ^{3,5}	60	—	—
KGI ^{3,5}	60	—	—
MAREI ^{3,5}	60	—	—
EDC Chile Limitada ³	60	60	60
EDC Holdings International Limited (EHIL) ⁴	60	60	60
Energy Development Corporation Hong Kong International Investment Limited (EDC HKIIL) ²	60	—	—
Energy Development Corporation Hong Kong Limited (EDC HKL) ⁴	60	60	60
EDC Chile Holdings SPA ³	60	60	60
EDC Geotermica Chile ³	60	60	60
EDC Peru Holdings S.A.C. ³	60	60	60
EDC Geotermica Peru S.A.C. ³	60	60	60
Energy Development Corporation Peru S.A.C. ³	60	60	60
EDC Geotermica Del Sur S.A.C. ³	60	60	60
EDC Energia Azul S.A.C. ³	60	60	60
Geotermica Crucero Peru S.A.C. ³	42	42	42
EDC Energia Perú S.A.C. ³	60	60	60
Geotermica Tutupaca Norte Peru S.A.C. ³	42	42	42
EDC Energia Geotermica S.A.C. ³	60	60	60
EDC Progreso Geotermica Perú S.A.C. ³	60	60	60
Geotermica Loriscota Peru S.A.C. ³	42	42	42
EDC Energia Renovable Perú S.A.C. ³	60	60	60
EDC Soluciones Sostenibles Ltd	60	60	60
EDC Energia Verde Chile SpA	60	60	60
EDC Energia de la Tierra SpA	60	60	60
EDC Desarrollo Sostenible Ltd.	60	60	60
EDC Energia Verde Peru SAC	60	60	60
PT EDC Indonesia ³	57	57	57
PT EDC Panas Bumi Indonesia ³	57	57	57

¹The Parent Company's economic interest in EDC is 50.55% as of December 31, 2016 and 2015, and 50.29% as of December 31, 2014.

²Incorporated in 2016 and has not yet started commercial operations as of December 31, 2016.

³Incorporated in prior years and has not yet started commercial operations as of December 31, 2016.

⁴Serves as an investment holding company.

⁵Became wholly owned subsidiaries of EBSEHI starting December 2016.



EDC Drillco is a company incorporated on September 28, 2009 to act as an independent service contractor, consultant, and specialized technical adviser for well construction and drilling, and other related activities. As of December 31, 2016, EDC Drillco is already in the process of dissolution.

EGC was incorporated on April 9, 2008 to participate in the bid for another local power plant. The bid was won by and awarded to another local entity. Thereafter, EGC became an investment holding company of EDC's wholly owned subsidiaries, namely GCGI, BGI, ULGEI, SNGI, BEDC, EMGI, KGI, and MAREI. EGC also has a 0.01% stake in EDC Chile Limitada.

In December 2016, EGC sold all of its stocks in EMGI, KGI and MAREI to EBSEHI. This sale transaction has no impact to the consolidated financial statements, and these companies became wholly owned subsidiaries of EBSEHI.

As of December 31, 2016 and 2015, EDC HKIL and all subsidiaries of EDC HKL remained non-operating.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value on acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at its proportionate share in the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When First Gen Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree, if any.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any gain or loss on remeasurement is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, is recognized in accordance with PAS 39, either in the consolidated statement of income or charged to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest and any previous interest held, over the net fair value of identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, First Gen Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date. If this consideration still results in an excess of the fair value of the net assets of the subsidiary acquired over the aggregate consideration transferred, the difference is recognized in the consolidated statement of income.



After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of First Gen Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Fair Value Measurement

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible to First Gen Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

First Gen Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As of December 31, 2016 and 2015, First Gen Group has financial assets at FVPL, AFS financial assets and derivative financial instruments that are measured at fair value on a recurring basis. First Gen Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



For the purpose of fair value disclosures, First Gen Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when First Gen Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting. Derivatives are also recognized on a trade date basis.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments at FVPL. First Gen Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or loans and borrowings. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

“Day 1” difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, First Gen Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income, unless it qualifies for recognition as some other type of asset. In cases where data which is not observable are used, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, First Gen Group determines the appropriate method of recognizing the “Day 1” difference amount.

Financial assets and liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if these are acquired for the purposes of selling and repurchasing in the near term. Derivatives, including any separated embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the consolidated statement of income as part of “Mark-to-market gain (loss) on derivatives - net” account.



Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Classified under financial instruments at FVPL are EDC's and First Gen's foreign currency forward contracts, call spread swaps, and financial assets at FVPL as of December 31, 2016 and 2015 (see Notes 8, 24 and 25). Changes in fair value are recognized in the profit or loss unless it qualifies under hedge accounting.

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which First Gen Group's management has the positive intention and ability to hold to maturity. Where First Gen Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement on foreign currency-denominated HTM investments are also recognized in the consolidated statement of income.

First Gen Group has no HTM investments as of December 31, 2016 and 2015.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized and impaired, as well as through the amortization process.



Classified under loans and receivables are cash and cash equivalents, receivables, debt service reserve account (DSRA) and short-term investments (included under “Other current assets” account), long-term receivables and special deposits and funds (included under “Other noncurrent assets” account) as of December 31, 2016 and 2015 (see Notes 5, 6, 9, 12, 18, 24 and 25).

AFS financial assets

AFS financial assets are those non-derivative financial assets which are designated as such or do not qualify to be classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealized gains and losses being recognized as other comprehensive income (losses) until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported as other comprehensive income (losses) is recognized in the consolidated statement of income. The effective yield component of AFS debt securities, as well as the impact of the restatement on foreign currency-denominated AFS debt securities, is reported in earnings. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. First Gen Group uses the specific identification method in determining the cost of securities sold. Unquoted equity securities and investment in proprietary club membership shares are carried at cost, net of impairment (if any).

Classified under AFS financial assets are quoted and unquoted investments in government debt securities, corporate bonds, proprietary club membership, and equity securities recorded as part of “Other current assets” and “Other noncurrent assets” accounts as of December 31, 2016 and 2015 (see Notes 9, 12, 24 and 25).

Loans and borrowings

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Debt issuance costs incurred in connection with availments of long-term debt and issuances of Notes are deferred and amortized using the effective interest method over the term of the loans and Notes. Debt issuance costs are included in the measurement of the related long-term debts, and are allocated accordingly to the respective current and noncurrent portions.

Classified under loans and borrowings are accounts payable and accrued expenses, dividends payable, due to a related party, and long-term debts as of December 31, 2016 and 2015 (see Notes 13, 14, 16, 18, 24 and 25).



Derivative Financial Instruments and Hedge Accounting

First Gen Group enters into derivative and hedging transactions, primarily interest rate swaps, cross-currency swaps, and foreign currency forwards, as needed, for the sole purpose of managing the risks that are associated with First Gen Group's borrowing activities or as required by the lenders in certain cases.

Derivative financial instruments (including bifurcated embedded derivatives) are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from changes in fair value on derivatives that do not qualify for hedge accounting is taken directly to the consolidated statement of income for the current year under the "Mark-to-market gain (loss) on derivatives - net" account.

For purposes of hedge accounting, derivatives can be designated either as cash flow hedges or fair value hedges depending on the type of risk exposure it hedges.

At the inception of a hedge relationship, First Gen Group formally designates and documents the hedge relationship to which First Gen Group opts to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

Cash flow hedges are hedges of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the consolidated statement of comprehensive income. The effective portion of the gain or loss on the hedging instrument if any, is recognized as other comprehensive income (loss) in the "Cumulative translation adjustments" account in the consolidated statement of financial position, while the ineffective portion is recognized as "Mark-to-market gain (loss) on derivatives - net" account in the consolidated statement of income.

Amounts taken to other comprehensive income (loss) are transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when hedged financial income or expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to other comprehensive income (loss) are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in other comprehensive income (loss) are transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income (loss) remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is recognized in the consolidated statement of income.

First Gen Group accounts for its interest rate swap agreements as cash flow hedges of the floating rate exposure of its long-term debts (see Notes 24 and 25).



In the case of EDC, it has existing cross currency swaps to partially hedge its exposure to foreign currency and interest rate risks on a portion of its floating rate Club Loan that is benchmarked against US London Inter-Bank Offered Rate (LIBOR). In 2014, EBWPC entered into interest rate swaps for its exposure on interest rate risks on portions of its floating rate \$150.0 million ECA and \$37.5 million Commercial Debt Facilities that is benchmarked against US LIBOR. In 2016, EDC designated its call spread swaps as cash flow hedges for its exposure on its \$80.0 million term loan that is benchmarked against US LIBOR (see Notes 24 and 25).

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

First Gen Group assesses whether embedded derivatives are required to be separated from the host contracts when First Gen Group first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met:

- (a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets and liabilities at FVPL;
- (b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and
- (c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in the consolidated statement of income. First Gen Group has no bifurcated embedded derivatives as of December 31, 2016 and 2015.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or
- First Gen Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where First Gen Group has transferred its right to receive cash flows from an asset or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of First Gen Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that First Gen Group could be required to repay.



Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

First Gen Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, First Gen Group first assesses whether an objective evidence of impairment (such as the probability of insolvency or significant financial difficulties of the debtor) exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset’s carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If First Gen Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

The carrying value of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable. Interest income continues to be recognized based on the original effective interest rate of the asset. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

AFS financial assets

For AFS financial assets, First Gen Group assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.



In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the investments below its cost is considered an objective evidence of impairment. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income (loss), is removed from other comprehensive income (loss) and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income (loss).

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of the “Interest income” in the consolidated statement of income. If, in a subsequent year, the fair value of a debt instrument increases and that increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. First Gen Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of First Gen Group and all of the counterparties.

Inventories

Inventories are carried at the lower of cost and net realizable value (NRV). The costs of fuel inventories are determined using the weighted average cost method, while the costs of spare parts and supplies are determined using the moving average method. The NRV for fuel inventories of FGP and FGPC is the fuel cost charged to Manila Electric Company (Meralco), under the respective Power Purchase Agreements (PPA) of FGP and FGPC with Meralco [see Note 26(a)], which is based on weighted average cost of actual fuel consumed. In the case of EDC, the costs of spare parts and supplies include the invoice amount, net of trade and cash discounts. The NRV for spare parts and supplies is the current replacement cost.

DSRA

DSRA pertains to the restricted peso and dollar-denominated interest bearing accounts opened and established by EDC in accordance with the loan agreements that will serve as a cash reserve or deposit to service the principal and/or interest payments due on the loans. DSRA is presented under “Other current assets” account in the consolidated statement of financial position.

Prepaid Expenses

Prepaid expenses (included under “Other current assets” and “Other noncurrent assets” accounts in the consolidated statement of financial position) are expenses paid in advance and recorded as asset before these are utilized. This account comprises prepaid expenses, creditable withholding tax certificates and advances to contractors. The prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of income when incurred; creditable withholding tax certificates are deducted from income tax



payable on the same year the revenue was recognized; and the advances to contractors are reclassified to the proper asset or expense accounts and deducted from the contractor's billings as specified on the provision of the contract.

Prepaid Taxes

Prepaid taxes (included under "Other current assets" account in the consolidated statement of financial position) are carried at cost less any impairment in value. Prepaid taxes consist mainly of tax credits that can be used by First Gen Group in the future. Tax credits represent unapplied certificates for claims from input value-added tax (VAT) credits received from the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC). Such tax credits may be used for payment of internal revenue taxes or customs duties.

Investments in Associates

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

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

	Percentage of Voting Interest		
	2016	2015	2014
First Gen Northern Energy Corp. (FGNEC) ¹	33	33	33
Bauang Private Power Corporation (BPPC) ²	37	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" 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 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 December 31, 2016 and 2015, the investments in FGNEC, BPPC and FGen Northern Power amounted to nil. These associates are not significant to First Gen Group, thus, summarized financial information are not presented in the consolidated financial statements.

Under the equity method, such investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in First Gen Group's share in net assets of the associate. First Gen Group's share in its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share in post-acquisition movements in the associates' other comprehensive income (loss) is recognized directly in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When First Gen Group's share in losses of an associate equals or exceeds its interest in the associate, including any other unsecured receivables, First Gen Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealized intercompany profits or losses arising from the transactions with the associates are eliminated to the extent of First Gen Group's interest in the associates.

The reporting dates of the associates and First Gen Group are identical and the associates' accounting policies conform to those used by First Gen Group for like transactions and events in similar circumstances.



Upon loss of significant influence over the associate, First Gen Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, amortization and impairment in value, if any. Land is stated at cost less any impairment in value. The initial cost of property, plant and equipment consists of the purchase price including import duties, borrowing costs (during the construction period) and other costs directly attributable to bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property, plant and equipment when the recognition criteria are met and the estimated present value of the cost of dismantling and removing the asset and restoring the site.

Property, plant and equipment also include the estimated rehabilitation and restoration costs. Under their respective Environmental Compliance Certificate (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 Power Sector Assets and Liabilities Management (PSALM) to dismantle its power plant asset at the end of its useful life. EDC also has legal obligations to dismantle the steam fields and power plants located in the contract areas for which EDC is legally and constructively liable (see Notes 10 and 15).

Construction in progress represents structures under construction and is stated at cost less any impairment of value, if any. This includes costs of construction and other direct costs. Costs also include interest and financing charges on borrowed funds and the amortization of deferred financing costs on these borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the assets are put into operational use.

The income generated wholly and necessarily as a result of the process of bringing the asset into the location and condition for its intended use (i.e., net proceeds from selling any items produced while testing whether the asset is functioning properly) is credited to the cost of asset up to the extent of cost of testing capitalized during the testing period. Any excess of net proceeds over costs is recognized in the consolidated statement of income, and not against the cost of the property, plant and equipment. When the incidental operations are not necessary to bring an item to the location and condition necessary for it to be capable of operating in the manner intended by management, the income and related expenses of incidental operations are not offset against the cost of the property, plant and equipment but are recognized in the consolidated statement of income, and included in their respective classifications of income and expense.

Liquidated damages received arising from the breach of contract are deducted from the cost of the asset unless these can be directly linked to the amount of lost revenues. Liquidated damages are recognized only when receipt is virtually certain.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to the consolidated statement of income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.



First Gen Group divided the power plant assets into significant parts. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated and amortized separately. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

Asset Type	Number of Years
Power plants	15-30
Buildings, improvements and other structures	5-35
Exploration, machinery and equipment	2-25
Fluid Collection and Recycling System (FCRS)	13-20
Production wells	10-40
Furniture, fixtures and office equipment	3-10
Transportation equipment	5-10
Leasehold improvements	5 or lease term with no renewal option, whichever is shorter

The useful lives and depreciation and amortization method are reviewed at each financial reporting date to ensure that the years and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Depreciation of an item of property, plant and equipment begins when it becomes available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the asset is derecognized. Leasehold improvements are amortized over the lease term or the economic life of the related asset, whichever is shorter.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the assets (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Prepaid Major Spare Parts

Prepaid major spare parts (included in the “Other noncurrent assets” account in the consolidated statement of financial position) are stated at cost less any impairment in value. Prepaid major spare parts pertain to the advance payments made to Siemens Power Operations, Inc. (SPOI) for the major spare parts that will be replaced during the scheduled maintenance outage.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition. The intangible assets arising from the business combination are recognized initially at fair values.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and any impairment losses. Internally-generated intangible assets, if any, excluding capitalized development costs, are not capitalized and expenditures are reflected in the consolidated statement of income in the year the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized using the straight-line method over the estimated useful economic life, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization shall begin when the asset is available for use, i.e., when it is in the



location and condition necessary for it to be capable of operating in the manner intended by management. The amortization period and method for an intangible asset with a finite useful life are reviewed at least each financial reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the said intangible asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash generating unit (CGU) level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made prospectively.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and are recognized in the consolidated statement of income in the year the asset is derecognized.

Water Rights

The cost of water rights of FG Hydro is measured on initial recognition at cost. Following initial recognition of the water rights, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses, if any. Water rights are amortized using the straight-line method over 25 years, which is the term of the agreement with the National Irrigation Administration (NIA).

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 Agreement (GSPA).

Rights to Use Transmission Line

Rights to use transmission line pertain to the substation improvements donated to the National Transmission Corporation (TransCo) pursuant to the Substation Interconnection Agreement (SIA) dated September 2, 1997 entered into among FGPC, National Power Corporation (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 rights to use transmission line is amortized using the straight-line method over the remaining life of related power plant assets.

Computer Software and Licenses

The costs of acquisition of computer software and licenses are capitalized as intangible asset if such costs are not integral part of the related hardware.

These intangible assets are initially measured at cost. Subsequently, these are measured at cost less accumulated amortization and allowance for impairment losses, if any. Amortization of computer software is computed using the straight-line method of over 5 years.



Exploration and Evaluation Assets

EDC follows the full cost method of accounting for its exploration costs determined on the basis of each service contract area. Under this method, all exploration costs relating to each service contract are accumulated and deferred in “Exploration and evaluation assets” under “Other noncurrent assets account” in the consolidated statement of financial position pending the determination of whether the wells have proved reserves. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in the consolidated statement of income when incurred.

If tests conducted on the drilled exploratory wells reveal that these wells cannot produce proved reserves, the capitalized costs are charged to expense except when management decides to use the unproductive wells, for recycling or waste disposal. Once the technical feasibility and commercial viability of the project to produce proved reserves are established, the exploration and evaluation assets are reclassified to “Property, plant and equipment” account.

Exploration and evaluation assets also include the estimated rehabilitation and restoration costs of EDC that are incurred as a consequence of having undertaken the exploration for and evaluation of geothermal resources.

Impairment of Non-financial Assets

Property, plant and equipment, water rights, pipeline rights, rights to use transmission line, input VAT claims for refund/tax credits, prepaid major spare parts, and prepaid expenses

At each financial reporting date, First Gen Group assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists, First Gen Group makes a formal estimate of an asset’s recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset (or cash-generating unit). An impairment loss is recognized in the consolidated statement of income in the year in which it arises.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, First Gen Group estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.



Exploration and Evaluation Assets

Exploration and evaluation assets are tested for impairment when facts and circumstances suggest that the carrying amount of the exploration and evaluation asset may exceed its recoverable amount (see Note 3).

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, First Gen Group makes a formal estimate of an asset's recoverable amount. The recoverable amount is the higher of exploration and evaluation asset's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual exploration and evaluation asset, unless the exploration and evaluation asset does not generate cash inflows that are largely independent from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an exploration and evaluation asset (or cash-generating unit) exceeds its recoverable amount, the exploration and evaluation asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset (or cash-generating unit). An impairment loss is recognized in the consolidated statement of income in the year in which it arises.

Goodwill

Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment loss relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future years. First Gen Group performs its annual impairment test of goodwill as 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.

Investments in associates

First Gen Group determines whether it is necessary to recognize an impairment loss on its investments in associates. First Gen Group determines at each financial reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, First Gen Group calculates the amount of impairment as being the difference between the recoverable value of the associate and the carrying amount of investment and recognizes the amount of impairment loss in the consolidated statement of income.

Current versus Non-current Classification

First Gen Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.



All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred income tax assets and liabilities and net retirement assets and liabilities are classified as non-current assets and liabilities.

Provisions

Provisions are recognized when First Gen Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made as to the amount of the obligation. Where First Gen Group expects some or all of the provision will be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized under the "Interest expense and financing charges" account in the consolidated statement of income.

FGP, FGPC and FG Bukidnon recognized provisions arising from legal and/or constructive obligations associated with the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which it is located. EDC likewise records the present value of estimated costs of legal and constructive obligation required to restore the sites upon termination of the cooperation period in accordance with its Geothermal Renewable Energy Service Contract (GRES-Cs). The nature of these activities includes plugging of drilled wells and restoration of pads and road networks. Similarly, under the Wind Energy Service Contract (WESC), EBWPC is responsible for the removal and the disposal of all materials, equipment and facilities installed in the contract area used for the wind energy project. In determining the amount of provisions for rehabilitation and restoration costs, assumptions and estimates are required in relation to the expected cost to rehabilitate and restore sites and infrastructure when such obligation exists. 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" and "Power Plants" under "Property, plant and equipment", and "Exploration and evaluation assets" accounts in the consolidated statement of financial position.

The obligation of FGP, FGPC and FG Bukidnon occurs either when the asset is acquired or as a consequence of using the asset for the purpose of generating electricity during a particular year. A corresponding asset is recognized as part of "Property, plant and equipment" account. Dismantling costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the dismantling liability. The unwinding of the discount and the amount of provision



for rehabilitation and restoration costs are expensed as incurred and recognized as an accretion under the “Interest expense and financing charges” account in the consolidated statement of income. The estimated future costs of dismantling are reviewed annually and adjusted, as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Retirement and other post-employment benefits

The Parent Company and certain of its subsidiaries have distinct, funded, non-contributory, defined benefit retirement plans. The retirement plans of the companies cover all permanent employees, each administered by their respective retirement committees. EDC also maintains a funded, non-contributory defined benefit retirement plan, and it also provides post-employment medical and life insurance benefits which are unfunded.

First Gen Group recognizes the net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plans is determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as an expense or income in the consolidated statement of income.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.



Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of First Gen Group, nor can they be paid directly to First Gen Group. The fair value of plan assets is based on market price information and when no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

First Gen Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Share-based Payment Transactions

Awards granted under the employee stock option plan, if any, are accounted for as equity-settled transactions. The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date it is granted.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognized for equity-settled transactions at each financial reporting date until the vesting date reflects the extent to which the vesting period has expired, as well as the best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognized for any modification which increases the total fair value of the share-based payment transaction or which is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of the Company or the employees are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were modifications of the original award.

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share attributable to the equity holders of the Parent Company (see Note 23).

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at financial reporting date.



Deferred income tax

Deferred income tax is provided, using the balance sheet method, on all temporary differences at financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will become available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the income tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at financial reporting date.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates.

Current and deferred income tax relating to items recognized directly in equity is also recognized in the consolidated statement of changes in equity and not in the consolidated statement of income. Deferred income tax relating to items recognized directly in other comprehensive income is recognized in consolidated statement of comprehensive income.

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

Value-added tax (VAT)

Revenues, expenses, and assets are recognized, net of the amount of VAT except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from the taxation authority is recorded as “Input VAT” under “Other current assets” and “Other noncurrent assets” accounts in the consolidated statement of financial position. It is carried at cost less any impairment allowance.



Subject to approval of the taxation authority, input VAT can be claimed for refund or as tax credit for payment of certain types of taxes due by certain companies within First Gen Group. Input VAT claims granted by the taxation authority are separately presented as “Tax Credit Certificates” under the “Other noncurrent assets” account in the consolidated statement of financial position.

Leases

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

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

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. In cases where First Gen Group acts as a lessee, operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term.

Capital Stock, Stock Rights and Additional Paid-in Capital

Capital stock is measured at par value and is classified as equity for all stocks issued. When First Gen Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued. A preferred stock is an equity instrument that is usually preferred as to claims on the entity’s assets, earnings, or both. A common stock is an equity instrument that is subordinate to all other classes of equity instruments.

Stock rights that are given pro-rata to all of the existing owners of the same class of First Gen’s non-derivative equity instruments in order to acquire a fixed number of its own equity instruments for a fixed amount in any currency are classified as equity instrument.

When the stocks are sold at a premium, the difference between the proceeds and the par value is credited to the “Additional paid-in capital” account. When stocks are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the stocks are issued to extinguish or settle the liability of First Gen Group, the stocks shall be measured either at the fair value of the stocks issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to the issuance of new capital stock, such as underwriting, accounting and legal fees, printing costs and taxes are shown in equity as deduction, net of tax, from the proceeds.



Common Stocks in Employee Trust Account

This account pertains to EDC's common stocks held in the employee trust account. This consist of common stocks irrevocably assigned to the Banco de Oro Trust and Investment Group (BDO Trust) account that are recognized at the amount at which such common stocks were reacquired by EDC for the purpose of its executive/employee stock grant or such similar plans, and proportionately reduced upon vesting of the benefit to the executive/employee grantee of the related number of common stocks. This account is shown as part of "Non-controlling Interests" in the equity section of the consolidated statement of financial position.

Treasury Stocks

Acquired treasury stocks are accounted for at weighted average cost and shown as a deduction in the equity section of the consolidated statement of financial position. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issuance or cancellation of the Parent Company's own equity instruments. Upon reissuance of treasury stocks, the "Cost of common and preferred stocks held in treasury" account is credited at cost. The excess of proceeds from reissuance over the cost of treasury stocks is credited to the "Additional paid-in capital" account. However, if the cost of treasury stocks exceeds the proceeds from reissuance, such excess is debited to the "Additional paid-in capital" account but only to the extent of previously set-up additional paid-in capital for the same class of stock. Otherwise, this is debited against the "Retained earnings" account.

Own equity instruments which are held by subsidiaries are treated similar to treasury stocks and recognized and deducted from equity at cost in the consolidated financial statements. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Retained Earnings

The amount included in retained earnings includes profit or loss attributable to First Gen Group's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are declared by the Parent Company's BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. The remeasurement gains and losses on retirement benefits are also included in the amount of retained earnings.

Retained earnings may also include the effect of changes in accounting policies as may be required by the standards' transitional provisions.

Dividends on Preferred and Common Stocks

First Gen Group may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the Philippine SEC. First Gen Group may declare dividends only out of its unrestricted retained earnings.

Cash and property dividends on preferred and common stocks are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital.



Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to First Gen Group and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, and other sales taxes or duty. First Gen Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. First Gen Group has concluded that it is acting as a principal in all its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from sale of electricity

Revenue from sale of electricity (for FGP and FGPC) is based on the respective PPAs of FGP and FGPC. The PPAs qualify as leases on the basis that FGP and FGPC sell all of its output to Meralco. This agreement calls for a take-or-pay arrangement where payment is made principally on the basis of the availability of the power plant and not on actual deliveries of electricity generated. This arrangement is determined to be operating leases where a significant portion of the risks and benefits of ownership of the assets are retained by FGP and FGPC.

Revenue from sale of electricity is composed of fixed capacity fees, fixed and variable operating and maintenance fees, fuel, wheeling and pipeline charges, and supplemental fees. The portion related to the fixed capacity fees is considered as operating lease component and the same fees are recognized on a straight-line basis, based on the actual Net Dependable Capacity (NDC) tested or proven, over the terms of the respective PPAs. Variable operating and maintenance fees, fuel, wheeling and pipeline charges, and supplemental fees are recognized monthly based on the actual energy delivered.

Revenues from sale of electricity that are not covered by the long-term PPAs, particularly those that are using natural gas, geothermal, and hydroelectric energy, are consummated whenever the electricity generated by these companies is transmitted through the transmission line designated by the buyer, for a consideration. Revenues from sale of electricity using natural gas, hydroelectric, and geothermal power are based on sales price and are composed of generation fees from spot sales to the Wholesale Electricity Spot Market (WESM) and the Power Supply Agreement (PSAs) with various electric companies. Revenue from sale of electricity using wind and solar power is based on the applicable Feed-in Tariff (FIT) rate as approved by the Energy Regulatory Commission (ERC). Revenue from sale of electricity is recognized monthly based on the actual energy delivered.

Meanwhile, revenue from sale of electricity through ancillary services to the National Grid Corporation of the Philippines (NGCP) is recognized monthly based on the capacity scheduled and/or dispatched and provided. For FGES, revenue from sale of electricity is composed of generation charge from monthly energy supply with various contestable customers through Retail Supply Contract (RSC), and is recognized monthly based on the actual energy delivered. The basic energy charges for each billing period are inclusive of generation charge and retail supply charge.

Interest Income

Interest income is recognized as the interest accrues (using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset), taking into account the effective yield on the asset.



Insurance Proceeds

Proceeds from insurance claims are recognized as part of “Other income (charges)” and are recognized only when receipt is virtually certain.

Costs of Sale of Electricity

These include expenses incurred by the departments directly responsible for the generation of revenues from sale of electricity (i.e., Plant Operations, Production, Maintenance, Transmission and Dispatch, Wells Drilling and Maintenance Department) at operating project locations in the case of EDC. This account also includes the costs incurred by FGPC, FGP, FNPC, and Prime Meridian, particularly fuel cost, power plant operations and maintenance, and depreciation and amortization, which are necessary expenses incurred to generate the revenues from sale of electricity. Costs of sale of electricity are expensed when incurred.

Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants, and are recognized when these are incurred.

General and Administrative Expenses

General and administrative expenses constitute cost of administering the business and normally include the expenses incurred by the departments in the Head Office (i.e., Management and Services, and Project Location’s Administrative Services Department). General and administrative expenses are expensed when incurred.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of qualifying assets until such time that the assets are substantially ready for their intended use or sale, which necessarily takes a substantial period of time. Income earned on temporary investment of specific borrowings, pending the expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance the project to the extent that they are regarded as an adjustment to interest costs. All other borrowing costs are expensed in the year they occur and are recognized in the consolidated statement of income in the period in which they are incurred.

Foreign Currency Translations

The consolidated financial statements are presented in U.S. dollar, which is the Parent Company’s functional and presentation currency. Each entity in First Gen Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the weighted average functional currency rate prevailing at transaction date. Monetary assets and liabilities denominated in foreign currencies are restated using the functional currency rate of exchange at financial reporting date. All differences are taken to the consolidated statement of income. Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the weighted average exchange rates as at the date when the fair value was determined. Foreign exchange differences between the rate at transaction date and the rate at settlement date or financial reporting date are recognized in profit or loss.



The functional currency of all the subsidiaries is the Philippine peso, except for the following:

Subsidiaries:	Functional Currency
Unified	US dollar
FGP	- do -
FGPC	- do -
FGHC	- do -
Blue Vulcan	- do -
FGRI	- do -
Gold silk	- do -
Dualcore	- do -
Onecore	- do -
FNPC*	- do -
EBWPC**	- do -
EDC HKL**	- do -
EDC HKIL**	- do -
EDC Chile Holdings SPA**	Chilean peso
EDC Geotermica Chile**	- do -
EDC Chile Limitada**	- do -
EDC Peru Holdings S.A.C. **	Peruvian nuevo sol
EDC Geotermica Peru S.A.C. **	- do -
EDC Peru S.A.C. **	- do -
EDC Geotermica Del Sur S.A.C. **	- do -
EDC Energía Azul S.A.C. **	- do -
Geotermica Crucero Peru S.A.C. **	- do -
EDC Energía Perú S.A.C. **	- do -
Geotermica Tutupaca Norte Peru S.A.C. **	Peruvian nuevo sol
EDC Energía Geotermica S.A.C. **	- do -
EDC Progreso Geotermico Perú S.A.C. **	- do -
Geotermica Loriscota Peru S.A.C. **	- do -
EDC Energía Renovable Perú S.A.C. **	- do -
EDC Soluciones Sostenibles Ltd**	- do -
EDC Desarrollo Sostenible Ltd**	- do -
EDC Energía Verde Chile SpA**	- do -
EDC Energía de la Tierra SpA**	- do -
EDC Energía Verde Peru SAC**	- do -
PT EDC Indonesia**	Indonesian rupiah
PT EDC Panas Bumi Indonesia**	- do -

*Changed its functional currency from Philippine Peso in prior years to US Dollar in 2016

**Translated and consolidated to EDC using Philippine Peso

As at financial reporting date, the assets and liabilities of subsidiaries whose functional currency is different from the presentation currency are translated into the presentation currency of the Parent Company (the U.S. dollar) at the closing rate of exchange ruling at financial reporting date and, their statements of income are translated at the monthly weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income (loss) as part of the “Cumulative translation adjustments” account, a separate component of equity. Upon disposal of any of these subsidiaries, the deferred cumulative amount recognized in equity relating to that particular subsidiary will be recognized in the consolidated statement of income proportionate to the equity interest disposed.

Change in Functional Currency

When there is a change in an entity’s functional currency, the entity should apply the translation procedures applicable to the new functional currency prospectively from the date of change. An entity translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for nonmonetary items are treated as their historical cost.



Exchange differences arising from the translation at the date of change are recognized as cumulative translation adjustment reported under the consolidated statement of comprehensive income and presented in the equity section of the consolidated statement of financial position. Exchange differences arising from translation of a foreign operation recognized in other comprehensive income are not reclassified from equity to the consolidated statement of income until the disposal of the foreign operation. The comparative financial statements shall be presented into the new presentation currency in accordance with the translation procedures described in PAS 21, *The Effects of Changes in Foreign Exchange Rates*, as follows:

- a. all assets and liabilities at the exchange rates prevailing at the reporting date;
- b. equity items at historical exchange rates;
- c. revenue and expense items at the approximate exchange rates prevailing at the time of transactions; and
- d. all resulting exchange differences are recognized in cumulative translation adjustment account, presented as part of the consolidated statement of comprehensive income.

In 2015, the functional currencies of both FNPC and EBWPC have been determined to be Philippine Peso.

In 2016, after the substantial completion of San Gabriel power plant and commencement of its operations, FNPC has determined that the currency which mainly influences its operating expenses and financing activities is the U.S. Dollar. For EBWPC, after the finalization of its financing schemes in 2016, it has determined that the currency that mainly influences its operating expenses and financing activities is also the U.S. Dollar.

In accordance with PAS 21, such change in functional currency was accounted for prospectively. For FNPC, balances as of August 31, 2016 were translated using the exchange rate at the date of change and the resulting translated amounts for nonmonetary items are treated as their historical cost. The change in functional currency resulted in negative exchange difference amounting to \$6.6 million which was presented as part of the “Cumulative translation adjustments” in the consolidated statement of financial position.

Had FNPC retained its functional currency of Philippine Peso in 2016, the 2016 consolidated net income would have been lower by \$5.4 million, 2016 negative cumulative translation adjustment would have been higher by \$18.6 million, and 2016 basic and diluted earnings per share would have been lower by \$0.001.

For EBWPC, balances as of January 1, 2016 were translated using the exchange rate at the date of change and the resulting translated amounts for nonmonetary items are treated as their historical cost. The change in functional currency resulted in a positive exchange difference amounting to \$8.8 million (₱417.4 million) which was presented as part of the “Cumulative translation adjustments” account in the consolidated statement of financial position.

Had EBWPC retained its functional currency of Philippine Peso in 2016, the 2016 consolidated net income would have been lower by \$12.5 million (₱588.8 million), consolidated cumulative translation adjustment would have been lower by \$7.0 million (₱328.9 million), and basic and diluted earnings per share would have been lower by \$0.003 (₱0.03) per share for the year ended December 31, 2016.



Foreign Currency-Denominated Transactions

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and monetary liabilities denominated in foreign currencies are translated using the functional currency rate of exchange as at financial reporting date. All differences are taken to profit or loss as part of “Foreign exchange losses - net” account in the consolidated statement of income. Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Earnings Per Share (EPS) Attributable to the Equity Holders of the Parent

Basic EPS is computed by dividing net income (less cumulative preferred dividends, if any, whether declared or not) for the year attributable to common shareholders by the weighted average number of common stocks outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is calculated in the same manner, adjusted for the effects of stocks to be issued to executives (officers and senior managers) and employees under the Parent Company’s Executive Stock Option Plan (ESOP) and Employee Stock Purchase Plan (ESPP), respectively, which are assumed to be exercised at the date of grant.

Where the EPS effect of the stocks to be issued to executives and employees under the Parent Company’s ESOP and ESPP would be anti-dilutive, the basic and diluted EPS are stated at the same amount.

Segment Reporting

For purposes of management reporting, First Gen Group’s operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment. First Gen’s identified operating segments, which are consistent with the segments reported to the BOD which is First Gen’s Chief Operating Decision Maker (CODM). Financial information on the operating segment is presented in Note 4.

Events After the Financial Reporting Date

Any event after the financial reporting date that provides additional information about First Gen Group’s position at financial reporting date (adjusting event) is reflected in the consolidated financial statements. Events after financial reporting date that are not adjusting events, if any, are disclosed, in the notes to consolidated financial statements, when material.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, First Gen Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. First Gen Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.



These amendments are not expected to have any impact on First Gen Group's consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of First Gen Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on First Gen Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

First Gen Group is assessing the potential effect of the amendments on its consolidated financial statements.



- Amendments to PFRS 4, *Insurance Contracts*, Applying PFRS 9, *Financial Instruments*, with PFRS 4

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to First Gen Group since none of the entities within First Gen Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

First Gen Group is currently assessing the impact of adopting PFRS 15.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of First Gen Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of First Gen Group's financial liabilities. The adoption will also have an effect on First Gen Group's application of hedge accounting and on the amount of its credit losses. First Gen Group is currently assessing the impact of adopting this standard.



- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize



interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. First Gen Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in accordance with PFRS requires First Gen Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. However, future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying First Gen Group's accounting policies, management has made the following judgments and estimates which have the most significant effect on the amounts recognized in the consolidated financial statements:



Judgments

a. *Determination of functional currency*

Each entity within First Gen Group determines its own functional currency. The respective functional currency of each entity is the currency of the primary economic environment in which each entity operates. It is the currency that mainly influences the sale of services and the costs of providing services.

The presentation currency of First Gen Group is the U.S. dollar, which is the Parent Company's functional currency. The functional currency of each of the subsidiaries, as disclosed in Note 2 to the consolidated financial statements, is determined based on the economic substance of the underlying circumstances relevant to each subsidiary.

b. *Determination of control over an Investee Company*

Control is presumed to exist when an investor 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. The Parent Company has established that it has the ability to control its subsidiaries by virtue of either 100% or majority interest in the investee companies.

c. *Determination of whether non-controlling interest is material for purposes of PFRS 12*

PFRS 12 requires an entity to disclose certain information, including summarized financial information, for each of its subsidiaries that have non-controlling interests that are material to the reporting entity. The Parent Company has determined that the NCI in EDC and subsidiaries is material for purposes of providing the required disclosures under PFRS 12. EDC is one of the reportable segments of the Parent Company with significant assets and liabilities relative to the Parent Company's consolidated total assets and consolidated total liabilities. Also, dividends attributable to the NCI are considered significant relative to the total dividends declared by the Parent Company in the current and prior years (see Note 16).

d. *Operating leases*

The respective PPAs of FGP and FGPC qualify as leases on the basis that FGP and FGPC sell all of their output to Meralco and these agreements call for a take-or-pay arrangement where payment is made principally on the basis of the availability of the power plants and not on actual deliveries of electricity generated. These arrangements are determined to be operating leases where a significant portion of the risks and benefits of ownership of the assets are retained by FGP and FGPC. Accordingly, the power plant assets are recorded as part of the cost of property, plant and equipment and the fixed capacity fees billed to Meralco are recorded as operating revenue on a straight-line basis over the applicable terms of the PPAs (see Note 26).

For EDC, its PPAs and Steam Sales Agreements (SSAs) qualify as a lease on the basis that EDC sells significant amount of its output to NPC/PSALM and, in the case of the SSAs, the agreement calls for a take-or-pay arrangement where payment is made principally on the basis of the availability of the steam field facilities and not on actual steam deliveries. This type of arrangement is determined to be an operating lease where a significant portion of the risks and rewards of ownership of the assets are retained by EDC since it does not include transfer of EDC's assets. Accordingly, the steam field facilities and power plant assets are recorded as part of the cost of property, plant and equipment, and the capacity fees billed to NPC/PSALM are recorded as operating revenue based on the terms of the PPAs and SSAs.



In connection with the installation of Burgos Wind Project's wind turbines and related dedicated point-to-point limited facilities, EDC entered into uniform land lease agreements and contracts of easement of right of way, respectively, with various private landowners. The term of the land lease agreement starts from the execution date of the contract and ends after 25 years from the commercial operations of the Burgos Wind Project. The contract of easement of right of way on the other hand, creates a perpetual easement over the subject property. Both the land lease agreement and contract of easement of right of way were classified as operating leases. All payments made in connection with the agreements are included as part of "Prepaid expense". Prepaid lease will be amortized on a straight-line basis over the lease term, whereas prepaid rights of way will be amortized on a straight-line basis over the term of the WESC, including the extension based on management's judgment of probability of extension. Amortizations of both the prepaid lease and prepaid rights of way during the construction period were capitalized to "Construction in Progress" account, and expensed after the Burgos Wind Project became available for use.

First Gen Group has also entered into commercial property leases where it has determined that the lessor retains all the significant risks and rewards of ownership of these properties and has classified the leases as operating leases (see Note 26).

e. *Classification of financial instruments*

First Gen Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position (see Note 25).

In addition, financial assets are classified by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions in an arm's length basis.

f. *Applicability of IFRIC 12, Service Concession Arrangements on the GRESCs, WESCs and Solar Energy Service Contract (SESCs)*

An arrangement would fall under IFRIC 12 if the two (2) conditions below are met:

- a) the grantor controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price; and
- b) the grantor controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise. However, infrastructure used for its entire useful life ("whole of life assets") is within the scope if the arrangement meets the conditions in (a).

Based on management's judgment, the GRESCs, WESCs, and SESC entered into by EDC are outside the scope of IFRIC 12 since EDC controls the significant residual interest in the properties (i.e., the estimated useful lives of the assets exceed the service concession periods) at the end of the concession term through ownership.

g. *Deferred revenue on stored energy*

Under EDC's addendum agreements with NPC, EDC has a commitment to NPC with respect to certain volume of stored energy that NPC may lift for a specified period, provided that EDC is able to generate such energy over and above the nominated energy for each given year in



accordance with the related PPAs. EDC has made a judgment based on historical information that future liftings by NPC from the stored energy is not probable and accordingly, has not deferred any portion of the collected revenues. The stored energy commitments are, however, disclosed in Note 26 (b) to the consolidated financial statements.

h. *Impairment of AFS Investments*

First Gen Group classifies certain financial assets as AFS investments and recognizes movements in their fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in the consolidated statement of income.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also being considered by First Gen Group as an objective evidence of impairment. The determination of what is “significant” and “prolonged” requires judgment. First Gen Group generally considers “significant” as decline of 20% or more below the original cost of the investment, and “prolonged” as greater than twelve (12) months assessed against the period in which the fair value has been below its original cost. First Gen Group further evaluates other factors, such as volatility in share price for quoted equities and the discounted cash flows for unquoted equities in determining the amount to be impaired.

In the case of debt instruments classified as AFS, First Gen Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If First Gen Group determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognized are not included in a collective assessment of impairment.

The amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

No impairment loss on AFS financial assets was recognized in 2016, 2015 and 2014. The aggregate carrying amounts of current and noncurrent AFS financial assets are carried at \$10.3 million and \$7.1 million as of December 31, 2016 and 2015, respectively (see Notes 9 and 12).

Estimates

a. *Recoverability of goodwill*

As of December 31, 2016 and 2015, goodwill is allocated to the following CGUs:

Entity	Cash-generating Unit	2016	2015
Red Vulcan	EDC and Subsidiaries	\$909,436	\$960,840
GCGI	Palinpinon and Tongonan power plant complex	45,087	47,636
FGHC	Santa Rita power plant complex	9,086	9,086
FG Hydro	Pantabangan/Masiway hydroelectric power plants	5,899	6,233
EDC HKL	Hot Rock entities	2,549	2,469
Total		\$972,057	\$1,026,264



Goodwill is tested for recoverability 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.

This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. Estimating value-in-use requires First Gen Group to estimate the expected future cash flows from the CGUs and discounts such cash flows using weighted average cost of capital to calculate the present value of those future cash flows.

The recoverable amounts have been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rates applied in cash flow projections and the growth rates used to extrapolate the cash flows beyond the remaining term of the existing agreements for the years ended December 31, 2016 and 2015 are summarized as follows:

Entity	2016		2015	
	Pre-tax discount rates	Growth rates	Pre-tax discount rates	Growth rates
Red Vulcan	8.5%	3.2%	10.8%	3.6%
GCGI/EDC HKL	9.0%	4.0%	9.4% - 9.9%	4.0%
FGHC	9.2%	1.9%	11.7%	2.4%
FG Hydro	8.6%	2.9%	12.0%	3.6%

Key assumptions with respect to the calculation of value-in-use of the cash-generating units as of December 31, 2016 and 2015 on which management had based its cash flow projections to undertake impairment testing of goodwill are as follows:

- **Budgeted Gross Margins**
The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements.
- **Discount Rates**
Discount rates reflect the current market assessment of the risk specific to each CGU. The discount rate is based on the average percentage of the company's weighted average cost of capital. This rate is further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted.
- **Growth Rate**
Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at the terminal value of each CGU.

No impairment loss on goodwill was recognized in the consolidated statement of income in 2016, 2015, and 2014. The carrying values of goodwill as of December 31, 2016 and 2015 amounted to \$972.1 million and \$1,026.3 million, respectively (see Note 11).

b. *Recoverability of exploration and evaluation assets*

Exploration and evaluation costs are recognized as assets in accordance with PFRS 6, *Exploration for and Evaluation of Mineral Resources*. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the expenditure may be associated with finding specific geothermal reserve.



The application of First Gen Group's accounting policy for exploration and evaluation assets requires judgment and estimates in determining whether it is likely that the future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after the exploration and evaluation assets are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the consolidated statement of income in the period when the new information becomes available.

First Gen Group reviews the carrying values of its exploration and evaluation assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value.

The factors that First Gen Group considers important which could trigger an impairment review of exploration and evaluation assets include the following:

- the period for which First Gen Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of geothermal reserve in the specific area is neither budgeted nor planned;
- exploration for and evaluation of geothermal reserve in the specific area have not led to the discovery of commercially viable geothermal reserve and First Gen Group decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

First Gen Group determines impairment of projects based on the technical assessment of its resident scientists in various disciplines or based on management's decision not to pursue any further commercial development of its exploration projects.

In 2015, the exploration and evaluation costs incurred for Mt. Labo and Mainit geothermal projects amounting to \$0.2 million and \$0.1 million, respectively, were assessed by management to be no longer recoverable. Hence, these were directly written-off. The write-off recognized in 2015 is equivalent to the book values of the related exploration and evaluation assets. No similar impairment loss was recognized in 2016 and 2014. As of December 31, 2016 and 2015, the carrying amounts of capitalized exploration and evaluation assets amounted to \$62.5 million and \$65.3 million, respectively (see Note 12).

c. *Estimation of fair value of identifiable net assets of an acquiree in a business combination*

In accounting for business combinations, the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. The determination of fair values requires estimates of economic conditions and other factors (see Note 25).

d. *Impairment losses on receivables*

First Gen Group reviews its receivables at each financial reporting date to assess whether an allowance for impairment should be recognized in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance.



First Gen Group maintains an allowance for impairment losses at a level that management considers adequate to provide for potential uncollectability of its trade and other receivables and certain advances. First Gen Group evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, First Gen Group uses judgment, based on available facts and circumstances, and on a review of the factors that affect the collectability of the accounts including, but not limited to, the age and status of the receivables, collection experience, past loss experience. The review is made by management on a continuing basis to identify accounts to be provided with allowance. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated.

In addition to specific allowance against individually significant receivables, First Gen Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. Collective assessment of impairment is made on a portfolio or group basis after performing a regular review of age and status of the portfolio or group of accounts relative to historical collections, changes in payment terms, and other factors that may affect ability to collect payments.

The total amount of provision for impairment losses recognized for the years ended December 31, 2016, 2015 and 2014 amounted to \$0.4 million, \$0.8 million, and \$0.1 million, respectively. The aggregate carrying amounts of the current and noncurrent receivables are carried at \$345.1 million and \$318.2 million as of December 31, 2016 and 2015, respectively (see Notes 6, 12 and 19).

e. *Estimating NRV of inventories*

First Gen Group measures inventories at NRV when such value is lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The carrying amounts of inventories as of December 31, 2016 and 2015 amounted to \$118.2 million and \$101.6 million, respectively (see Note 7). Provision for inventory obsolescence pertaining to spare parts and supplies amounted to \$1.2 million and \$1.6 million in 2016 and 2015, respectively, and a reversal of allowance amounted to \$0.6 million in 2014 (see Notes 7 and 19).

f. *Recognition of deferred income tax assets*

The carrying amounts of deferred income tax assets at each financial reporting date are reviewed and are reduced to the extent that there is no longer sufficient future taxable income available to allow all or part of the deferred income tax assets to be utilized. First Gen Group's assessment on the recognition of deferred income tax assets on deductible temporary differences, and the carryforward benefits of MCIT and NOLCO is based on the forecasted taxable income of the future years. This forecast is based on First Gen Group's past results and future expectations on revenue and expenses.

As of December 31, 2016 and 2015, the amount of deferred income tax assets recognized in the consolidated statement of financial position amounted to \$59.3 million and \$53.6 million, respectively. First Gen Group also has deductible temporary differences, carryforward benefits of unused NOLCO and excess MCIT totaling \$226.2 million and \$125.0 million as of December 31, 2016 and 2015, respectively, for which no deferred income tax asset was recognized (see Note 22).



g. *Retirement and other post-employment benefits*

The cost of defined benefit retirement plans and other post-employment medical and life insurance benefits (in the case of EDC) are determined using the projected unit credit method of actuarial valuation. An actuarial valuation involves making assumptions. These include the determination of the discount rates, future salary increases and medical trend rates, future salary increases, mortality and disability rates and employee turnover rates. While the assumptions are reasonable and appropriate, significant differences in First Gen Group's actual experience or significant changes in the assumptions may materially affect the retirement benefit obligation. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at financial reporting date. The details of assumptions used in the calculation of First Gen Group's retirement benefits are presented in Note 21 to the consolidated financial statements.

As of December 31, 2016 and 2015, the net retirement and other post-employment benefits liabilities of First Gen Group amounted to \$26.3 million and \$41.5 million, respectively. The net retirement and other post-employment benefits assets of First Gen Group amounted to \$2.6 million and \$3.2 million as of December 31, 2016 and 2015, respectively. Net retirement benefit expense amounted to \$0.5 million, \$9.5 million and \$9.6 million in 2016, 2015 and 2014, respectively (see Note 21).

h. *Impairment of non-financial assets other than goodwill*

Property, plant and equipment, water rights, pipeline rights, rights to use transmission line, input VAT claims for refund/tax credits, prepaid major spare parts, and prepaid expenses

First Gen Group assesses impairment on these non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that First Gen Group considers important which could trigger an impairment review include the following:

- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

First Gen Group assesses whether there are any indicators of impairment for all non-financial assets at each financial reporting date. First Gen Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amount is estimated for an individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs. In the case of input VAT, where the collection of tax claims is uncertain, First Gen Group provides an allowance for impairment of input VAT based on the assessment of management and First Gen Group's legal counsel.

In 2011, EDC recognized full impairment on its Northern Negros Geothermal Power Plant (NNGP) assets amounting to \$192.9 million (₱8,737.6 million) due to steam supply limitations. To utilize the remaining facilities and fixed assets of NNGP to the extent possible, the BOD of EDC approved in September 2012 the transfer of the components of the power plant to Nasulo Power Plant located in Southern Negros. In light of the completion of the Nasulo Power Plant in July 2014, EDC has determined that the previously recognized



impairment loss on assets transferred to and installed in Nasulo must be reversed as the service potential of those assets has now been established (see Note 10). Accordingly, a reversal of previously impaired NNGP assets amounting to \$46.3 million (₱2,051.9 million) was recognized in 2014 representing the net book value of the assets installed in Nasulo Power Plant had no impairment loss previously recognized on these assets. The corresponding deferred income tax asset of \$4.6 million (₱205.2 million) has likewise been reversed. No similar reversal was recognized in 2016 and 2015 (see Note 10).

The aggregate carrying values of the non-financial assets amounted to \$3,027.8 million and \$2,991.3 million as of December 31, 2016 and 2015, respectively (see Notes 9, 10, 11 and 12).

On the other hand, EDC has recorded a provision for impairment of input VAT amounting to \$1.1 million, \$1.4 million, and \$1.2 million in 2016, 2015, and 2014, respectively. The carrying amounts of input VAT amounted to \$82.3 million and \$88.0 million as of December 31, 2016 and 2015, respectively (see Notes 12 and 19).

Loss on direct write-off of input VAT claims amounted to \$1.2 million, \$2.9 million, and \$5.3 million in 2016, 2015, and 2014, respectively. The amount of loss on direct write-off of input VAT claims is included under “Others - net” account in the consolidated statement of income (see Notes 12 and 19).

i. *Estimation of useful lives of property, plant and equipment (except land and construction in progress), concession rights on acquired contracts, water rights, pipeline rights, rights to use transmission line, and other intangible assets*

First Gen Group estimated the useful lives of property, plant and equipment, water rights, pipeline rights, and rights to use transmission line based on the years over which the assets are expected to be available for use and on the collective assessment of industry practices, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment, water rights, and pipeline rights are reviewed at each financial reporting date and updated, if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of these assets. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recording the depreciation and amortization of property, plant and equipment, water rights, and pipeline rights for any year would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment, water rights, pipeline rights, and rights to use transmission line would increase the recorded depreciation and amortization and decrease the noncurrent assets.

In June 2015, a reassessment was made by the management which resulted to a change in the estimated useful life of the Burgos Wind Power Plant from 20 years to 25 years. There were no other changes in the estimated useful lives of property, plant and equipment, water rights, pipeline rights, and rights to use transmission line in 2016 and 2014 (see Note 10).

The carrying values of property, plant and equipment (excluding land and construction in progress) as of December 31, 2016 and 2015 amounted to \$2,412.4 million and \$2,024.6 million, respectively (see Note 10). The aggregate carrying values of concession rights on acquired contracts, water rights, pipeline rights, rights to use transmission line, and other intangible assets as of December 31, 2016 and 2015 amounted to \$83.5 million and \$104.7 million, respectively (see Note 11).



j. *Estimation of asset retirement obligations*

Under their respective ECCs issued by the Department of Environmental and Natural Resources (DENR), FGP and FGPC have legal obligations to dismantle their power plant assets at the end of their useful lives. FG Bukidnon, on the other hand, has a contractual obligation under the lease agreement with PSALM to dismantle its power plant assets at the end of the useful lives. The asset retirement obligations recognized represent the best estimate of the expenditures required to dismantle the power plants at the end of their useful lives. Such cost estimates are discounted using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability. Each year, the asset retirement obligations are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized under the “Interest expense and financing charges” account in the consolidated statement of income. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligations in future years.

In 2009, with the conversion of its Geothermal Service Contracts (GSCs) to GRESCs, EDC has made a judgment that the GRESCs are subject to the provision for restoration costs. Similarly, under the WESC, EBWPC has made a judgment that it is responsible for the removal and the disposal of all materials, equipment and facilities installed in the contract area used for the wind energy project. In determining the amount of provisions for rehabilitation and restoration costs, assumptions and estimates are required in relation to the expected cost to rehabilitate and restore sites and infrastructure when such obligation exists (see Note 26).

In 2016 and 2015, First Gen Group adjusted its asset retirement obligation amounting to (\$2.0 million) and \$7.2 million, respectively. The revision in estimate was attributable to changes in discount rates (see Notes 10 and 15).

Asset retirement obligations amounted to \$23.1 million and \$25.2 million as of December 31, 2016 and 2015, respectively (see Note 15).

k. *Fair values of financial instruments*

First Gen Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates), the amount of changes in fair value would differ if First Gen Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect the consolidated statement of income and the consolidated statement of changes in equity (see Note 25).

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. Judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The fair values of First Gen Group’s financial instruments are presented in Note 25 to the consolidated financial statements.



l. *Legal contingencies and regulatory assessments*

First Gen Group is involved in various legal proceedings and regulatory assessments as discussed in Note 26 to the consolidated financial statements. First Gen Group's estimate of probable costs for the assessments and resolution of these claims and cases have been developed in consultation with in-house and external counsels handling the defense in these claims and cases and is based upon thorough analysis of potential results.

First Gen Group, in consultation with its in-house and external legal counsels, believe that its positions on these assessments are consistent with the relevant laws, and these assessments would not have a material adverse effect on the consolidated financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings.

As of December 31, 2016 and 2015, provisions for these liabilities amounting to \$11.8 million and \$11.6 million, respectively, are recorded as "Others" in the "Other noncurrent liabilities" account (see Note 15). Interest on liability from litigation amounted to \$0.2 million for each of the three years in the period ended December 31, 2016, 2015 and 2014 (see Note 20).

m. *Shortfall generation*

EDC's Unified Leyte PPA with NPC requires the annual nomination of capacity that EDC shall deliver to NPC. On a monthly basis, EDC bills a uniform capacity to NPC based on the nominated energy. At the end of the contract year, EDC's fulfillment of the nominated capacity and the parties' responsibilities for any shortfall shall be determined. On the other hand, the PPAs for Mount Apo I and II provide a minimum offtake energy which EDC shall meet each contract year. The contract year for the Unified Leyte PPA is for fiscal period ending July 25, while the contract year for the Mindanao I and II PPAs is for fiscal period ending December 25 (see Note 26). Assessment is made at every reporting date whether the nominated capacity or minimum offtake energy would be met based on management's projection of electricity generation covering the entire contract year. If the occurrence of shortfall generation is determined to be probable, the amount of estimated reimbursement to NPC is accounted for as a reduction to revenue for the period and a corresponding liability to NPC is recognized. As of December 31, 2016 and 2015, EDC's estimated liability arising from shortfall generation amounted to \$8.0 million and \$9.4 million, respectively, are shown as part of "Others" in the "Accounts payable and accrued expenses" account (see Note 13). Moreover, the amount of estimations relating to the shortfall generation under the PPA's covering Unified Leyte may be subsequently adjusted or reported depending on the subsequent reconciliation by the Technical or Steering Committee established in accordance with the Unified Leyte PPA, in view of the parties' responsibilities in connection with the consequences of typhoons and similar events. As of March 15, 2017, the reconciliation with NPC for the contract year 2013-2014 is still on-going.

4. **Operating Segment Information**

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



segment. First Gen's identified operating segments, which are consistent with the segments reported to the BOD, which is the CODM of First Gen, are as follows:

- FGPC, which operates the 1,000 MW combined cycle, natural gas-fired Santa Rita power plant, and where the Parent Company now has a 100% equity interest;
- FGP, which 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 15 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 15 geothermal contract areas. Likewise, EDC owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 6.82 MW Burgos Solar Power Plant Phase 1 and Phase 2 (Burgos Solar) both situated in Burgos, Ilocos Norte. As of December 31, 2016, Burgos Wind and Burgos Solar power plants are entitled to the FIT rates. As of December 31, 2016 and 2015, the Parent Company has a 100.0% direct voting interest in Prime Terracota, and has a 50.55% effective economic interest in EDC;
- FG Hydro, which operates the 132 MW Pantabangan-Masiway Hydroelectric Plant (PAHEP/MAHEP), and where the Parent Company has a 40% direct economic interest and 70.0% effective economic interest as of December 31, 2016 and 2015;
- FNPC, which owns and operates the 420 MW natural gas-fired San Gabriel power plant, and where the Parent Company has a 100% equity interest. The San Gabriel power plant went into commercial operations in November 2016; and,
- Prime Meridian, which owns and operates the 100 MW Avion open-cycle natural gas-fired power plant (Avion Plant), and where the Parent Company has a 100% equity interest. The Avion plant has been in commercial operations since September 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 consolidated statement of income. Segment expenses pertain to the costs and expenses presented in the consolidated statement of income excluding interest expense and financing charges, depreciation and amortization expense and income taxes which are managed on a per company basis.

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

Revenue is recognized to the extent that it is probable that economic benefits will flow to First Gen Group and that the revenue can be reliably measured. Substantially all of the segment revenues of FGP and FGPC are derived from Meralco, the sole customer of FGP and FGPC; while close to 37.7% of EDC's total revenues in 2016 are derived from existing long-term PPAs with NPC.



Financial information on the business segments are summarized as follows:

	Year Ended December 31, 2016						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others**	Eliminating Entries***	Total
Segment revenue	\$535,141	\$291,536	\$675,637	\$48,350	\$22,635	(\$11,815)	\$1,561,484
Segment expenses	(355,765)	(196,090)	(277,947)	(10,260)	(46,213)	20,296	(865,979)
Segment results	179,376	95,446	397,690	38,090	(23,578)	8,481	695,505
Interest income	6,374	4,417	5,705	275	2,407	(10,214)	8,964
Interest expense and financing charges	(25,840)	(13,176)	(92,791)	(2,441)	(42,336)	10,214	(166,370)
Depreciation and amortization	(39,398)	(22,199)	(121,075)	(9,475)	(5,437)	—	(197,584)
Other income (charges) - net	2,612	(513)	15,021	(178)	33,597	6,424	56,963
Income (loss) before income tax	123,124	63,975	204,550	26,271	(35,347)	14,905	397,478
Provision for income tax	(35,476)	(17,800)	(27,294)	(7,059)	(15,559)	(2,479)	(105,667)
Net income (loss)	\$87,648	\$46,175	\$177,256	\$19,212	(\$50,906)	\$12,426	\$291,811

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

**Others include the combined net income of FNPC and Prime Meridian totaling to \$18.0 million.

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

	Year Ended December 31, 2015						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Segment revenue	\$715,620	\$360,868	\$716,917	\$41,598	\$9,187	(\$7,922)	\$1,836,268
Segment expenses	(539,881)	(265,479)	(339,553)	(10,811)	(36,379)	18,962	(1,173,141)
Segment results	175,739	95,389	377,364	30,787	(27,192)	11,040	663,127
Interest income	10,129	5,569	6,315	191	2,403	(14,532)	10,075
Interest expense and financing charges	(29,568)	(12,856)	(97,222)	(3,414)	(51,675)	27,436	(167,299)
Depreciation and amortization	(38,852)	(22,060)	(114,691)	(9,554)	(818)	—	(185,975)
Other income (charges) - net	1,469	8,117	(6,667)	(622)	(27)	(4,540)	(2,270)
Income (loss) before income tax	118,917	74,159	165,099	17,388	(77,309)	19,404	317,658
Benefit from (provision for) income tax	(35,855)	(18,883)	(12,956)	(5,396)	4,047	(3,343)	(72,386)
Net income (loss)	\$83,062	\$55,276	\$152,143	\$11,992	(\$73,262)	\$16,061	\$245,272

*Pertains to EDC and subsidiaries' 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.

	Year Ended December 31, 2014						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Segment revenue	\$779,799	\$425,381	\$659,350	\$36,620	\$9,152	(\$7,672)	\$1,902,630
Segment expenses	(609,133)	(331,028)	(281,363)	(11,214)	(38,160)	12,065	(1,258,833)
Segment results	170,666	94,353	377,987	25,406	(29,008)	4,393	643,797
Interest income	11,414	4,903	3,523	641	6,264	(20,266)	6,479
Interest expense and financing charges	(33,696)	(13,365)	(80,758)	(3,884)	(56,050)	20,266	(167,487)
Depreciation and amortization	(38,613)	(22,120)	(93,137)	(9,505)	(535)	—	(163,910)
Other income (charges) - net	1,230	16,733	63,164	(73)	2,403	(6,218)	77,239
Income (loss) before income tax	111,001	80,504	270,779	12,585	(76,926)	(1,825)	396,118
Benefit from (provision for) income tax	(32,041)	(20,266)	(26,047)	(408)	742	—	(78,020)
Net income (loss)	\$78,960	\$60,238	\$244,732	\$12,177	(\$76,184)	(\$1,825)	\$318,098

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

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

Other financial information of the business segments are as follows:

	As of December 31, 2016						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others**	Eliminating Entries**	Total
Current assets	\$330,031	\$293,136	\$490,465	\$16,965	\$243,508	(\$261,294)	\$1,112,811
Noncurrent assets	385,411	282,288	2,154,460	104,986	6,008,692	(4,759,345)	4,176,492
Total assets	\$715,442	\$575,424	\$2,644,925	\$121,951	\$6,252,200	(\$5,020,639)	\$5,289,303
Current liabilities	\$231,657	\$151,446	\$342,437	\$9,897	\$96,956	(\$138,077)	\$694,316
Noncurrent liabilities	212,363	294,618	1,280,462	41,245	888,262	(211,530)	2,505,420
Total liabilities	\$444,020	\$446,064	\$1,622,899	\$51,142	\$985,218	(\$349,607)	\$3,199,736

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

**Others include the combined total assets and combined total liabilities of FNPC and Prime Meridian totaling to \$605.5 million and \$215.1 million, respectively.

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



	As of December 31, 2015						
	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.

5. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks (see Notes 20, 24 and 25)	\$126,289	\$123,021
Short-term deposits (see Notes 20, 24 and 25)	371,691	607,442
	\$497,980	\$730,463

Cash and cash equivalents earn interest at the respective bank deposit rates ranging from 0.12% to 1.63%, 0.12% to 1.80% and 0.1% to 1.85% for the years ended December 31, 2016, 2015 and 2014, respectively. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of First Gen Group, and earn interest at the respective short-term deposits rates.

Total interest income earned amounted to \$7.9 million, \$9.7 million and \$5.9 million for the years ended December 31, 2016, 2015 and 2014, respectively (see Note 20).

6. Receivables

This account consists of:

	2016	2015
Trade (see Notes 24, 25 and 26)	\$338,825	\$310,968
Due from related parties (see Notes 18, 24 and 25)	1,592	2,021
Loans and notes receivables (see Notes 24 and 25)	1,541	1,908
Others (see Notes 14, 24 and 25)	4,831	4,985
	346,789	319,882
Less allowance for impairment losses	2,307	2,400
	\$344,482	\$317,482

Trade receivables are noninterest-bearing and are generally collectible in 30 to 60 days. Other receivables comprise mainly of receivables from employees, contractors, and suppliers which are collectible upon demand.



The table below shows the rollforward analysis of the allowance for impairment losses on trade receivables:

	2016	2015
Balances at beginning of year	\$2,400	\$2,038
Provision for impairment loss (see Note 19)	38	480
Foreign exchange adjustments	(131)	(118)
Balances at end of year	\$2,307	\$2,400

7. Inventories

This account consists of:

	2016	2015
At cost:		
Fuel inventories (see Note 26)	\$52,464	\$38,020
Spare parts and supplies	55,126	50,564
	107,590	88,584
At NRV - Spare parts and supplies	10,652	13,034
	\$118,242	\$101,618

The amounts of fuel inventories recognized as expense amounted to \$2.4 million, \$128.3 million, and \$48.4 million for the years ended December 31, 2016, 2015 and 2014, respectively, which are recognized as part of the “Costs of sale of electricity” account in the consolidated statement of income (see Note 19).

Spare parts and supplies inventories include items that are carried at net realizable value amounting to \$10.7 million and \$13.0 million as of December 31, 2016 and 2015, respectively, and have a cost amounting to \$11.6 million and \$14.3 million, respectively. The rest of the spare parts and supplies inventories are carried at cost.

Provision for impairment of spare parts and supplies inventories amounted to \$1.2 million and \$1.6 million in 2016 and 2015, respectively, and reversal amounted to \$0.6 million in 2014. Provision for (reversal of) impairment of spare parts and supplies inventories are shown as part of “General and administrative expenses” account in the consolidated statement of income (see Note 19). The amount of spare parts and supplies inventories charged to expense amounted to \$14.5 million, \$23.9 million and \$29.2 million for the years ended December 31, 2016, 2015 and 2014, respectively (see Note 19). Details of spare parts and supplies inventories issued are as follows:

	2016	2015	2014
Costs of sale of electricity (see Note 19)	\$12,286	\$20,527	\$24,068
General and administrative expenses (see Note 19)	2,195	3,374	5,166
	\$14,481	\$23,901	\$29,234



After subsequent technical assessment, some parts and supplies impaired in 2013 due to Typhoon Yolanda amounting to \$0.4 million and \$1.0 million were assessed to be reusable in 2015 and 2014, respectively. These were also recognized as part of “Reversal of impairment of damaged assets due to Typhoon Yolanda” account in the consolidated statement of income. There was no reversal of impairment of damaged assets recognized in 2016.

8. Financial assets at FVPL

In 2014, EDC entered into an Investment Management Agreement (IMA) with Security Bank Corporation (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.

In 2016 and 2015, the Parent Company also entered into an IMA with BDO as investment manager, amounting to \$27.8 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 financial assets to be carried at FVPL. Mark-to-market gain (loss) on the securities amounting to \$0.1 million, (\$0.2 million) and \$0.2 million for the years ended December 31, 2016, 2015, and 2014, respectively, were taken up in the consolidated statement of income.

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

	2016	2015
Balance at beginning of year	\$30,108	\$11,708
Additions for the year	27,777	110,514
Realized income for the year	188	79
Mark-to-market gain (loss) on financial assets at FVPL	72	(169)
Redemptions for the year	(34,357)	(89,873)
Foreign exchange adjustments	(1,244)	(2,145)
Trustee fees	(10)	(6)
Balance at end of year	\$22,534	\$30,108



9. Other Current Assets

This account consists of:

	2016	2015
Input VAT	\$62,119	\$53,486
Prepaid expenses	23,439	21,794
DSRA (see Note 14)	20,665	28,140
Derivative assets (see Note 25)	9,461	1,245
Prepaid taxes (see Note 12)	6,765	10,045
Short-term investments	5,873	—
Advances to contractors	525	1,056
AFS financial assets (see Note 12)	—	2,754
Others (see Notes 24 and 25)	726	801
	\$129,573	\$119,321

Prepaid Expenses

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

DSRA

DSRA pertains to the restricted peso and dollar-denominated interest bearing accounts opened and established by EBWPC, BGI and GCGI in accordance with the loan agreements that will serve as a cash reserve or deposit to service the principal and/or interest payments due on the loans (see Note 14). Total interest earned on DSRA, net of final tax, amounted to \$0.2 million, \$0.1 million and nil as of December 31, 2016, 2015 and 2014, respectively (see Note 20).

Short-term investments

Short-term investments consist of money market securities with maturity of more than three (3) months but less than twelve (12) months.

Prepaid Taxes

As of December 31, 2016 and 2015, EDC, FG Hydro, EBWPC and GCGI classified a portion of their tax credit certificates (TCCs) as current assets totaling to \$2.9 million and \$5.9 million, respectively. These are expected to be utilized for payment of various taxes within twelve (12) months.

AFS Financial Assets

AFS financial assets consist of:

	2016	2015
Current - Quoted government debt securities (see Notes 24 and 25)	\$—	\$2,754
Noncurrent (see Notes 12, 24 and 25):		
Quoted Securities:		
Equity securities	655	598
Government debt securities	1,894	2,059
Corporate bonds	671	684

(Forward)



	2016	2015
Unquoted Securities	\$6,094	\$-
Investment in proprietary club membership shares	1,014	1,014
	10,328	4,355
Total	\$10,328	\$7,109

Quoted government debt securities consist of investments in Republic of the Philippines (ROP) bonds, Rizal Commercial Banking Corporation (RCBC) GT Capital Fixed Rate Bonds, BDO Private Bank Incorporated Fixed Rate Treasury Note, JP Morgan ROP bond and RCBC Retail Treasury Bond with maturities between 2023 and 2037 as of December 31, 2016, and between 2016 and 2037 as of December 31, 2015, and interest rates ranging from 5.1% to 8.0% for both years.

Investment in unquoted equity securities consists of the investments made by EDC in 2016 in the BDO Institutional Cash Reserve Fund (ICRF), a money unit investment trust fund. As of December 31, 2016, the fair value of EDC's investment in BDO ICRF amounted to \$6.1 million.

The movements of the unrealized gains (losses) related to the foregoing investments, which are presented in the consolidated statement of comprehensive income, amounted to \$0.1 million, (\$0.1 million) and \$0.02 million in 2016, 2015, and 2014, respectively. Changes in fair value recognized in the consolidated statement of comprehensive income pertain to the Parent Company's share in the unrealized gains and losses during the year brought about by the temporary increases or decreases in the fair values of the debt and equity instruments.



10. Property, Plant and Equipment

Movements in the account are as follows:

2016									
	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
Costs:									
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	2,002	1,275	6,698	—	1,615	994	819	276,163	289,566
Retirements/write-off	—	(298)	(220)	—	(1,489)	(780)	—	—	(2,787)
Reclassifications/adjustments (see Note 12)	—	119,208	418,881	91,587	1,806	35	1,073	(616,547)	16,043
Foreign exchange adjustments	(2,138)	(55,326)	(9,462)	(40,201)	(1,612)	(175)	(24)	(9,203)	(118,141)
Balances at December 31, 2016	57,270	1,837,369	1,284,545	719,066	36,886	7,754	3,658	277,468	4,224,016
Accumulated Depreciation, Amortization and Impairment Losses:									
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 (see Note 19)	—	98,266	53,345	24,014	4,363	1,060	466	—	181,514
Retirements/write-off	—	(158)	(147)	—	(634)	(544)	—	—	(1,483)
Reclassifications/adjustments	—	96	39	6	16	27	—	(97)	87
Foreign exchange adjustments	(20)	(18,880)	(3,224)	(10,404)	(989)	(110)	(5)	(22)	(33,654)
Balances at December 31, 2016	354	566,871	692,810	186,119	24,522	5,087	1,484	377	1,477,624
Net Book Values	\$56,916	\$1,270,498	\$591,735	\$532,947	\$12,364	\$2,667	\$2,174	\$277,091	\$2,746,392

2015									
	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
Costs:									
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 12)	—	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 Losses:									
Balances at December 31, 2014	395	418,493	589,016	158,680	17,905	4,017	990	—	1,189,496
Depreciation and amortization (see Note 19)	—	85,364	57,377	22,557	4,828	1,185	47	—	171,358
Provision for impairment losses (see Note 19)	—	—	—	—	—	—	—	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 \$654.9 million and \$679.9 million as of December 31, 2016 and 2015, respectively, have been pledged as security for long-term debt (see Note 14).

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 15).

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 15).

In 2016 and 2015, First Gen Group adjusted its asset retirement obligation amounting to (\$2.0 million) and \$7.2 million, respectively (see Note 15). 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, Prime Meridian 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 Prime Meridian's Avion Plant. IEG is an engineering contractor from Slovakia experienced in the construction of aeroderivative gas turbine power plants. The Avion Plant uses General Electric’s LM6000 PC Sprint aeroderivative gas turbines and have the capability to burn natural gas or liquid fuel. The Avion plant was constructed adjacent to the Parent Company’s 1,000 MW Santa Rita and 500 MW San Lorenzo natural gas-fired power plants located in Batangas City.

On March 14, 2016, Prime Meridian terminated the EPC contracts due to IEG’s and EPCo’s failure to comply with their obligations under the contracts, including, but not limited to, delay in completing the works. Prime Meridian has likewise drawn against various performance securities issued by IEG and EPCo amounting to \$12.2 million and \$3.1 million (₱146.8 million), respectively, totaling to \$15.3 million, which has been used to complete the outstanding works required to commission and operate the Avion Plant. The proceeds from these performance securities were deducted from the total cost of the Avion Plant under the “Property, plant and equipment” account.

Execution of Completion Works Agreement (CWA)

Following the termination of contract between Prime Meridian and IEG and EPCo in March 2016, Prime Meridian has engaged various contractors for the completion of pending works in the Avion Plant. The services stipulated in the CWA’s include but not limited to the following:

- design, civil, structural and architectural, mechanical and electrical works;
- technical services relating to the commissioning of aero derivative industrial gas turbines;
- engineering, supply, installation, commissioning, testing, consumables, spare parts, and others as may be required for the control systems, electrical systems, emergency back-up generator and other equipment to be fully functional and operational;
- performance test in accordance with the requirements detailed in the Performance Test table; and
- engineering, consultancy and advisory services for the operational readiness of Avion project.

The Contractors shall be responsible for performing all necessary design, engineering, commissioning, and testing required for the successful performance of Completion Works.

In 2016 and 2015, total borrowing costs capitalized in connection with the Avion Plant amounted to \$4.6 million and \$5.6 million, respectively. Capitalization rates used for the general borrowing cost in 2016 and 2015 were 6.4% and 6.5% per annum, respectively.

In 2016, net commissioning income amounting to \$3.3 million (₱155.5 million) was recognized and presented as part of “Other income (charges)” account in the consolidated statement of income. Net commissioning income represents the excess of the proceeds generated from selling the electricity generated during the commissioning phase against the costs incurred from the commissioning activities such as fuel, operations and maintenance, and any other direct costs.

The commissioning of the Avion Plant was completed in September 2016, and started its commercial operations on September 26, 2016 upon receiving its Certificate of Compliance (“COC”) from the ERC which enables it to sell power to the WESM.



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. 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.

On September 4, 2016, FNPC issued the Project Acceptance Certificates to Siemens Inc. and Siemens AG for the substantial completion of works specified in the contracts and passing the required tests on completion of the San Gabriel Plant, which started its commercial operations on November 7, 2016 upon receiving its COC from the ERC which likewise enables it to sell power to the WESM.

In 2016 and 2015, total specific and general borrowing costs capitalized in connection with the project amounted to \$16.1 million and \$19.4 million, respectively. Capitalization rates used for the general borrowing cost in 2016 and 2015 were 6.4% and 6.5% per annum, respectively. 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).

In 2016, net commissioning loss amounting to \$4.0 million (₱180.4 million) was capitalized as part of “Property, plant and equipment” account in the consolidated statement of financial position. Net commissioning loss consists of costs incurred from the commissioning activities such as fuel, operations and maintenance costs, and other direct costs less any proceeds generated from selling the electricity generated during the commissioning phase.

Collection of Liquidated Damages (LDs) from Siemens Inc. and Siemens AG by FNPC

On April 4, 2016, FNPC issued a Notice of Default to Siemens Inc. and Siemens AG for their failure to complete the San Gabriel project within the Guaranteed Completion Date of March 31, 2016. In accordance with the signed Construction Service Contract with Siemens Inc. and Equipment Supply Contract with Siemens AG, FNPC received LDs totaling to \$47.8 million for the year ended December 31, 2016. These LDs representing compensation for the loss profits were recognized and presented as part of “Other income (charges)” account in the 2016 consolidated statement of income.

Completion of the Northern Negros Geothermal Plant to Nasulo Geothermal Plant (N2N) Project

In April 2011, EDC suspended the operations of its 49 MW NNGP because the plant was not capable of operating on its designed capacity due to steam supply limitations. In the last quarter of 2013, to utilize the facilities and fixed assets of NNGP, EDC transferred the components of the NNGP power plant to the Nasulo Power Plant in Southern Negros. The N2N Project was implemented in two phases. Phase 1 covered the site preparation and civil works, including the construction of the powerhouse building and other civil structures and foundations, while Phase 2 covered the relocation of the existing unit and electro-mechanical equipment from NNGP going to Nasulo.



The total cost capitalized for the construction of the Nasulo Power Plant amounted to \$87.3 million, which already includes the assets from NNGP. During the relocation and construction of the Nasulo Power Plant, EDC incurred general borrowings used to fund the project. In 2014, the borrowing costs capitalized in connection with the project amounted to \$0.3 million using the capitalization rate of 6.3% per annum.

EDC performed testing run from April 2014 to July 20, 2014. The total revenue generated from testing the power plant amounted to \$7.7 million, and out of this amount, \$2.3 million was offset against the costs of testing whether the assets are functioning properly.

On July 21, 2014, EDC declared that the Nasulo Power Plant, after achieving a capacity of 49.4 MW, was already complete and in the condition necessary for it to operate as intended by management. Consequently, the total cost of the newly constructed assets was reclassified from “Construction in progress” to “Power Plants, Buildings, Improvements and Other Structures” category. Upon completion, the adjacent Nasuji Power Plant with a capacity of 20 MW has been put on preservation mode.

Since the service potential of asset transferred has already been established, EDC recognized the reversal of the previously impaired NNGP assets amounting to \$46.3 million, representing the net book value of the assets transferred had no impairment loss been previously recognized and the corresponding deferred income tax asset of \$4.6 million. No similar reversal was recognized in 2015 and 2016.

Bac-Man 3 Engineering, Procurement and Construction (EPC) Contract

On September 5, 2015, EDC entered into a design and equipment supply contract with Hyundai Engineering Co., Ltd., and a construction services contract with Galing Power and Energy Construction Co. Inc. for the EPC of the 31 MW Bac-Man 3 Geothermal Power Plant in Barangays Capuy, Bucalbucan, Rizal, and Bulabog, Sorsogon City, Sorsogon Province.

Completion of the rehabilitation of Bac-Man Geothermal Power Plant (BMGPP)

On May 5, 2010, BGI acquired the BMGPP in an auction conducted by PSALM where BGI submitted the highest offer price of \$28.3 million.

Located in Bacon, Sorsogon City and Manito, Albay in the Bicol region, the BMGPP package consists of two steam plant complexes. The Bac-Man I power plant has two 55 MW generating units (Unit 1 and Unit 2) while Bac-Man II power plant has one 20 MW generating unit (Unit 3). EDC supplies the steam that fuels these power plants.

Following the rehabilitation, BGI’s Unit 1, Unit 2, and Unit 3 have commenced commercial operations on January 28, 2014, June 3, 2014 and October 1, 2013, respectively.

In 2014, total borrowing costs capitalized in connection with the project amounted to \$0.2 million from general borrowings using a capitalization rate of 6.5% per annum.

In October 2014, the turbine retrofitting for Bac-Man Unit 2 was completed and increased the capacity to 60 MW. Similarly, on February 20, 2015, EDC completed the installation of the brand new Toshiba steam turbine rotor unit and diaphragms for its Unit 1 which also increased the capacity to 60 MW.



Burgos Wind Project

In March 2013, EDC entered into an agreement with Vestas Wind Systems (Vestas) for the construction of its 87-MW Burgos Wind Project (Phase 1), located in the Municipality of Burgos, Ilocos Norte. The project is comprised of three components: (i) the establishment of a wind farm facility; (ii) a 115kV transmission line; and (iii) a substation adjacent to the wind farm.

On April 30, 2014, EDC and Vestas entered into another contract for the construction and installation of an additional 21 wind turbines (Phase 2) increasing the total generating capacity from 87 MW to 150 MW.

On November 12, 2014, EBWPC received DOE's Certificate of Endorsement (COE) for the FIT Eligibility endorsing the 150 MW Burgos Wind project (Phase 1-87 MW and Phase 2-63 MW) for the purpose of qualifying the project under the FIT System.

Upon completion of the Burgos Wind project in 2014, a total cost of \$345.1 million was reclassified from "Construction in progress" to completed property, plant and equipment under the "Power Plants, Buildings, Improvements and Other Structures" category.

On April 14, 2015, EBWPC received the COC for its Burgos Wind Power Plant - Phases 1 and 2 granted by the ERC on April 13, 2015. The COC specifies that the project, having a total capacity of 150 MW, is entitled to the FIT rate of ₱8.53 per kWh, subject to adjustments as may be approved by the ERC, from November 11, 2014 to November 10, 2034.

In June 2015, a reassessment was made by management and has resulted to a change in the estimated useful life of the Burgos Wind Power Plant from 20 years to 25 years.

Depreciation expense recognized amounted to \$16.4 million, \$15.0 million and \$3.0 million in 2016, 2015 and 2014, respectively, while the total revenue generated by the project amounted to \$57.7 million, \$52.0 million and \$4.2 million in 2016, 2015 and 2014, respectively.

In relation to project funding, on May 3, 2013, to partially finance the construction of Burgos Wind project, EDC issued fixed-rate peso bonds amounting to \$162.0 million (₱7.0 billion) (see Note 14). The proceeds of the bonds were used specifically for the construction of the Burgos Wind project.

In addition, while EBWPC was arranging the permanent financing for the project, EDC entered into bridge financing facilities (see Note 14).

On October 17, 2014, EBWPC secured a \$315.0 million financing agreement with a group of foreign and local banks representing the project financing for the construction of the 150 MW Burgos Wind project. The facility, which consists of U.S. Dollar and Philippine peso tranches, will mature in 15 years. Part of the proceeds of this project financing was used to prepay the two bridge loan facilities.

Under the agreement of the EBWPC's Project Financing, EBWPC entered into Mortgage Agreement with Philippine National Bank (PNB), the Onshore Collateral Agent. The Mortgage shall cover all of the assets of EBWPC whether such assets now exist or at any time hereafter come into existence, or are now at any time hereafter acquired, and whether any such later acquisition is by way of addition thereto or substitution of any component part thereof, together with all the rights and interests therein.



Total borrowing costs capitalized to the project from specific borrowings using capitalization rates ranging from 1.5% to 4.5% amounted to \$7.8 million and \$3.3 million in 2014 and 2013, respectively.

Burgos Solar Project - Phase 1

On March 5, 2015, EDC has successfully commissioned its 4.16 MW Burgos Solar Power Plant, which is in the same vicinity with the EBWPC's wind farm. The project, which is geographically situated in Barangays Saoit, Poblacion, and Nagsurot, is located 1.6 kilometer (km) from the Pan Pacific highway of Ilocos.

Upon completion of the project in March 2015, a total cost of \$7.1 million was reclassified from the "Construction in progress" to completed property, plant and equipment under the "Power Plants, Buildings, Improvements and Other Structures" category. No borrowing cost was capitalized to the project.

On April 17, 2015, EDC received the COC for its Burgos Solar Power Plant which was granted by the ERC on April 6, 2015. The COC specifies that the project, having a total capacity of 4.16 MW, is entitled to the FIT rate of ₱9.68 per kWh, subject to adjustments as may be approved by the ERC, from March 5, 2015 to March 4, 2035.

Total revenue recognized by the Burgos Solar Project - Phase 1 for the year ended December 31, 2016 and from March 5, 2015 to December 31, 2015 and amounted to \$1.3 million and \$1.1 million, respectively.

Burgos Solar Project - Phase 2

On March 1, 2016, EDC has successfully commissioned its 2.66-MW Burgos Solar Project, which is in the same vicinity with EBWPC's wind farm and Burgos Solar Project - Phase 1.

Upon completion of the project in March 2016, a total cost of \$5.3 million was reclassified from the "Construction in progress" account to completed property, plant and equipment under the "Power Plants, Buildings, Improvements and Other Structures" category. No borrowing cost was capitalized to the project.

On March 1, 2016, the ERC issued to EDC the FIT 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 FIT rate of ₱8.69/kWh, subject to adjustments as may be approved by the ERC, from January 19, 2016 to January 18, 2036.

Total revenue recognized by the Burgos Solar Project - Phase 2 from March 1, 2016 to December 31, 2016 amounted to \$0.7 million.

Bago Solar Project

The Construction in progress account included the cost capitalized pertaining to the Bago Solar Project amounting to \$0.5 million (₱23.3 million). The Bago Solar Project was granted a Certificate of Confirmation of Commerciality by the DOE on March 5, 2015. However, EDC decided to put the development of the project on hold as the project economics are being evaluated on a post-FIT scenario. Accordingly, a provision for impairment loss equivalent to the carrying amount of the Bago Solar Project amounting to \$0.5 million (₱23.3 million) was recognized in 2015. No similar provision was recognized in 2016 and 2014.



Collection of LDs from Weir Engineering Services Limited (Weir) by BGI

In June 2016, BGI and Weir Engineering Services Limited (Weir) have agreed to (i) settle all claims arising from the contract for Works - Completion of Works to Steam Turbine and Generator of Units 1, 2, and 3 dated March 29, 2012; and (ii) jointly take steps to cause the discontinuance of the arbitration case pending with the International Chamber of Commerce. As a result, BGI and Weir have entered into a settlement whereby BGI would receive a net reimbursement for the LDs amounting to \$2.5 million (₱122.0 million). The net reimbursement amounting to \$2.5 million (₱122.0 million) was accounted for as a reduction from the “Property, plant and equipment” account under the “Power Plants, Buildings, Improvements and Other Structures” category.

Depreciation and Amortization

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

	2016	2015	2014
Property, plant and equipment	\$181,514	\$171,358	\$148,718
Intangible assets (see Note 11)	16,744	16,734	16,398
Capitalized depreciation	(674)	(2,117)	(1,206)
	\$197,584	\$185,975	\$163,910

	2016	2015	2014
Costs of sale of electricity (see Note 19)	\$188,744	\$176,231	\$153,233
General and administrative (see Note 19)	8,840	9,744	10,677
	\$197,584	\$185,975	\$163,910

Reclassifications

The reclassifications in the accumulated depreciation of property, plant and equipment include the capitalized depreciation charges amounting to \$0.7 million, \$2.1 million and \$1.2 million in 2016, 2015 and 2014, respectively, under “Construction in progress” which primarily relates to ongoing drilling of production wells. In addition, other reclassifications in the cost of property, plant and equipment in 2016 and 2015 were due to the adjustments to provisions for rehabilitation and restoration costs, and results of the reassessment made by EDC on the nature of the assets.

Construction in Progress

First Gen Group’s “Construction in progress” account includes steam assets and other ongoing construction projects. Steam assets are mainly composed of in-progress production wells and FCRS, while other construction projects include on-going rehabilitation activities in the plants, retrofitting projects and other construction projects.



11. Goodwill and Intangible Assets

Movements in the account are as follows:

	2016						Total
	Goodwill	Concession Rights for Contracts Acquired	Water Rights	Pipeline Rights	Rights to Use Transmission Line	Other Intangible Assets	
Costs:							
Balances at December 31, 2015	\$1,026,264	\$177,151	\$51,100	\$13,253	\$1,152	\$4,328	\$1,273,248
Additions	—	—	—	—	—	93	93
Foreign exchange adjustments	(54,207)	(9,477)	(2,734)	—	—	(235)	(66,653)
Balances at December 31, 2016	972,057	167,674	48,366	13,253	1,152	4,186	1,206,688
Accumulated Amortization:							
Balances at December 31, 2015	—	113,724	18,652	7,980	—	1,972	142,328
Amortization (see Note 10)	—	12,402	2,034	602	120	1,586	16,744
Foreign exchange adjustments	—	(6,691)	(1,097)	—	—	(183)	(7,971)
Balances at December 31, 2016	—	119,435	19,589	8,582	120	3,375	151,101
Net Book Values	\$972,057	\$48,239	\$28,777	\$4,671	\$1,032	\$811	\$1,055,587

	2015						Total
	Goodwill	Concession Rights for Contracts Acquired	Water Rights	Pipeline Rights	Rights to Use Transmission Line	Other Intangible Assets	
Costs:							
Balances at December 31, 2014	\$1,079,493	\$186,421	\$53,774	\$13,253	\$—	\$6,987	\$1,339,928
Additions	—	—	—	—	1,152	312	1,464
Reclassification (see Note 10)	—	—	—	—	—	(2,713)	(2,713)
Foreign exchange adjustments	(53,229)	(9,270)	(2,674)	—	—	(258)	(65,431)
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 (see Note 10)	—	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

On January 3, 2014, EDC HKL, a wholly owned subsidiary of EDC purchased 100% interest in Hot Rock companies, namely: Hot Rock Chile Ltd (BVI), Hot Rock Peru Ltd (BVI), Hot Rock Chile S.A., Hemisferio Sur SpA and Hot Rock Peru S.A. (collectively, the “Hot Rock Entities”). The total consideration amounting to US\$3.0 million (₱133.2 million) was paid in cash which resulted to the recognition of goodwill amounting to ₱116.4 million. Also, upon acquisition, Energy Development Corporation Peru S.A.C. became a wholly owned subsidiary of EDC HKL, which was previously 30%-owned by Hot Rock Peru S.A. and 70%-owned by EDC HKL. This acquisition was accounted for using PFRS 3. These Hot Rock entities are at the initial phase of geothermal power business and have been granted with government concession license for exploration of geothermal energy in Chile and Peru.

In 2014, the names of these entities were changed as follows:

Previous Name	New Name
Hot Rock Chile Ltd BVI	EDC Soluciones Sostenibles Ltd
Hot Rock Peru Ltd BVI	EDC Desarrollo Sostenible Ltd
Hot Rock Chile	EDC Energia Verde Chile SpA
Hemisferio Sur SpA	EDC Energia de la Tierra SpA
Hot Rock Peru	EDC Energia Verde Peru SAC



Concession Rights for Contracts Acquired

As a result of the purchase price allocation of Red Vulcan, an intangible asset was recognized pertaining to concession rights originating from contracts of EDC amounting to \$204.3 million (₱8,336.7 million). Such intangible asset pertains to the SSAs and PPAs of EDC that were existing at the time of acquisition. 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 remaining amortization period of the intangible asset pertaining to the concession rights originating from contracts ranges from 2.0 years to 8.0 years as of December 31, 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, gave its consent to the transfer to FG Hydro, as the winning bidder of the PAHEP/MAHEP, the water permit for Pantabangan river issued by the National Water Resources Council on March 15, 1977.

Water rights are amortized using the straight-line method over 25 years, which is the term of FG Hydro's agreement with NIA. The remaining amortization period of water rights is 14.9 years as of December 31, 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 GSPA. The remaining amortization period of pipeline rights is 7.75 years as of December 31, 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 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 8.67 years as of December 31, 2016.

Other Intangible Assets

This account includes computer software and licenses.



12. Other Noncurrent Assets

This account consists of:

	2016	2015
Input VAT	\$89,254	\$95,238
Prepaid major spare parts [see Note 26(h)]	65,506	69,541
Exploration and evaluation assets	62,530	65,312
TCCs	54,077	56,423
Prepaid expenses	13,559	11,360
AFS financial assets (see Notes 9, 24 and 25)	10,328	4,355
Derivative assets (see Note 21)	3,372	6,879
Long-term receivables (see Notes 24 and 25)	2,827	2,700
Special deposits and funds	2,695	2,489
Retirement assets (see Note 21)	2,597	3,224
Deferred debt issuance costs (see Note 14)	—	7,207
Others	46,271	37,248
	353,016	361,976
Less allowance for impairment loss	9,214	9,207
	\$343,802	\$352,769

Input VAT

Input VAT represents VAT due or paid on purchases of goods and services that can be claimed against any future liability to the BIR for output VAT from sale of goods and services. As of December 31, 2016 and 2015, EDC's input VAT amounted to \$58.7 million and \$66.6 million, respectively.

Input VAT also includes the outstanding input VAT claims that were applied by EDC for refund with the BIR/Supreme Court (SC). As of December 31, 2016 and 2015, the outstanding input VAT claims which are still pending with the BIR/SC amounted to \$30.3 million and \$28.4 million, respectively.

Prepaid Major Spare Parts

In 2016, prepaid major spare parts amounting to \$30.5 million was reclassified to "Property, plant and equipment" account as a result of the completion of the scheduled maintenance outage of Santa Rita power plant [see Notes 10 and 26(h)].

Exploration and Evaluation Assets

	2016	2015
Balances at beginning of year	\$65,312	\$62,645
Additions	749	6,256
Write-off (see Note 3)	—	(250)
Foreign exchange adjustments	(3,531)	(3,339)
Balances at end of year	\$62,530	\$65,312



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

	2016	2015
Rangas/Kayabon	\$34,626	\$36,039
Mindanao III	23,567	24,843
Dauin/Bacong	1,560	1,649
Others	2,777	2,781
	\$62,530	\$65,312

TCCs

First Gen Group's TCCs consist of the following:

December 31, 2016					
Entity	Balances at beginning of year	Additions	Utilization	Foreign exchange differences	Balances at end of year
EDC	\$56,996	\$15,799	(\$16,787)	(\$3,000)	\$53,008
EBWPC	338	2,058	(98)	(114)	2,184
GCGI	270	2,222	(918)	(78)	1,496
BGI	—	1,242	(974)	(14)	254
FG Hydro	4,763	415	(5,154)	(24)	—
	\$62,367	\$21,736	(\$23,931)	(\$3,230)	\$56,942

December 31, 2015					
Entity	Balances at beginning of year	Additions	Utilization	Foreign exchange differences	Balances at end of year
EDC	\$55,257	\$18,601	(\$13,419)	(\$3,443)	\$56,996
FG Hydro	2,830	4,080	(1,854)	(293)	4,763
EBWPC	—	351	—	(13)	338
GCGI	368	895	(941)	(52)	270
	\$58,455	\$23,927	(\$16,214)	(\$3,801)	\$62,367

As of December 31, 2016 and 2015, EDC, FG Hydro, EBWPC and GCGI classified a portion of their TCCs as current assets totaling to \$2.9 million and \$5.9 million, respectively, and was presented as part of "Prepaid taxes" under "Other current assets" account (see Note 9). These are expected to be utilized for payment of various taxes within twelve (12) months.

TCCs that remain unutilized after five (5) years from the date of original issuance are still valid provided that these are duly revalidated by the BIR within the period allowed by law.

Special Deposits and Funds

The special deposits and funds mainly consist of security deposits for various operating lease agreements covering office spaces and certain equipment, escrow accounts in favor of terminated employees, and escrow accounts in favor of specified counterparties in certain transactions. The release of which is subject to certain conditions (see Notes 24, 25 and 26).

Prepaid Expenses

Prepaid expenses include payments made by EDC on its real property taxes (RPT) that were paid under protest to certain local government units ("LGUs") totaling to \$10.3 million and \$8.0 million as of December 31, 2016 and 2015, respectively. The amounts paid in protest were in excess of the amounts determined using the 1.5% RPT rate stated in the Renewable Energy Law



(RE Law), and are pending with the Local Board of Assessment Appeals (LBAA) and Central Board of Assessment Appeals (CBAA).

In connection with the installation of Burgos Wind project's wind turbines and related dedicated point-to-point limited facilities, EDC entered into uniform land lease agreements and contracts of easement of right of way with various private landowners. The term of land lease agreement starts from the execution date of the contract and ends after 25 years from the commercial operations of the Burgos Wind project. The total prepaid lease amounted to \$3.0 million and \$3.3 million as of December 31, 2016 and 2015, respectively.

Others

"Others" account includes capital expenditures funding made by EDC to Enerco amounting to \$30.2 million and \$20.1 million as of December 31, 2016 and 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.

"Others" account also include advances to contractors, deposits for land acquisitions, and power plant spares totaling to \$14.8 million and \$13.6 million as of December 31, 2016 and 2015, respectively.

Allowance for Impairment

The rollforward analysis of the allowance for impairment losses pertaining to Input VAT and long-term receivables is presented below:

	2016			
	Input VAT	Long-term receivables		Total
		NPC	Others	
Balances at beginning of year	\$7,202	\$32	\$1,973	\$9,207
Provision for impairment loss (see Note 19)	1,070	—	377	1,447
Write-off	(922)	—	—	(922)
Foreign exchange differences	(393)	(2)	(123)	(518)
Balances at end of year	\$6,957	\$30	\$2,227	\$9,214
Specific impairment	\$—	\$30	\$2,142	\$2,172
Collective impairment	6,957	—	85	7,042
Total	\$6,957	\$30	\$2,227	\$9,214

	2015			
	Input VAT	Long-term receivables		Total
		NPC	Others	
Balances at beginning of year	\$7,276	\$33	\$1,782	\$9,091
Provision for impairment loss (see Note 19)	1,365	—	292	1,657
Write-off (see Note 19)	(1,066)	—	—	(1,066)
Foreign exchange differences	(373)	(1)	(101)	(475)
Balances at end of year	\$7,202	\$32	\$1,973	\$9,207
Specific impairment	\$3,960	\$32	\$1,963	\$5,955
Collective impairment	3,242	—	10	3,252
Total	\$7,202	\$32	\$1,973	\$9,207



Loss on direct write-off of input VAT claims amounted to \$1.2 million, \$2.9 million and \$5.3 million in 2016, 2015 and 2014, respectively. The amount of loss on direct write-off of input VAT claims is included under “Others” account in the “Other income (charges)” account in the consolidated statement of income (see Notes 3 and 19).

13. Accounts Payable and Accrued Expenses

This account consists of:

	2016	2015
Trade	\$276,655	\$286,231
Deferred output VAT	41,797	43,681
Accrued interest and financing costs (Note 14)	30,951	30,660
Withholding and other taxes payable	13,442	13,152
Output VAT	1,654	89
Government share payable	978	1,249
Others (Note 3)	12,996	13,095
	\$378,473	\$388,157

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

“Government share payable” pertains to outstanding payable to the Philippine Government (Government) for its share on certain earnings of EDC generated from renewable energy. Under the Renewable Energy Act of 2008 or the RE Law, EDC shall pay a government share equivalent to 1.5% of its gross income. Such fiscal incentive was applied by EDC beginning February 1, 2009 (see Note 26).

On May 8, 2012, upon execution of their respective Geothermal Operating Contracts with the DOE, GCGI and BGI also became subject to the government share of 1.5% of their gross income (see Note 26). In 2014, upon receipt of the COE for FIT Eligibility, EBWPC also became subject to the government share of 1% of its gross income.

Government share is allocated between the DOE and the LGUs where the geothermal resources are located and payable within 60 days after the end of each quarter. Government share expense amounted to \$5.4 million, \$5.7 million and \$6.1 million for the years ended December 31, 2016, 2015 and 2014, respectively. Government share expense is presented as part of “Others” in the “Costs of sale of electricity” in the consolidated statement of income (see Note 19).

“Other payables” account mainly includes EDC’s provision for shortfall generation amounting to \$8.0 million and \$9.4 million as of December 31, 2016 and 2015, respectively, and a portion of liabilities on regulatory assessments and other contingencies (see Note 3).

14. 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:

	2016	2015
EDC	\$1,368,221	\$1,515,599
Parent Company	490,143	495,540
FGP	321,717	355,124
FGPC	220,011	272,749
FNPC	200,072	176,099
Red Vulcan	41,664	79,955
FG Hydro	36,304	67,733
	2,678,132	2,962,799
Less current portion	289,274	285,661
	\$2,388,858	\$2,677,138

EDC

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

Creditor/Project	Maturities	Interest Rates	2016	2015
US\$300.0 Million Notes	January 20, 2021	6.5%	\$298,427	\$297,991
Peso Public Bonds				
▪ Series 2 - ₱3.5 billion	December 4, 2016	9.3327%	–	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 10 years	44,232	53,869
▪ IFC 2 - ₱3.3 billion	2013-2025	6.6570%	44,789	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	72,490	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	54,349	59,536
Refinanced Syndicated Term Loan				
▪ US\$175.0 million	2013-2017	LIBOR plus 1.75% margin	87,357	104,479
2013 Peso Fixed-Rate Bonds (FXR)				
▪ ₱4.0 billion	May 3, 2023	4.7312%	79,116	84,136
▪ ₱3.0 billion	May 3, 2020	4.1583%	59,933	62,556
US\$80 Million Term Loan	June 21, 2018	LIBOR plus 1.8% margin	72,249	75,826
EBWPC Loans:				
\$37.5M Commercial Debt Facility	October 23, 2029	LIBOR plus 2.0% margin	34,032	35,593
\$150.0M ECA Debt Facility	October 23, 2029	LIBOR plus 2.35% margin	134,969	141,071
₱5.6 B Commercial Debt Facility	October 23, 2029	PDST-F rate plus 2.0% margin	103,593	114,714
₱8.5 Billion GCGI Term Loan	March 6, 2022	5.25%	139,157	168,354
₱291.2 Million Term Loan	December 17, 2030	5.75%	5,816	6,140
₱5.0 Billion BGI Term Loan	September 9, 2025	5.25%	87,728	105,210
₱1.5 billion Term Loan	December 5, 2026	5.25%	30,019	–
₱1.0 billion Term Loan	December 5, 2031	5.5788%	19,965	–
Total			1,368,221	1,515,599
Less current portion			147,435	158,912
Noncurrent portion			\$1,220,786	\$1,356,687



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

	2016	2015
Balances at beginning of year	\$20,830	\$19,407
Additions during the year	314	6,228
Accretion during the year charged to "Interest expense and financing charges" account (see Note 20)	(3,729)	(3,747)
Foreign exchange adjustments	(507)	(1,058)
Balances at end of year	\$16,908	\$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.

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 ₱12.0 billion proceeds from the issuance of fixed rate Peso public bonds - split into two tranches - ₱8.5 billion, due after five years and six months and ₱3.5 billion, due after seven years, paying a coupon rate of 8.6418% and 9.3327%, respectively. The peso public bonds are also listed on Philippine Dealing & Exchange Corp. (PDEX).

Effective November 14, 2013, certain covenants of the peso public bonds were 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 December 5, 2016 and June 4, 2015, EDC fully settled the ₱3.5 billion and ₱8.5 billion fixed-rate Peso public bonds, respectively.

IFC

EDC entered into a loan agreement with IFC, a shareholder of EDC, on November 27, 2008 for \$100.0 million (₱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, the 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.



Issuance of FXCN and Prepayment of FRCN

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 by EDC 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.

Debt issuance costs amounting to \$2.4 million was capitalized as part of the new FXCN.

Amended FXCN

On April 30, 2015, EDC and the Noteholders amended the FXCN loan agreement to reduce the interest rate to 5.25% for both Tranche 1 and Tranche 2 as well as to effect other amendments in order to align the same with the other loan covenants of EDC.

Transaction costs related to the amended FXCN amounting to \$1.4 million were capitalized to the carrying amount of the FXCN loan.

Refinanced Syndicated Term Loan

On June 17, 2011, EDC entered into a credit agreement for the \$175.0 million (₱7,630.0 million) transferable syndicated term loan facility with ANZ-Manila Branch, Bank of Tokyo-Mitsubishi UFJ (BTMU), Chinatrust (Philippines) Commercial Banking Corporation, ING Bank N.V.-Manila Branch, Maybank Group, Mizuho Bank, Ltd, and Standard Chartered Bank (SCB) as Mandated Lead Arrangers and Bookrunners. The purpose of this loan is to refinance the old \$175.0 million syndicated term loan availed on June 30, 2010 with scheduled maturity of June 30, 2013. This loan carries an interest of LIBOR plus a margin of 175 basis points and has an installment repayment scheme which commenced 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 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 (see Note 10). No borrowing costs were capitalized for the years ended December 31, 2016 and 2015.

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 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.



₱291.2 Million Term Loan

On December 8, 2015, EDC secured a ₱291.2 million loan from Development Bank of the Philippines (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.

₱1.5 billion Term Loan

On June 24, 2016, EDC secured a ₱1.5 billion loan at 5.25% per annum maturing on December 5, 2026 with Union Bank of the Philippines (Union Bank). The ₱1.5 billion term loan was used to refinance the outstanding ₱3.5 billion fixed rate bonds, which matured on December 4, 2016, and to fund other general corporate purposes.

₱1.0 billion Term Loan

On December 1, 2016, EDC secured a ₱1.0 billion loan at 5.57% per annum maturing on December 05, 2031 with Security Bank and SB Capital Investment Corporation. The ₱1.0 billion term loan was used to refinance the outstanding ₱3.5 billion fixed rate bonds, which matured on December 4, 2016, and to fund other general corporate purposes.

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 \$150.0 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 has provided a DSRA which will cover the principal and interest payments of the loan due in next six (6) months amounting to \$7.0 million (₱346.9 million) and \$6.5 million (₱306.3 million) (see Note 9).

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), DBP, Land Bank of the Philippines (Landbank), RCBC, Robinsons Bank Corporation, and 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.

As part of the agreement, GCGI has provided a DSRA which will cover the principal and interest payments of the loan amounting to \$9.4 million (₱466.5 million) and \$10.2 million (₱478.9 million) as of December 31, 2016 and 2015, respectively (see Note 9).



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 has provided a DSRA which will cover the principal and interest payments of the loan amounting to \$4.3 million (₱214.1 million) and \$3.0 million (₱142.7 million) as of December 31, 2016 and 2015, respectively (see Note 9).

Unused Credit Facilities

As of December 31, 2016 and 2015, EDC has unused credit facilities from various local banks equivalent to \$452.3 million (₱22.5 billion) and \$490.4 million (₱23.1 billion), respectively, which may be availed for future operating activities.

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 December 31, 2016 and 2015, EDC, EBWPC, GCGI, and BGI are in compliance with the loan covenants of all their respective outstanding debts.

Parent Company

The details of the Parent's long-terms debts are as follows:

	2016	2015
\$300.0M Notes	\$297,353	\$297,053
\$200.0M Term Facility	192,790	198,487
Total	490,143	495,540
Less current portion	5,787	5,697
Noncurrent portion	\$484,356	\$489,843

\$300.0 Million Notes

On October 9, 2013, the Parent Company issued \$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 \$200,000 and integral multiples of \$1,000 in excess thereof. The Notes are represented by a permanent global certificate ("Global Certificate") in fully registered form that has been deposited with the custodian for and registered in the name of a nominee for a common depositary for Euroclear bank SA/NV and Clearstream Banking, *societe anonyme*. The Notes are listed on the SGX-ST.

The Parent Company may, at its option, redeem all, (but not part) of the Notes at any time at par, plus accrued interest, in the event of certain tax changes. Upon the occurrence of a Change of Control, the Noteholders shall have the right, at its option, to require the Parent Company to repurchase all, (but not part) of the outstanding Notes at a redemption price equal to 101.0% of the



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

The Notes are direct, unconditional and unsecured obligations of the Parent Company, ranking *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Parent Company, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' right. As of December 31, 2016 and 2015, the Parent Company is in compliance with the terms of the Notes.

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

	2016	2015
Balances at beginning of year	\$2,947	\$3,227
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 20)	(300)	(280)
Balances at end of year	\$2,647	\$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 the March 31, 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 December 31, 2016 and 2015, 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 December 31, 2016 and 2015 are as follows:

	2016	2015
Balance at beginning of year/ inception of the loan	\$1,513	\$1,662
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 20)	(303)	(149)
Balance at end of year	\$1,210	\$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 dates of Tranche A and Tranche B were 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 totalling to \$96.4 million.

Accretion of debt issuance costs charged to the "Interest expense and financing charges" account amounted to \$0.3 million for the year ended December 31, 2015. The unamortized debt issuance costs charged directly to the "Interest expense and financing charges" account amounted to \$0.8 million for the year ended December 31, 2015 (see Note 20).

FGP

Long-term debts of FGP consist of U.S. dollar-denominated borrowings availed from various lenders to partly finance the operations of its power plant complex.

Nature	Repayment Schedule	Facility Amount	Outstanding Balances	
			2016	2015
Term loan facility with various local banks and with interest at six-month LIBOR plus 2.25% margin	Repayment to be made in various semi-annual installments from 2013 up to 2022	\$420,000	\$321,717	\$355,124
Less current portion			33,456	33,407
Noncurrent portion			\$288,261	\$321,717

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 of the option to reset the floating interest rate to a fixed interest rate on December 10, 2015.

Movements of debt issuance costs as of December 31, 2016 and 2015 are as follows:

	2016	2015
Balances at beginning of year	\$2,876	\$3,503
Accretion for the year charged to the "Interest expense and financing charges" account (see Note 20)	(593)	(627)
Balances at end of year	\$2,283	\$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 December 31, 2016 and 2015, FGP is in compliance with the terms of the said agreement.

FGPC

Long-term debts of FGPC consist of U.S. dollar-denominated borrowings availed from various lenders to finance the operations of its power plant complex.



Nature	Repayment Schedule	Facility Amount	Outstanding Balances	
			2016	2015
Covered foreign currency-denominated loans payable to foreign financing institutions with annual interest at six months LIBOR plus 3.25% margin and political risk insurance (PRI) premium	Repayment to be made in various semi-annual installments from 2009 up to 2021	\$312,000	\$202,389	\$220,029
Uncovered foreign currency-denominated loans payable to foreign financing institutions with annual interest at six months LIBOR plus margin of 3.50% margin on the 1st to 5th year, 3.75% on the 6th to 7th year and 3.90% on the succeeding years	Repayment to be made in various semi-annual installments from 2009 up to 2018	\$188,000	17,622	52,720
Total			220,011	272,749
Less current portion			39,427	43,582
Noncurrent portion			\$180,584	\$229,167

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 26) with Bayerische Hypo-Und Vereinsbank AG (Hong Kong Branch) and Société Générale (Singapore Branch) were not assigned.

Movements of debt issuance costs as of December 31, 2016 and 2015 are as follows:

	2016	2015
Balances at beginning of year	\$3,544	\$4,900
Accretion for the year charged to the “Interest expense and financing charges” account (see Note 20)	(1,115)	(1,356)
Balances at end of year	\$2,429	\$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 December 31, 2016 and 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 of FGPC’s real and other properties, including revenues from the operations of the Santa Rita power plant, has been executed in favor of the lenders. In addition, the shares of stock of FGPC were pledged as part of security to the lenders.
- Inter-Creditor Agreements, which describe the administration of the loans.
- Trust and Retention Agreement (TRA) with the lenders’ designated trustees. Pursuant to the terms and conditions of the TRA, FGPC has established various security accounts with designated account banks, where inflows and outflows of proceeds from loans, equity contributions and project revenues are monitored. FGPC may withdraw or transfer moneys from these security accounts, subject to and in accordance with the terms and conditions of the TRA.

The balance of FGP’s and FGPC’s unrestricted security accounts, included as part of the “Cash and cash equivalents” account in the consolidated statement of financial position as of December 31, 2016 and 2015, amounted to \$49.6 million and \$68.8 million, respectively (see Note 5).

FNPC

Long-term debt of FNPC pertains to U.S. Dollar-denominated borrowings availed from KfW IPEX-Bank of Germany (KfW-IPEX).



Nature	Repayment Schedule	Facility Amount	Carrying value	
			2016	2015
Export credit facility with KfW IPEX-Bank of Germany (KfW) and with fixed interest rate per annum of 3.12% plus 25 basis points	Repayment to be made in various semi-annual installments from 2016 up to 2028	\$265,000	\$200,072	\$176,099
Less current portion			16,005	5,680
Noncurrent portion			\$184,067	\$170,419

On July 10, 2014, FNPC signed a \$265.0 million Export Credit Facility with KfW-IPEX 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-IPEX. Furthermore, the Parent Company signed a Guarantee and Indemnity Agreement with KfW-IPEX, guaranteeing FNPC's punctual performance on all its payment obligations under the Export Credit Facility loan agreement. With respect to the Export Credit Facility, the interest is paid semi-annually, every March and September, using the fixed interest rate (per annum) of 3.12% plus 25 basis points.

As of December 31, 2016 and 2015, FNPC made a total drawdown on the Export Credit Facility amounting to \$229.4 million and \$194.0 million, respectively.

In addition, FNPC pays a commitment fee 0.6% per annum on the undrawn amount. As of December 31, 2016 and 2015, total deferred debt issuance costs pertaining to the undrawn portion amounted to nil and \$7.2 million, respectively. These amounts are included in the "Other noncurrent assets" account in the consolidated statement of financial position (see Note 12). As of December 31, 2016, deferred debt issuance cost amounting to \$0.9 million, which pertains to undrawn portion was written-off, and is included in the "Other income (charges)" account in the consolidated statement of income.

In 2016, FNPC and Euler Hermes have finalized the allocation of credit insurance premium between the drawn and undrawn portions of the credit facility. FNPC will receive from Euler Hermes a refund amounting to \$1.0 million pertaining to the undrawn portion of the credit insurance premium, and it is presented as part of "Others" in the "Receivables" account in the consolidated statement of financial position (see Note 6).

At inception, the loan was recorded net of debt issuance cost amounting to \$9.7 million. The movements of the unamortized debt issuance costs account as of December 31, 2016 and 2015 are as follows:

	2016	2015
Balances at beginning of year	\$17,855	\$9,406
Additions during the year	5,766	10,509
Accretion during the year charged to "Property, plant and equipment" account (see Note 10)	(2,067)	(2,060)
Accretion during the year charged to "Interest expense and financing charges" account (see Note 20)	(954)	—
Balances at end of year	\$20,600	\$17,855



Red Vulcan

Details of Red Vulcan's long-term debt, net of debt issuance costs, as of December 31 are as follows:

	2016	2015
Long-term debt	\$41,740	\$80,224
Less debt issuance costs	76	269
	41,664	79,955
Less current portion	41,664	30,255
Noncurrent portion	\$-	\$49,700

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. The staple financing was for a maximum term of 18 months from Drawdown Date.

As set forth in the original Staple Financing Agreement, Red Vulcan was restricted to declare or pay dividends (other than stock dividend) to its stockholders or partners without the consent of all Staple Financing Lenders. Red Vulcan was also restricted, except for permitted borrowings, to incur any long-term debt, 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 portions 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 a 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:

	2016	2015
Balances at beginning of year	\$269	\$566
Accretion during the year charged to “Interest expense and financing charges” account (see Note 20)	(188)	(279)
Foreign exchange adjustments	(5)	(18)
Balances at end of year	\$76	\$269

FG Hydro

Details of FG Hydro’s long-term debt as of December 31 are as follows:

	2016	2015
Long-term debt	\$36,304	\$67,733
Less current portion	5,500	8,128
Noncurrent portion	\$30,804	\$59,605

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 was secured by 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. On November 7, 2016, FG Hydro made a voluntary partial prepayment of the principal loan balance amounting to \$20.1 million (₱1.0 billion). As of December 31, 2016 and 2015, the unamortized debt issuance costs incurred amounted to nil.

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

15. Other Noncurrent Liabilities

This account consists of:

	2016	2015
Asset retirement obligations (see Note 10)	\$23,064	\$25,180
Provision for sick and vacation leaves	5,447	9,395
Others (see Note 3)	12,537	14,069
	\$41,048	\$48,644

Asset Retirement Obligations

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

This account also includes the provision for rehabilitation and restoration costs of EDC which 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 10).



Movements of the asset retirement obligations follow:

	2016	2015
Balances at beginning of year	\$25,180	\$18,183
Accretion for the year charged to “Interest expense and financing charges” account (see Note 20)	1,089	897
Effect of revision of estimate	(2,023)	7,200
Foreign exchange adjustments	(1,182)	(1,100)
Balances at end of year	\$23,064	\$25,180

In 2016 and 2015, First Gen Group adjusted its asset retirement obligations amounting to (\$2.0 million) and \$7.2 million, respectively. The revision in estimate was attributable to changes in discount rates used.

Provision for Sick Leave and Vacation Leave

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.

Others

The “Others” account include EDC’s estimate of the probable costs for the resolution of EDC’s pending assessments from various regulatory agencies and outstanding legal cases including the corresponding interest thereon. 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.

16. Equity

a. Capital Stock

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

	Number of Shares		
	2016	2015	2014
Redeemable preferred stock (Series “B”)			
- ₱0.50 par value			
Authorized	1,000,000,000	1,000,000,000	1,000,000,000
Issued and outstanding	1,000,000,000	1,000,000,000	1,000,000,000
Redeemable preferred stock (Series “E”)			
- ₱0.50 par value			
Authorized	1,500,000,000	1,500,000,000	1,500,000,000
Issued and outstanding	468,553,892	468,553,892	468,553,892
Redeemable preferred stock (Series “F”)			
- ₱10.00 par value			
Authorized	100,000,000	100,000,000	100,000,000
Issued	100,000,000	100,000,000	100,000,000
Outstanding	63,625,000	63,635,000	100,000,000

(Forward)



	Number of Shares		
	2016	2015	2014
Redeemable preferred stock (Series "G")			
- ₱10.00 par value			
Authorized	135,000,000	135,000,000	135,000,000
Issued	133,750,000	133,750,000	133,750,000
Outstanding	128,723,720	133,750,000	133,750,000
Common stock - ₱1 par value			
Authorized	5,000,000,000	5,000,000,000	5,000,000,000
Issued			
Balances at beginning of year	3,660,943,557	3,643,320,457	3,643,320,457
Issuance of shares through private placement	—	17,623,100	—
Balances at end of year	3,660,943,557	3,660,943,557	3,643,320,457

As of December 31, 2016, the Parent Company's redeemable preferred stock consists of the following:

- The Series "B" preferred stocks have voting rights, entitled to cumulative dividends of two centavos (₱0.02) a share and redeemable at the option of the Parent Company.
- 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 (₱100.00) 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 (₱100.00) 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 May 31, 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 buy-back program, the maximum amount of the shares and buyback period will be subject to revision by the BOD from time to time as circumstances warrant, subject to proper disclosures to regulatory agencies. The program will not involve active and widespread solicitation from shareholders in general, and not adversely affect the Parent Company's prospective and existing development projects. The program will be executed in open market through the trading facilities of the PSE and be implemented under the supervision of the Parent Company's Chief Executive Officer, President, and Chief Finance Officer. 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 ₱110.0 per share. The transaction was made pursuant to a two-year buyback program approved by the stockholders and BOD on May 12, 2014.

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.

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 (see Note 1).

On March 12, 2015 and May 13, 2015, the BOD and the stockholders of the Parent Company approved the following amendments/matters to Article Seventh of the Parent Company's Amended Articles of Incorporation:

- to create 160 million Series "H" preferred stocks with a par value of ₱10.0 per share with the following features: issue value and dividend rate to be determined by the BOD at the time of issuance, entitled to cumulative dividends, non-voting, non-participating, redeemable at option of the Parent Company and in the event of liquidation, dissolution, distribution of assets or winding-up of the Parent Company shall be entitled to be paid at their issue value plus any accrued and unpaid dividends thereon;
- to increase the authorized capital stock from ₱8,600.0 million to ₱10,200.0 million; and,
- to file the corresponding amendments to Article Seventh of the Parent Company's Amended Articles of Incorporation to reflect the above items.

b. Deposits for future stock subscriptions

On October 30, 2015, FPH made deposits for future stock subscriptions amounting to \$2.1 million (₱100.0 million) for its subscription to the Series "H" preferred stocks of the Parent Company. The deposits were recorded as part of "Accounts payable and accrued expenses" as of December 31, 2015. In 2016, the Parent Company reclassified the balance to "Deposits for future stock subscriptions" account upon its application for an increase in authorized capital stock to create the Series "H" preferred stocks.



c. Retained Earnings

Following are the dividends declared and paid by the Parent Company in 2016, 2015 and 2014:

2016

Declaration date	Record date	Payment date	Shareholders	Description	Dividend per share	Total amount (in USD)	Total amount (in PHP)
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "B" Preferred	Regular	₱0.02	\$406	₱20,000
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "E" Preferred	Regular	0.01	95	4,686
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "F" Preferred	Regular	4.00	5,171	254,500
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "G" Preferred	Regular	3.8904	9,088	447,294
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "G" Preferred*	Regular	0.38904	109	5,349
Sept. 14, 2016	Sept. 28, 2016	Oct. 14, 2016	Common	Regular	0.35	27,463	1,281,330
June 15, 2016	June 29, 2016	July 25, 2016	Series "F" Preferred	Regular	4.00	5,439	254,540
June 15, 2016	June 29, 2016	July 25, 2016	Series "G" Preferred	Regular	3.8904	9,977	466,848
June 15, 2016	June 29, 2016	July 25, 2016	Series "G" Preferred*	Regular	0.38904	114	5,349
						\$57,862	₱2,739,896

*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
July 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.

2014

Declaration date	Record date	Payment date	Shareholders	Description	Dividend per share	Total amount (in USD)	Total amount (in PHP)
Nov. 13, 2014	Jan. 5, 2015	Jan. 26, 2015	Series "B" Preferred	Regular	₱0.02	\$446	₱20,000
Nov. 13, 2014	Jan. 5, 2015	Jan. 26, 2015	Series "E" Preferred	Regular	0.01	105	4,686
Nov. 13, 2014	Jan. 5, 2015	Jan. 26, 2015	Series "F" Preferred	Regular	4.00	8,929	400,000
Nov. 13, 2014	Jan. 5, 2015	Jan. 26, 2015	Series "G" Preferred	Regular	3.8904	10,421	466,848
Nov. 13, 2014	Jan. 5, 2015	Jan. 26, 2015	Series "G" Preferred*	Regular	0.38904	119	5,349
Oct. 1, 2014	Oct. 16, 2014	Oct. 30, 2014	Common	Regular	0.35	26,678	1,177,370
June 16, 2014	July 1, 2014	July 25, 2014	Series "F" Preferred	Regular	4.00	9,114	400,000
June 16, 2014	July 1, 2014	July 25, 2014	Series "G" Preferred	Regular	3.8904	10,637	466,848
June 16, 2014	July 1, 2014	July 25, 2014	Series "G" Preferred*	Regular	0.38904	122	5,349
						\$66,571	₱2,946,450

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

As of December 31, 2016 and 2015, total unpaid cash dividends on preferred stocks amounting to \$14.7 million (₱731.8 million) and \$16.0 million (₱751.4 million), respectively, are presented as "Dividends payable" in the consolidated statement of financial position.

The retained earnings balance is restricted to the extent of: (a) acquisition price of the treasury stocks amounting to \$122.1 million and \$109.0 million as of December 31, 2016 and 2015, respectively; and (b) the undistributed net earnings of subsidiaries and associates amounting to \$494.6 million and \$391.2 million as of December 31, 2016 and 2015, respectively. Undistributed earnings of the subsidiaries and associates are not available for dividend distribution until such time that the Parent Company receives the dividends from these investee companies.



d. Treasury Stocks

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

	2016	2015	2014
Balances at beginning of year	58,874,700	330,531,400	308,251,700
Common stocks issued through private placement	–	(279,406,700)	–
Common stocks acquired through market by subsidiaries during the year	2,288,200	7,750,000	22,279,700
Balances at end of year	61,162,900	58,874,700	330,531,400

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 December 31, 2016 and 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 \$23.4 million as of December 31, 2016 and 2015, respectively. These are included as part of “Treasury stocks” account in the equity section of the consolidated statement of financial position.

In 2016, 2015 and 2014, the portion of cash dividends declared pertaining to common stocks held by subsidiaries, and thus reverted to retained earnings amounted to \$0.4 million.

(ii) 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 payment for the buyback of the Series “F” redeemable preferred stocks amounted to \$85.6 million (₱4.0 billion).

In 2016, the Parent Company purchased from the open market 10,010 and 5,026,280 Series “F” and Series “G” redeemable preferred stocks, respectively. Total payments for the buyback of the Series “F” and Series “G” redeemable preferred stocks amounted to \$0.02 million (₱1.1 million) and \$12.2 million (₱598.8 million), respectively.

As of December 31, 2016 and 2015, the Parent Company has total Series “F” and Series “G” redeemable preferred stocks held in treasury amounting to \$97.8 million and \$85.6 million, respectively.



e. Non-controlling Interests

For the years ended December 31, 2016 and 2015, the NCI arises from the profits or losses and net assets not held by First Gen Group in EDC and Subsidiaries. Financial information of subsidiaries that have material NCI interests are provided below:

	2016	2015
Proportion of equity interest held by NCI		
EDC and Subsidiaries	49.45%	49.45%
Accumulated balances of NCI		
EDC and Subsidiaries	\$426,618	\$407,179
Total comprehensive income allocated to NCI		
EDC and Subsidiaries for years ended	\$71,432	\$40,465

In 2016, 2015 and 2014, EDC declared and paid cash dividends to its non-controlling common stockholders amounting to \$51.0 million (₱2,407.8 million), \$43.2 million (₱1,951.3 million) and \$42.2 million (₱1,872.4 million), respectively.

The details of EDC's treasury stock are as follows:

Date of Acquisition	Number of Shares	Average price per share	Amount in PHP	Amount in USD
January 8, 2016	3,700,000	₱5.6394	₱20,921	\$442
January 11, 2016	900,000	5.5475	5,006	106
April 8, 2016	2,000,000	5.6370	11,303	239
May 2, 2016	390,000	5.6623	2,215	48
May 3, 2016	1,000,000	5.6350	5,650	119
December 11, 2015	3,000,000	5.7267	17,226	380
December 14, 2015	2,000,000	5.5813	11,191	247
Total	12,990,000		₱73,512	\$1,581

As of December 31, 2016 and 2015, EDC has treasury common stocks amounting to \$1.6 million (₱73.5 million) and \$0.6 million (₱28.4 million), respectively.

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

Consolidated Statement of Financial Position as of December 31, 2016 and 2015

	2016		2015	
	In USD	In Php	In USD	In Php
Current assets	\$512,672	₱25,490,062	\$630,642	₱29,678,010
Non-current assets	2,218,739	110,315,723	2,260,158	106,363,041
Total Assets	\$2,731,411	₱135,805,785	\$2,890,800	₱136,041,051
Current liabilities	\$352,334	₱17,518,051	\$382,208	₱17,986,718
Non-current liabilities	1,316,927	65,477,639	1,504,986	70,824,653
Total Liabilities	1,669,261	82,995,690	1,887,194	88,811,371
Total Equity	1,062,150	52,810,095	1,003,606	47,229,680
Total Liabilities and Equity	\$2,731,411	₱135,805,785	\$2,890,800	₱136,041,051



Consolidated Statement of Comprehensive Income for the Years Ended December 31, 2016, 2015 and 2014

	2016		2015		2014	
	In USD	In Php	In USD	In Php	In USD	In Php
Revenues from sale of electricity	\$723,988	₱34,235,563	\$758,515	₱34,360,460	\$695,970	₱30,867,200
Costs of sale of electricity	(290,927)	(13,757,233)	(318,755)	(14,439,513)	(255,107)	(11,314,332)
General and administrative expenses	(117,794)	(5,570,203)	(145,403)	(6,586,687)	(129,519)	(5,744,349)
Financial income (expenses)	(89,252)	(4,220,482)	(94,129)	(4,264,019)	(80,478)	(3,569,319)
Other income (charges)	14,842	701,862	(7,289)	(330,196)	63,164	2,801,399
Income before income tax	240,857	11,389,507	192,939	8,740,045	294,030	13,040,599
Provision for income tax	(35,399)	(1,673,924)	(19,441)	(880,673)	(27,566)	(1,222,590)
Net income	205,458	9,715,583	173,498	7,859,372	266,464	11,818,009
Other comprehensive income (loss)	15,119	714,957	(3,158)	(143,045)	(833)	(36,962)
Total comprehensive income	\$220,577	₱10,430,540	\$170,340	₱7,716,327	\$265,631	₱11,781,047

Consolidated Statement of Cash Flows for the Years Ended December 31, 2016, 2015, and 2014

	2016		2015		2014	
	In USD	In Php	In USD	In Php	In USD	In Php
Operating activities	\$368,665	₱17,433,256	\$485,363	₱21,986,794	\$362,711	₱16,086,687
Financing activities	(171,658)	(8,117,269)	(295,816)	(13,400,376)	(460,175)	(20,409,349)
Investing activities	(342,646)	(16,202,863)	(109,878)	(4,977,449)	51,617	2,289,271
Net increase (decrease) in cash and cash equivalents	(\$145,639)	(₱6,886,876)	\$79,669	₱3,608,969	(\$45,847)	(₱2,033,391)

f. Cumulative Translation Adjustments

The details of cumulative translation adjustments (net of share of NCI) as of December 31 are as follows:

	2016	2015
Net losses on cash flow hedge - net of tax (see Note 25)	\$7,525	\$295
Foreign exchange adjustments	(143,013)	(65,879)
Balances at end of year	(\$135,488)	(\$65,584)

The movements in the “Cumulative translation adjustments” account (net of share of NCI) for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Balances at beginning of year	(\$65,584)	\$8,283
Net gains on cash flow hedge - net of tax (see Note 25)	7,230	4,525
Foreign exchange adjustments	(77,134)	(78,392)
Balances at end of year	(\$135,488)	(\$65,584)



17. Share-based Payment Plans

ESOP

The Parent Company had an ESOP, which entitled the option grantees to acquire common stocks of the Parent Company, which stocks shall not at any grant date, exceed four percent (4%) of the total issued and outstanding common stocks of the Parent Company.

Under the Parent Company's ESOP which was approved by the BOD in July 2002, there was only one option grant which was dated July 1, 2003. Options awarded pursuant to this option grant are no longer exercisable following the option expiration date of July 1, 2013. No ESOP was granted in 2016, 2015 and 2014.

ESPP

The Parent Company had an ESPP, which entitled the eligible employees to acquire the common stocks of the Parent Company, provided that such stocks shall not at any grant date exceed one percent (1%) of the total issued and outstanding common stocks of the Parent Company. The stocks may be acquired under the ESPP at fair market price equal to the average of the closing price of the common stocks on the exchange for the 20 market days immediately preceding the grant date. A grantee under the ESPP shall have five years to complete payments on the common stocks acquired pursuant to the plan, with a right to prepay after two years. The ESPP expired on April 14, 2015, or ten (10) years from the plan's adoption date of April 15, 2005. For the years ended December 31, 2016, 2015 and 2014, no award or issuance of stocks under the ESPP has been granted to any employee.

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:

- a. Due to a related party represents noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of certain entities in the Lopez Group.
- b. First Gen Group leases its office premises where its new principal offices are located from Rockwell Land Corporation (Rockwell), a subsidiary of FPH [(see Note 26(n))]. Total rent expense included under "Others" in the "General and administrative expenses" account in the consolidated statement of income amounted to \$1.3 million and \$0.7 million in 2016 and 2015, respectively (see Note 19).
- c. First Gen Group leased its office premises where its previous principal offices were located from First Philippine Realty Corporation (FPRC), a subsidiary of FPH [(see Note 26(n))]. Total rent expense included under "Others" in the "General and administrative expenses" account in the consolidated statement of income amounted to \$0.5 million in 2015 and 2014 (see Note 19).



- d. The Parent Company is engaged as EDC's consultant to render services pertaining to financial, business development and other matters under a Consultancy Agreement. 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). On November 23, 2016, the Parent Company and EDC agreed to further extend the Consultancy Agreement for a period of 24 months, from January 1, 2017 to December 31, 2018, for a monthly fee of \$0.6 million (₦28.0 million, net of withholding taxes plus VAT).
- e. Following the usual bidding process, EDC awarded to First Balfour, Inc. (First Balfour) procurement contracts for various works such as civil, structural and mechanical/ piping works in EDC's geothermal, solar and wind power plants. EDC also engaged the services of Thermaprime Well Services, Inc. (Thermaprime), a subsidiary of First Balfour, for the drilling services such as, but not limited to, rig operations, rig maintenance, well design and engineering. As of December 31, 2016 and 2015, the outstanding balances of EDC's payables to First Balfour and Thermaprime totaled to \$26.3 million and \$41.6 million, respectively, recorded under "Accounts payable and accrued expenses" account in the consolidated statement of financial position.

On January 29, 2014, EDC entered into a contract with Thermaprime for the sale of Rig 16 and its ancillary items for \$18.6 million, exclusive of applicable VAT. The gain on sale amounted to \$5.6 million. On July 24, 2014, EDC entered into an additional contract with Thermaprime for the sale of its Rig 15 and its ancillary items for \$18.6 million and recognized gain on sale amounting to \$3.7 million.

First Balfour is a wholly owned subsidiary of FPH.

- f. GSPA between Prime Meridian and FGP
On December 4, 2015, Prime Meridian (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.
- g. Project Development and Technical Consultancy Services Agreement
On September 1, 2016, the Parent Company has entered into a Project Development and Technical Consultancy Services Agreement (the Agreement) with FNPC and Prime Meridian relating to the development, construction, and completion of the 420 MW San Gabriel and the 100 MW Avion power plants (collectively referred to as the "Project" or "Power Plant"). Under the Agreement, the Parent Company shall render engineering and environmental studies, consultation, procurement of licenses and permits for, supervision of site planning and preparation for construction, engineering, and construction management of the Project.

The above services shall commence during the period of development and construction of the power plant up to its full completion, unless sooner terminated or otherwise extended as may be agreed by the parties.



The commissioning of the San Gabriel and Avion Power Plants were completed in November 2016 and September 2016, respectively. As of December 31, 2016, FNPC and Prime Meridian paid the Parent Company a fixed fee amounting to \$15.0 million and \$5.0 million (net of VAT), respectively.

h. Completion Works Agreement

Following the termination of contract between Prime Meridian and IEG and EPCo's, Prime Meridian has engaged First Balfour to complete works including procurement of various works such as civil, structural and architectural, and mechanical and electrical works in the Avion Plant. Prior to termination, First Balfour was the sub-contractor of EPCo based on the previous contract. Total costs incurred in 2016 amounting to \$4.7 million (P230.0 million) were capitalized as part of "Property, plant and equipment" account in the consolidated statement of financial position (see Note 10).

i. Intercompany Guarantees

Parent Company

During the February 26, 2014 meeting, 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 420 MW San Gabriel power plant and Prime Meridian, which is the operating company of the 100 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 interest of the Parent Company and its relevant subsidiary. On May 12, 2014, the stockholders of the Parent Company ratified and confirmed such authority.

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

As of December 31, 2016 and 2015, the Parent Company issued guarantees totalling to \$8.0 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 Prime Meridian 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 were installed in the San Gabriel and Avion power plants. On February 8, 2017, the BOI granted the respective requests of FNPC and Prime Meridian for the cancellation of the Parent Company guarantees in view of San Gabriel and Avion power plants' compliance 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 Peru S.A.C. and EDC Energia Verde Peru S.A.C. at \$0.27 million each as evidence of EDC's financial support for the geothermal authorizations related to the exploration drilling activities of the said entities.



j. Compensation of key management personnel are as follows:

	2016	2015	2014
Other short-term employee benefits	\$24,870	\$23,922	\$22,918
Retirement benefits (see Note 21)	1,292	1,447	1,709
Share-based payments of EDC	—	(117)	176
	\$26,162	\$25,252	\$24,803

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 Prime Meridian 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 during the years ended December 31, 2016, 2015 and 2014. The outstanding balances at the end of each year are unsecured and interest-free and settlement occurs in cash.

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

Transactions for the Years ended						Net Amounts due from/to	
December 31						related parties as of	
Related Party	Nature of Transactions	Terms	2016	2015	2014	2016	2015
Due from related parties (see Note 6)							
FPIC	Interest-free advances	Unsecured & payable by demand	(\$772)	\$–	(\$5)	\$–	\$772
LIRF	Interest-free advances	- do -	–	(151)	(300)	–	–
FGNEC	Interest-free advances	- do -	–	(8)	(16)	168	176
FGEN Northern Power	Interest-free advances	- do -	149	–	–	149	–
First Philec	Marketing services	- do -	6	–	–	6	–
QRC	Interest-free advances	- do -	–	(217)	32	–	–
Others	Interest-free advances	- do -	196	(124)	(30)	1,269	1,073
			(\$421)	(\$500)	(\$319)	\$1,592	\$2,021
Due to a related party							
FGHC International Ltd.	Interest-free advances	Unsecured & payable by demand	\$–	\$–	(\$112)	\$145	\$145

No impairment loss was recognized on the amounts due from related parties for the years ended December 31, 2016, 2015 and 2014. This assessment is undertaken each financial year through review of the financial position of each of the related parties and the market in which the related party operates.

Due from related parties - Others are advances to 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. Costs and Expenses

Costs of Sale of Electricity

	2016	2015	2014
Fuel cost	\$475,675	\$725,774	\$856,796
Depreciation and amortization (see Notes 10 and 11)	188,744	176,231	153,233
Power plant operations and maintenance [see Notes 5, 7 and 26(h)]	166,990	206,824	167,899
Others (see Notes 7, 8 and 13)	40,981	36,980	34,623
	\$872,390	\$1,145,809	\$1,212,551

General and Administrative Expenses

	2016	2015	2014
Staff costs	\$66,312	\$67,454	\$67,759
Professional fees	51,758	59,461	56,219
Insurance, taxes and licenses	38,572	38,813	45,664
Business and related expenses (see Notes 12 and 18)	16,958	26,054	18,449
Depreciation and amortization (see Notes 10 and 11)	8,840	9,744	10,677
Spare parts and supplies issued (see Note 7)	2,195	3,374	5,166
Repairs and maintenance	3,817	4,703	5,485
Provision for (reversal of) impairment of spare parts and supplies inventories (see Note 7)	1,236	1,567	(571)
Provision for impairment loss (see Notes 6 and 12)	1,485	2,137	1,344
	\$191,173	\$213,307	\$210,192

20. Financial Income (Expense)

Interest Income

	2016	2015	2014
Cash and cash equivalents (see Note 5)	\$7,896	\$9,747	\$5,899
DSRA (see Note 9)	199	104	—
Others	869	224	580
	\$8,964	\$10,075	\$6,479

Others include interest income on AFS securities and financial asset at fair value through profit or loss.



Interest Expense and Financing Charges

	2016	2015	2014
Interest on:			
Long-term debt	\$148,665	\$146,243	\$145,623
Swap fees	9,269	12,449	13,236
Liability from litigation	165	175	176
Accretion on:			
Debt issuance costs (see Note 14)	7,182	6,732	7,426
Asset retirement obligation (see Note 15)	1,089	897	1,026
Unamortized debt issuance costs (see Note 14)	–	803	–
	\$166,370	\$167,299	\$167,487

21. Retirement Benefits

The following tables summarize the funded status and amounts recognized in the consolidated statement of financial position for the retirement plans and the components of net retirement benefit expense recognized as part of “Power plant operations and maintenance” in the “Costs of sale of electricity” account” and “Staff costs” in the “General and administrative expenses” account in the consolidated statement of income.

The net retirement assets (liabilities) are presented in the consolidated statement of financial position as follows:

	2016	2015
Net retirement assets (see Note 12)	\$2,597	\$3,224
Net retirement and other post-employment benefits liabilities	(26,306)	(41,541)

Net retirement assets are included in the “Other noncurrent assets” account (see Note 12) while the net retirement and other post-employment benefits liabilities are presented in the “Noncurrent liabilities” portion of the consolidated statement of financial position.

Under the existing regulatory framework, Republic Act (R.A.) 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee’s retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

December 31, 2016

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Present value of defined benefit obligation	\$6,348	\$6,632	\$4,825	\$2,403	\$63,562	\$274	\$84,044
Fair value of plan assets	(6,928)	(5,255)	(6,842)	(2,129)	(39,181)	–	(60,335)
Net retirement liabilities (assets)	(\$580)	\$1,377	(\$2,017)	\$274	\$24,381	\$274	\$23,709



December 31, 2015

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Present value of defined benefit obligation	\$5,463	\$6,110	\$4,304	\$2,255	\$94,324	\$208	\$112,664
Fair value of plan assets	(6,467)	(5,588)	(6,524)	(2,135)	(53,633)	—	(74,347)
Net retirement liabilities (assets)	(\$1,004)	\$522	(\$2,220)	\$120	\$40,691	\$208	\$38,317

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

December 31, 2016

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Current service cost	\$645	\$639	\$429	\$120	\$5,687	\$81	\$7,601
Settlement gain	—	—	—	—	(8,891)	—	(8,891)
Net interest	(52)	26	(106)	5	1,913	10	1,796
Retirement benefits expense	\$593	\$665	\$323	\$125	(\$1,291)	\$91	\$506

December 31, 2015

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Current service cost	\$865	\$769	\$526	\$133	\$5,659	\$54	\$8,006
Net interest	(77)	(62)	(116)	(5)	1,707	11	1,458
Retirement benefits expense	\$788	\$707	\$410	\$128	\$7,366	\$65	\$9,464

December 31, 2014

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Current service cost	\$1,059	\$628	\$608	\$155	\$5,387	\$51	\$7,888
Net interest	(8)	55	3	25	1,628	14	1,717
Retirement benefits expense	\$1,051	\$683	\$611	\$180	\$7,015	\$65	\$9,605

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

December 31, 2016

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Balances at beginning of year	\$5,463	\$6,110	\$4,304	\$2,255	\$94,324	\$208	\$112,664
Current service cost	645	639	429	120	5,687	81	7,601
Interest cost	258	271	193	98	4,432	10	5,262
Benefits paid	—	(37)	—	—	(22,286)	—	(22,323)
Settlement gain	—	—	—	—	(8,891)	—	(8,891)
Actuarial losses (gains) due to:							
Experience adjustments	382	128	337	82	(2,055)	1	(1,125)
Changes in financial assumptions	(48)	(109)	(170)	(18)	(4,276)	(10)	(4,631)
Foreign exchange adjustments	(352)	(370)	(268)	(134)	(3,373)	(16)	(4,513)
Balances at end of year	\$6,348	\$6,632	\$4,825	\$2,403	\$63,562	\$274	\$84,044

December 31, 2015

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Balances at beginning of year	\$6,135	\$6,328	\$4,840	\$2,316	\$94,329	\$248	\$114,196
Current service cost	865	769	526	133	5,659	54	8,006
Interest cost	261	242	216	95	4,005	11	4,830
Benefits paid	—	(179)	(117)	—	(5,122)	—	(5,418)
Actuarial losses (gains) due to:							
Experience adjustments	395	859	639	180	4,240	7	6,320
Changes in demographic assumptions	(616)	(422)	(457)	(54)	—	(32)	(1,581)
Changes in financial assumptions	(1,286)	(1,169)	(1,114)	(297)	(3,915)	(70)	(7,851)
Foreign exchange adjustments	(291)	(318)	(229)	(118)	(4,872)	(10)	(5,838)
Balances at end of year	\$5,463	\$6,110	\$4,304	\$2,255	\$94,324	\$208	\$112,664



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

December 31, 2016

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Total
Balances at beginning of year	\$6,467	\$5,588	\$6,524	\$2,135	\$53,633	\$74,347
Interest income	310	245	299	93	2,519	3,466
Return on plan assets, excluding interest income	538	(245)	402	21	2,251	2,967
Contributions paid	—	—	—	—	5,337	5,337
Benefits paid	—	(37)	—	—	(22,286)	(22,323)
Foreign exchange adjustments	(387)	(296)	(383)	(120)	(2,273)	(3,459)
Balances at end of year	\$6,928	\$5,255	\$6,842	\$2,129	\$39,181	\$60,335
Actual return on plan assets	\$848	\$—	\$701	\$114	\$4,770	\$6,433

December 31, 2015

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Total
Balances at beginning of year	\$7,320	\$6,752	\$7,425	\$2,432	\$54,168	\$78,097
Interest income	338	304	332	100	2,298	3,372
Return on plan assets, excluding interest income	(846)	(987)	(766)	(282)	122	(2,759)
Contributions paid	—	—	—	—	5,078	5,078
Benefits paid	—	(179)	(117)	—	(5,122)	(5,418)
Foreign exchange adjustments	(345)	(302)	(350)	(115)	(2,911)	(4,023)
Balances at end of year	\$6,467	\$5,588	\$6,524	\$2,135	\$53,633	\$74,347
Actual return on plan assets	(\$508)	(\$683)	(\$434)	(\$182)	\$2,285	\$478

First Gen Group expects to contribute \$7.0 million to its defined benefit retirement plan in 2017.

Retirement plans

The retirement funds of the Parent Company, FGHC, and FGP are maintained and managed by BDO Trust, while the retirement fund of FGPC is maintained and managed by the BPI Asset Management. In addition, EDC's retirement fund is maintained by BPI Asset Management and BDO Trust, while GCGI's and BGI's retirement funds are maintained by BDO Trust. These trustee banks are also responsible for investment of the plan assets. The investing decisions of the Plan are made by the respective retirement committees of the said companies.

The plan assets' carrying amount approximates their fair value since these are either short-term in nature or marked-to-market.

The plans' assets and investments by each class as of December 31, 2016 and 2015 are as follows:

	2016	2015
Investments quoted in active market		
Quoted equity investments		
Holding firms	\$13,068	\$11,106
Industrial - electricity, energy, power and water	12,589	12,080
Property	1,203	1,367
Industrial - food, beverage, and tobacco	794	637
Services - casinos and gaming	529	106
Services - telecommunications	444	879
Retail	194	203
Mining	155	237

(Forward)



	2016	2015
Financials - banks	\$106	\$3,512
Golf and country club	104	83
Industrial - construction, infrastructure allied services	7	210
Transportation services	—	422
	29,193	30,842
Investments in debt instruments:		
Government securities	10,631	19,677
Investments in corporate bonds	9,249	9,561
	19,880	29,238
Investment in mutual funds	493	278
Unquoted investments:		
Cash and cash equivalents	10,308	12,833
Receivables and other assets	488	1,183
Liabilities	(27)	(27)
	10,769	13,989
Fair value of plan assets	\$60,335	\$74,347

- Cash and cash equivalents include regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bear interest ranging from 4.73% to 4.89% and have maturities from 2017 to 2023;
- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 2.13% to 11.70% and have maturities from 2017 to 2040; and
- Investment in equity securities pertain to listed shares in PSE and include investments in the following securities:

	Relationship	2016	2015
Lopez Holdings	Intermediate parent company	\$11,045	\$5,349
FPH (Voting common stocks)	Parent company	3,340	3,380
First Gen:	Reporting entity		
Voting common stocks		4,607	2,753
Non-voting preferred stocks		6,628	6,947
ABS-CBN Holdings Corporation (ABS-CBN)	Affiliate	—	35
		\$25,620	\$18,464

The carrying amounts of investments in equity securities also approximate their fair values since they are marked-to-market.

For the year ended December 31, 2016, unrealized gains arising from investments in Lopez Holdings and First Gen, amounted to \$1.2 million and \$2.0 million, respectively while unrealized loss arising from investment in FPH amounted to \$0.4 million.



For the year ended December 31, 2015, unrealized gains arising from investments in First Gen and ABS-CBN, amounted to \$0.1 million, and \$0.09 million, respectively, while unrealized loss arising from investment in Lopez Holdings and FPH amounted to \$0.8 million and \$0.6 million, respectively.

The details of the realized gains for the year ended December 31, 2016 are as follows:

Type of security:	First Gen	FGPC	FGP	FGHC
Investment in shares of stock	\$341	\$—	\$318	\$180
Investment in government securities	169	19	90	33
Investment in corporate debt instruments and others	25	4	21	12
	<u>\$535</u>	<u>\$23</u>	<u>\$429</u>	<u>\$225</u>

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

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

The principal actuarial assumptions used in determining retirement benefit obligations for First Gen Group as of January 1, 2016 and 2015 are as follows:

	2016	2015
Discount rate	4.59%-5.65%	4.41%-5.65%
Future salary increase rate	5%-8%	5%-8%
Medical costs trend rate	7%	7%

The sensitivity analysis below was determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2016, assuming all other assumptions were held constant:

	Increase/Decrease in Percentage Point	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1%	(\$7,177)
	-1%	8,341
Future salary increases	+1%	8,416
	-1%	(7,271)
Medical costs trend	+1%	108
	-1%	(93)

For EDC, the estimated weighted average duration of benefit payment is 15 years in 2016, and 14 years in 2015, while the estimated weighted average duration of benefit payment for the Parent Company, FGHC, FGP, FGPC, and others is 6 to 30 years in 2016 and 7 to 27 years in 2015.



Following are the information about the maturity profile of the defined benefit obligations as of December 31, 2016, 2015 and 2014:

	2016	2015	2014
Less than one (1) year	\$2,421	\$2,369	\$3,554
One (1) year up to five (5) years	7,538	5,281	34,880
More than five (5) years up to 10 years	17,446	12,115	67,301
More than 10 years up to 15 years	16,834	19,079	100,852
More than 15 years up to 20 years	15,432	13,656	81,961
More than 20 years	19,411	16,382	24,971

22. Income Tax

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

	2016	2015
Deferred income tax assets	\$30,711	\$27,831
Deferred income tax liabilities	(32,861)	(20,651)

The components of these deferred income tax assets (liabilities) as of December 31, 2016 and 2015 are as follows:

	2016	2015
<i>Deferred income tax items recognized in the consolidated statement of income:</i>		
Deferred income tax assets on:		
Impairment loss on property, plant and equipment	\$12,633	\$13,401
Unrealized foreign exchange losses - BOT power plants	9,899	12,697
Unrealized foreign exchange losses	7,349	4,223
Capitalized project development costs	5,175	—
Revenue generated during testing period of BGI power plant	3,094	3,269
Asset retirement obligations	2,696	2,643
Allowance for impairment loss	3,201	3,358
Provision for impairment of spare parts and supplies inventories	662	698
Excess amortization of debt issuance costs under effective interest method over straight-line method	577	557
NOLCO	272	599
Retirement benefit obligation and others	9,162	5,253
	54,720	46,698

(Forward)



	2016	2015
Deferred income tax liabilities on:		
Difference between the carrying amounts of nonmonetary assets and their related tax bases	(\$28,675)	(\$18,111)
Difference in fair value versus cost of property, plant and equipment of EDC	(14,784)	(15,482)
Difference between fair value & book value resulting from business combinations	(4,779)	(6,101)
Capitalized borrowing costs	(6,106)	(3,343)
Prepaid major spare parts	(1,235)	(1,410)
Capitalized asset retirement obligations	(1,401)	(1,178)
Capitalized costs and losses during commissioning period of the power plants	(2,266)	(434)
Difference in fair value versus cost of spare parts and supplies inventories	(275)	(312)
EDC calamity losses	(40)	(43)
	(59,561)	(46,414)
<i>Deferred income tax items recognized directly in other comprehensive income:</i>		
Deferred income tax assets on:		
Derivative liabilities (see Note 25)	4,564	6,725
Retirement obligation and others	—	171
	4,564	6,896
Deferred income tax liability on retirement benefit asset and others	(1,873)	—
	2,691	6,896
	(\$2,150)	\$7,180

- b. Certain deferred income tax assets of the Parent Company and certain subsidiaries have not been recognized since management believes that it is not probable that sufficient future taxable income for these entities will be available against which they can be utilized. The deductible temporary differences of certain items in the consolidated statement of financial position and carryforward benefits of NOLCO and MCIT of the Parent Company and certain subsidiaries for which no deferred income tax assets have been recognized consist of the following:

	2016	2015
NOLCO	\$136,332	\$123,513
Unrealized foreign exchange losses	88,179	—
MCIT	1,029	1,147
Accrual for retirement benefits	417	118
Others	267	261

As of December 31, 2016 and 2015, the taxable temporary differences representing the excess of the carrying amount of the investments in subsidiaries over the tax base amounted to \$341.9 million and \$205.3 million, respectively. There is no corresponding deferred income tax liability recognized since these temporary differences pertain to investment in domestic companies and, accordingly, the reversals of these temporary differences are through regular dividend distribution not subject to income tax.



- c. Provision for current income tax in 2016, 2015, and 2014 includes the RCIT of FG Bukidnon, FGP, FGPC, FNPC, and Prime Meridian. In 2016, 2015, and 2014, FGPC & FGP computed its current income tax using the Optional Standard Deduction (OSD) method.
- d. The balance of NOLCO as of December 31, 2016 may be used by the Parent Company and certain subsidiaries as additional deductions against their respective future taxable income. Similarly, the MCIT balance as of December 31, 2016 may be applied as credit against future income tax liabilities of the Parent Company and certain subsidiaries.

The balances of NOLCO and MCIT, with their corresponding years of expiration, are as follows:

Incurred for the Year Ended December 31	Available Until December 31	NOLCO		MCIT	
		<i>(In U.S. Dollar)(In Philippine Peso)</i>		<i>(In U.S. Dollar)(In Philippine Peso)</i>	
2014	2017	\$46,407	₱2,307,374	\$59	₱2,916
2015	2018	54,802	2,724,760	456	22,658
2016	2019	36,029	1,791,378	514	25,558
		\$137,238	₱6,823,512	\$1,029	₱51,132

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

	2016	2015	2014
Statutory income tax rate	30.00%	30.00%	30.00%
Income tax effect of:			
Foregone itemized deduction before reconciling items	6.75	9.17	7.35
Unrealized foreign exchange loss	1.28	3.18	0.13
Optional standard deduction	(8.70)	(11.67)	(9.02)
Income Tax Holiday (ITH) incentives	(0.57)	(1.12)	(1.98)
Movement of temporary differences reversing during ITH	(0.02)	0.27	(0.03)
Unrecognized deferred income tax asset on provision for impairment loss and others	(2.15)	(7.04)	(6.75)
Effective income tax rate	26.59%	22.79%	19.70%

- f. The BIR issued Revenue Regulation (RR) No. 16-2008 which implemented the provisions of R.A. 9504 on OSD. This regulation allowed both individual and corporate tax payers to use OSD in computing their taxable income. For corporations, they may elect a standard deduction in an amount equivalent to 40% of gross income, as provided by law, in lieu of the itemized allowed deductions. The provisions of R.A. No. 9504 and RR No. 16-2008 became effective on July 1, 2008.



g. Registrations with the BOI

- On June 16, 2015, EDC was granted with an ITH incentive by the BOI covering its 4.16 MW Burgos Solar Power Plant - Phase 1, effective for a 7-year period beginning in December 2015. Meanwhile, on December 3, 2015, the BOI granted another ITH incentive to EDC covering its 2.66 MW Burgos Solar Power Plant - Phase 2, effective for a 7-year period beginning in June 2015.
- On November 13, 2015, GCGI was granted with an ITH incentive by the BOI covering its 112.5 MW Tongonan Geothermal Power Plant, effective for 7-year period beginning in April 2015. Only revenues derived from power generated (i.e., 36.79 MW or the capacity in excess of the 75.71 MW, whichever is lower) and sold to the grid, other entities and/or communities shall be entitled to ITH.
- On December 11, 2015, GCGI was granted with an ITH incentive by the BOI covering its 192.5 MW Palinpinon Geothermal Power Plant, effective for 7-year period beginning in February 2014. Only revenues derived from power generated (i.e., 39.66 MW or the capacity in excess of the 152.84 MW, whichever is lower) and sold to the grid, other entities and/or communities shall be entitled to ITH.
- On February 12, 2014, the BOI approved the ITH registration of the Nasulo Power Plant under the RE Law effective for a 7-year period beginning in January 2016 or date of commissioning, whichever is earlier. While the Nasulo power plant has a capacity of 49.4 MW, the ITH shall be limited only to the revenues derived from the sale of 30 MW.
- On March 19, 2014, Prime Meridian received its Certificate of Registration with the BOI under the Omnibus Investment Code of 1987 as a new operator of 115 MW Avion Natural Gas-Fired Power Plant (the Avion Plant). Subject to specific terms and conditions Prime Meridian is entitled to certain tax and non-tax incentives, which include among others, ITH for four years from November 2014 or actual start of commercial operations, whichever come earlier. The ITH shall be limited only to revenues generated from sale of electricity of the 115 MW Avion Plant. On September 26, 2016, the Avion Plant started its commercial operations.
- On February 14, 2013, BGI was granted with an ITH incentive by the BOI covering its 130 MW BMGPP complex. Subject to certain conditions, BGI is entitled to ITH for seven years from July 2013 or date of commissioning of the power plants, whichever is earlier. BGI does not recognize deferred income tax assets and deferred income tax liabilities on temporary differences for its registered activities that are expected to reverse during the ITH period.
- On November 22, 2013, FNPC received its Certificate of Registration with the BOI under the Omnibus Investments Code of 1987 as the new operator of a 450 MW Combined Cycle Natural Gas Power Plant (the "San Gabriel" Plant). Subject to certain conditions, FNPC is entitled to certain tax and non-tax incentives, which include, among others, ITH for four years from April 2016 or actual start of commercial operations, whichever is earlier. The ITH shall be limited only to the revenues generated from the sales of electricity of the San Gabriel Plant. On November 5, 2016, the San Gabriel Plant started its commercial operations.



- On June 29, 2011, the BOI approved the ITH registration of the 86 MW Burgos Wind Farm under the RE Law. On June 3, 2014, EBWPC received a legal service letter from BOI granting the upward amendment of registered capacity of the Burgos Wind Farm from 86 MW to 150 MW effective for a 7-year period beginning in December 2015 or date of commissioning, whichever is earlier.
- FG Hydro is registered with the BOI under the Omnibus Investments Code of 1987 as the new operator of the 112 MW PAHEP/MAHEP on a pioneer status. As a registered enterprise, FG Hydro was entitled to certain tax and non-tax incentives which include, among others, ITH for six years commencing on April 13, 2007. On October 2, 2013, the BOI approved FG Hydro's application for an ITH extension by granting it another year or until April 12, 2014. Consistent with the Corporate Social Responsibility (CSR) objectives of the BOI, FG Hydro is actively involved in various CSR Projects in the areas of Livelihood and Institutional Economic Support, Environment, Education, Health, Information Education and Communication, and Socio-Cultural Support.

23. Earnings Per Share Calculations

	2016	2015	2014
(a) Net income attributable to equity holders of the Parent Company	\$199,590	\$167,318	\$193,155
Less dividends on preferred stocks	(30,399)	(35,758)	(39,893)
(b) Net income available to common stocks	\$169,191	\$131,560	\$153,262
(c) Weighted average number of common stocks for basic earnings per share	3,599,971,340	3,581,395,541	3,319,209,765
Basic/Diluted Earnings Per Share (b/c)	\$0.047	\$0.037	\$0.046

In 2016, 2015 and 2014, First Gen Group does not have any dilutive potential common stocks. Hence, diluted EPS is the same as basic EPS.

24. Financial Risk Management Objectives and Policies

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

As a matter of policy, First Gen Group does not trade its financial instruments. However, First Gen Group enters into derivative and hedging transactions, primarily interest rate swaps, cross-currency swaps 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, liquidity risk and merchant risk. The BOD reviews and approves policies for managing each of these risks as summarized below. First Gen Group's accounting policies in relation to derivative financial instruments are set out in Note 2 to the consolidated financial statements.

Interest Rate Risk

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

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

In November 2008, FGPC entered into interest rate swap agreements to cover the interest payments for up to 91% of its combined debt under the Covered and Uncovered Facilities. In 2013, FGP entered into three interest rate swap agreements to cover interest payments up to 24.3% of its Term Loan Facility.

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 Facilities (the Foreign Facility) that is benchmarked against U.S. LIBOR and with flexible interest reset feature that allows EBWPC to select the interest reset frequency to be applied. In the first quarter of 2016, EBWPC entered into three (3) additional IRS with aggregate notional amount of \$30.0 million.

Under these swap agreements, FGPC, FGP and EBWPC agreed to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed-upon notional principal amounts.

As of December 31, 2016 and 2015, approximately 70.9% and 70.0%, respectively, of First Gen Group's borrowings are subject to fixed interest rate after considering the effect of its interest rate swap agreements.

Interest Rate Risk Table

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

	2016					Total
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	
<u>Fixed Rate</u>						
Long-term debts:						
Covered Facility*	7.65%	\$22.58	\$88.33	\$93.88	\$—	\$204.79
Uncovered Facility*	7.56% - 7.96%	13.24	—	—	—	13.24
Term Loan Facility*	1.28% - 1.43%	8.27	20.44	50.12	—	78.83
Parent \$200 million Term Loan	4.90%	6.00	40.00	40.00	108.00	194.00
Parent \$300 million Notes	6.50%	—	—	—	300.00	300.00
EDC \$300 million Notes	6.50%	19.50	58.50	9.75	—	87.75
IFC 1	7.40%	5.05	10.11	10.11	20.14	45.41
IFC 2	6.66%	6.88	13.75	13.75	10.25	44.63

(Forward)



2016						
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	Total
FXCN						
¥3.0 billion	5.25%	\$2.17	\$4.34	\$4.34	\$44.41	\$55.26
¥4.0 billion	5.25%	2.90	5.79	5.79	59.21	73.69
FXR Bonds						
¥3.0 billion	4.16%	—	—	60.34	—	60.34
¥4.0 billion	4.73%	—	—	—	80.45	80.45
FNPC Term Facility	3.37%	\$19.19	\$38.38	\$38.38	\$124.73	\$220.68
¥1.5 billion Term Loan	5.25%	0.60	2.41	3.62	23.53	30.16
¥1.0 billion Term Loan	5.58%	—	0.40	1.41	18.30	20.11
¥291.2 million Term Loan	5.75%	—	0.90	0.90	4.05	5.85
BGI ¥5.0 billion Term Loan	5.25%	12.07	24.14	27.15	25.14	88.50
GCGI ¥8.5 billion Term Loan	5.25%	20.51	41.03	47.87	30.77	140.18

Floating Rate

Long-term debts:

Uncovered Facility	5.17%	\$4.41	\$—	\$—	\$—	\$4.41
Term Loan Facility	3.54%	25.73	63.56	37.88	118.00	245.17
Staple Financing	5.38%	41.74	—	—	—	41.74
PNB Loan	3.07%	5.50	11.55	12.65	6.60	36.30
US\$80 million Term loan	2.56%	—	72.80	—	—	72.80
US\$175 million Refinanced Syndicated Term loan	2.51%	87.48	—	—	—	87.48
EBWPC Loans						
\$37.5 million Commercial Debt Facility	3.30%	1.50	4.13	4.97	24.47	35.07
\$150.0 million ECA Debt Facility	3.30%	6.00	16.50	19.88	97.88	140.26
¥5.6 billion Commercial Debt Facility	3.65%	2.54	5.08	5.08	95.35	108.05

*Including effect of interest rate swap

2015						
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	Total
Fixed Rate						
Long-term debts:						
Covered Facility*	7.65%	\$18.45	\$49.58	\$128.83	\$26.38	\$223.24
Uncovered Facility*	7.56% - 7.96%	26.55	13.24	—	—	39.79
Term Loan Facility*	1.28% - 1.43%	8.27	18.49	60.34	—	87.10
Parent \$200 million Term Loan	4.90%	6.00	26.00	40.00	128.00	200.00
Parent \$300 million Notes	6.50%	—	—	—	300.00	300.00
EDC \$300 million Notes	6.50%	18.46	55.37	18.46	9.23	101.52
Public Bonds						
Series 2	9.33%	74.37	—	—	—	74.37
IFC 1	7.40%	7.27	14.53	14.53	18.10	54.43
IFC 2	6.66%	5.34	10.68	10.68	26.61	53.31
FXCN						
¥3.0 billion	6.62%/5.25%	2.29	4.59	4.59	49.21	60.68
¥4.0 billion	6.61%/5.25%	3.06	6.12	6.12	65.62	80.92
FXR Bonds						
¥3.0 billion	4.16%	—	—	63.10	—	63.10
¥4.0 billion	4.73%	—	—	—	85.00	85.00
FNPC Term Facility	3.37%	8.08	32.33	32.33	121.22	193.96
¥291.2 million Term Loan	5.75%	—	0.48	0.95	4.76	6.19
BGI ¥5.0 billion Term Loan	5.25%	12.75	25.50	26.56	41.44	106.25
GCGI ¥8.5 billion Term Loan	5.25%	21.67	43.35	46.96	57.80	169.78

Floating Rate

Long-term debts:

Uncovered Facility	4.50%	\$6.55	\$6.72	\$—	\$—	\$13.27
Term Loan Facility	2.97%	25.73	57.51	23.66	164.00	270.9
Staple Financing	2.93%	36.12	46.06	—	—	82.18
PNB Loan	5.00%	8.13	18.06	19.87	21.67	67.73
US\$80 million Term loan	2.39%	4.00	72.80	—	—	76.80
US\$175 million Refinanced Syndicated Term loan	2.35%	17.52	87.48	—	—	105.00
EBWPC Loans						
\$37.5 million Commercial Debt Facility	6.19%	1.69	3.47	4.59	27.00	36.75
\$150.0 million ECA Debt Facility	2.75%	6.75	13.88	18.38	108.00	147.01
¥5.6 billion Commercial Debt Facility	2.75%	2.68	5.36	5.36	103.43	116.83

*Including effect of interest rate swap



Interest on financial instruments classified as floating rate is repriced semi-annually on each interest payment date. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of First Gen Group that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates for the years ended December 31, 2016 and 2015, with all other variables held constant, of First Gen Group's income before income tax and equity (through the impact of floating rate borrowings, derivative assets and liabilities):

	Increase (Decrease) in Basis Points	Increase (Decrease) in Income Before Income Tax	Increase (Decrease) in Equity
December 31, 2016			
U.S. Dollar	+100	(\$7.17 million)	\$13.50 million
	-100	7.17 million	(12.74 million)
Philippine Peso	+100	(0.64 million)	—
	-100	0.64 million	—
December 31, 2015			
U.S. Dollar	+100	(\$8.13 million)	\$14.86 million
	-100	8.13 million	(15.02 million)
Philippine Peso	+100	(1.03 million)	—
	-100	1.03 million	—

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

Foreign Currency Risk

Foreign Currency Risk with Respect to Philippine Peso, Euro and Other Foreign Currencies. First Gen Group's exposure to foreign currency risk arises as the functional currency of the Parent Company and certain subsidiaries, the U.S. dollar, is not the local currency in its country of operations. Certain financial assets and liabilities as well as some costs and expenses are denominated in various foreign currencies. To manage the foreign currency risk, First Gen Group may consider entering into derivative transactions, as necessary.

The following table sets out the foreign currency-denominated monetary assets and liabilities (translated into U.S. dollar) as of December 31, 2016 and 2015 that may affect the consolidated financial statements of First Gen Group (amounts in millions):

	2016								
	Original Currency								
	Philippine Peso- denominated Balances	Euro- denominated Balance	Japanese Yen- denominated Balance	Chilean Peso denominated Balance	New Zealand dollar denominated Balance	Singapore Dollar denominated Balance	Hong Kong Dollar denominated Balance	Great Britain Pound denominated Balance	Equivalent U.S. Dollar Balances ¹
Financial Assets									
Loans and receivables:									
Cash and cash equivalents	₱12,191.2	€—	¥—	CHL₱142.7	NZ\$—	SG\$—	HK\$—	£—	\$245.6
Receivables	8,733.4	—	—	—	—	—	—	—	175.7
Long-term receivables	34.9	—	—	—	—	—	—	—	0.7
	20,959.5	—	—	142.7	—	—	—	—	422.0
AFS financial assets	1,120.4	—	—	—	—	—	—	—	22.5
Financial assets at FVPL	383.9	—	—	—	—	—	—	—	7.7
Total financial assets	22,463.8	—	—	142.7	—	—	—	—	452.2

(Forward)



2016									
	Original Currency								
	Philippine Peso- denominated Balances	Euro- denominated Balance	Japanese Yen- denominated Balance	Chilean Peso denominated Balance	New Zealand dollar denominated Balance	Singapore Dollar denominated Balance	Hong Kong Dollar denominated Balance	Great Britain Pound denominated Balance	Equivalent U.S. Dollar Balances ¹
Financial Liabilities									
Liabilities at amortized cost:									
Accounts payable and accrued expenses	₱9,922.8	₱7.1	₱328.3	₱—	₱0.5	₱0.1	₱0.1	₱0.2	₱210.5
Dividends payable	731.8	—	—	—	—	—	—	—	14.7
Long-term debts	40,743.9	—	—	—	—	—	—	—	819.5
Total financial liabilities	51,398.5	7.1	328.3	—	0.5	0.1	0.1	0.2	1,044.7
Net financial liabilities (assets)	₱28,934.7	₱7.1	₱328.3	(CHL142.7)	NZ\$0.5	SG\$0.1	HK\$0.1	£0.2	\$592.5

¹ US\$1=₱49.72, US\$1=€0.959, US\$1=¥117.181, US\$1=CHL₱669.116, US\$1=HK\$7.743, US\$1=NZD1.443, US\$1=SG\$1.447 and US\$1=GB£0.871 as of December 31, 2016.

2015									
	Original Currency								
	Philippine Peso- denominated Balances	Euro- denominated Balance	Japanese Yen- denominated Balance	Chilean Peso denominated Balance	New Zealand dollar denominated Balance	Swedish kroner denominated Balance	Singapore Dollar denominated Balance	Great Britain Pound denominated Balance	Equivalent U.S. Dollar Balances ¹
Financial Assets									
Loans and receivables:									
Cash and cash equivalents	₱12,722.8	€—	¥—	CHL₱3,416.3	NZ\$—	SEK—	SG\$—	£—	\$275.2
Receivables	7,955.1	—	—	—	—	—	—	—	169.0
Long-term receivables	34.9	—	—	—	—	—	—	—	0.7
	20,712.8	—	—	3,416.3	—	—	—	—	444.9
AFS financial assets	219.4	—	—	—	—	—	—	—	4.7
Financial assets at FVPL	1,416.9	—	—	—	—	—	—	—	30.1
Total financial assets	22,349.1	—	—	3,416.3	—	—	—	—	479.7
Financial Liabilities									
Liabilities at amortized cost:									
Accounts payable and accrued expenses	9,553.6	7.1	143.4	—	0.3	1.3	0.1	0.3	212.7
Dividends payable	751.4	—	—	—	—	—	—	—	16.0
Long-term debts	47,484.4	—	—	—	—	—	—	—	1,009.0
Total financial liabilities	57,789.4	7.1	143.4	—	0.3	1.3	0.1	0.3	1,237.7
Net financial liabilities (assets)	₱35,440.3	₱7.1	₱143.4	(CHL₱3,416.3)	NZ\$0.3	SEK1.3	SG\$0.1	£0.3	\$758.0

¹ US\$1=₱47.06, US\$1=€0.910, US\$1=¥120.327, US\$1=CHL₱708.97, US\$1=SEK8.358, US\$1=NZD1.457, US\$1=SG\$1.404 and US\$1=GB£0.671 as of December 31, 2015.

The following tables demonstrate, for the years ended December 31, 2016 and 2015, the sensitivity to a reasonably possible change in the foreign currency exchange rates applicable to First Gen Group, with all other variables held constant, to First Gen Group's income before income tax and equity (due to changes in the revaluation of monetary assets and liabilities):

	2016		
	Foreign Currency Appreciates (Depreciates) By	Increase (Decrease) in Income Before Income Tax	Increase (Decrease) in Equity
	<i>(Amounts in Millions)</i>		
Philippine Peso	5% (5%)	\$2.36 (2.61)	\$30.08 (33.24)
European Euro	3% (3%)	(0.23) 0.23	— —
Japanese Yen	10% (10%)	(0.25) 0.31	— —
Chilean Peso	10% (10%)	(0.02) 0.02	— —
Hong Kong Dollar	10% (10%)	(0.01) 0.01	— —
Singapore Dollar	10% (10%)	(0.01) 0.01	— —
New Zealand Dollar	10% (10%)	(0.03) 0.04	— —
Great Britain Pound	10% (10%)	(0.02) 0.03	— —



2015			
	Foreign Currency Appreciates (Depreciates) By	Increase (Decrease) in Income Before Income Tax	Increase (Decrease) in Equity
<i>(Amounts in Millions)</i>			
Philippine Peso	3%	\$1.39	\$23.32
	(3%)	(1.47)	(24.76)
European Euro	4%	(0.31)	—
	(4%)	0.31	—
Japanese Yen	10%	(0.11)	—
	(10%)	0.13	—
Chilean Peso	10%	(0.44)	—
	(10%)	0.54	—
Swedish Kroner	10%	(\$0.01)	\$—
	(10%)	0.02	—
Singapore Dollar	10%	—	—
	(10%)	0.01	—
New Zealand Dollar	10%	(0.02)	—
	(10%)	0.02	—
Great Britain Pound	10%	(0.04)	—
	(10%)	0.05	—

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

Foreign Currency Risk with Respect to U.S. Dollar. In the case of entities within First Gen Group with 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. The U.S. dollar denominated monetary assets are translated to Philippine peso using the exchange rate of ₱49.72 to \$1.00 and ₱47.06 to \$1.00 as at December 31, 2016 and 2015, respectively.

In the case of EDC, its exposure to foreign currency risk is mitigated to some degree by some provisions of its GRESCs, SSAs, PPAs, 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.

The table below summarizes First Gen Group's exposure to foreign exchange risk with respect to U.S. dollar as at December 31:

	2016		2015	
	U.S. Dollar- denominated Balances	Philippine Peso Equivalent	U.S. Dollar- denominated Balances	Philippine Peso Equivalent
<i>(Amounts in Millions)</i>				
Financial Assets				
Loans and receivables:				
Cash equivalents	\$63.9	₱3,177.5	\$14.5	₱684.4
Cash on hand and in banks	9.5	474.2	3.8	179.4
AFS financial assets -				
Debt securities	—	—	2.8	129.6
Derivative assets designated as cash flow hedges	13.0	646.5	7.5	351.6
Total financial assets	\$86.4	₱4,298.2	\$28.6	₱1,345.0

(Forward)



	2016		2015	
	U.S. Dollar-denominated Balances	Philippine Peso Equivalent	U.S. Dollar-denominated Balances	Philippine Peso Equivalent
<i>(Amounts in Millions)</i>				
Financial Liabilities				
Liabilities at amortized cost:				
Accounts payable	\$13.2	₱655.9	\$18.2	₱854.6
Long-term debt	626.7	31,160.6	654.3	30,789.8
Accrued interest on long-term debts	9.4	467.5	9.2	432.1
Derivative liabilities designated as cash flow hedges	2.0	101.7	4.3	202.5
Total financial liabilities	\$651.3	₱32,385.7	\$686.0	₱32,279.0

The following table sets out the impact of the range of reasonably possible movement in the U.S. dollar exchange rates with all other variables held constant on the Group's income before income tax and equity for the years ended December 31, 2016 and 2015.

	Change in Exchange Rate in U.S dollar against Philippine peso	Effect on	
		Income Before Income Tax	Equity
<i>(Amounts in Millions)</i>			
2016	10% (10%)	(₱2,863.22) 2,863.22	₱54.48 (54.48)
2015	10% (10%)	(₱2,835.75) 2,835.75	₱281.29 (318.17)

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

Credit Risk

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

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 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 ongoing basis to ensure that EDC's exposure to bad debts is not significant. The maximum exposure of trade receivable is equal to its 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, trade and other receivables, financial assets at FVPL, short-term investments, and AFS financial assets, 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.



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

	2016	2015
Financial assets accounted for as cash flow hedge		
Derivative assets	\$12,833	\$8,124
Financial assets at FVPL		
Designated as at FVPL	22,534	30,108
Loans and receivables		
Cash and cash equivalents *	497,873	727,940
Receivables:		
Trade	336,518	308,568
Due from related parties	1,592	2,021
Others	6,372	6,893
DSRA	20,665	28,140
Long-term receivables	1,265	695
Short-term investments	5,873	—
Special deposits and funds	2,695	2,489
Other current assets	726	801
Total loans and receivables	873,579	1,077,547
AFS financial assets		
Debt securities	2,565	5,497
Equity securities	6,749	598
Proprietary club membership shares	1,014	1,014
Total AFS financial assets	10,328	7,109
	\$919,274	\$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 December 31, 2016 and 2015:

	2016						
	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*	\$497,873	\$—	\$—	\$—	\$—	\$—	\$497,873
Trade receivables	268,060	5,241	12,988	50,229	—	2,307	338,825
Due from related parties	1,592	—	—	—	—	—	1,592
Other receivables	6,372	—	—	—	—	—	6,372
Long-term receivables	1,265	—	—	—	—	1,562	2,827
Special deposits and funds	2,695	—	—	—	—	—	2,695
Short-term investments	5,873	—	—	—	—	—	5,873
DSRA	20,665	—	—	—	—	—	20,665
Other current assets	726	—	—	—	—	—	726
AFS financial assets:							
Debt securities	2,565	—	—	—	—	—	2,565
Equity securities	6,749	—	—	—	—	—	6,749
Proprietary club membership shares	1,014	—	—	—	—	—	1,014
Financial assets at FVPL - Designated as at FVPL	22,534	—	—	—	—	—	22,534
Financial assets accounted for as cash flow hedge -							
Derivative assets	12,833	—	—	—	—	—	12,833
Total	\$850,816	\$5,241	\$12,988	\$50,229	\$—	\$3,869	\$923,143

*Excluding cash on hand



	2015						
		Past Due but Not Impaired					
	Neither Past Due nor Impaired	Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Past Due and Impaired	Total
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.

As of December 31, 2016 and 2015, substantially all financial assets that are neither past due nor impaired are viewed by management as 'high grade' considering the collectability of the receivables and the credit history of the counterparties. Meanwhile, past due but not impaired financial assets are classified as standard grade.

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 December 31, 2016 and 2015:

	2016	2015
Trade receivables from Meralco	\$178,687	\$199,542
Trade receivables from NPC and TransCo	78,354	40,002
Total credit concentration risk	\$257,041	\$239,544
Total receivables	\$344,482	\$317,482
Credit concentration percentage	74.62%	75.45%

Liquidity Risk

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

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

As of December 31, 2016 and 2015, 20.9% and 19.7%, respectively, of First Gen Group's debt will mature in less than a year based on the carrying value of borrowings reflected in the consolidated financial statements.

The tables below summarize the maturity profile of First Gen Group's financial assets used for liquidity management and financial liabilities as of December 31, 2016 and 2015 based on the contractual undiscounted payments:

	2016					
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	Total
Financial Assets:						
Cash and cash equivalents	\$497,980	\$-	\$-	\$-	\$-	\$497,980
Trade receivables	-	273,301	46,828	16,389	-	336,518
DSRA	20,665	-	-	-	-	20,665
Total loans and receivables	518,645	273,301	46,828	16,389	-	855,163
Derivative contract receipts	-	-	1,851	4,803	-	6,654
Derivative contract payments	-	-	(1,086)	(2,136)	-	(3,222)
Total financial assets accounted for as cash flow hedge	-	-	765	2,667	-	3,432
AFS financial assets -						
Debt securities	2,565	-	-	-	-	2,565
Total financial assets	\$521,210	\$273,301	\$47,593	\$19,056	\$-	\$861,160

(Forward)



	2016					
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	Total
Financial liabilities:						
Accounts payable and accrued expenses*	\$78,656	\$211,303	\$31,621	\$-	\$-	\$321,580
Due to a related party	145	-	-	-	-	145
Dividends payable	\$-	\$14,719	\$-	\$-	\$-	\$14,719
Long-term debts	-	46,381	388,649	1,695,038	1,280,282	3,410,350
Total liabilities carried at amortized cost	78,801	272,403	420,270	1,695,038	1,280,282	3,746,794
Derivative contract receipts	-	-	(2,838)	(8,837)	-	(11,675)
Derivative contract payments	-	-	9,119	17,864	-	26,983
Total financial liabilities accounted for as cash flow hedges	-	-	6,281	9,027	-	15,308
Total financial liabilities	\$78,801	\$272,403	\$426,551	\$1,704,065	\$1,280,282	\$3,762,102

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

	2015					
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	Total
Financial Assets:						
Cash and cash equivalents	\$730,463	\$-	\$-	\$-	\$-	\$730,463
Trade receivables	-	247,642	35,366	23,160	-	306,168
DSRA	28,140	-	-	-	-	28,140
Total loans and receivables	758,603	247,642	35,366	23,160	-	1,064,771
Derivative contract receipts	-	-	1,055	4,070	-	5,125
Derivative contract payments	-	-	(1,207)	(3,222)	-	(4,429)
Total financial assets accounted for as cash flow hedge	-	-	(152)	848	-	696
AFS financial assets -						
Debt securities	5,497	-	-	-	-	5,497
Total financial assets	\$764,100	\$247,642	\$35,214	\$24,008	\$-	\$1,070,964
Financial liabilities:						
Accounts payable and accrued expenses*	\$90,511	\$240,724	\$-	\$-	\$-	\$331,235
Due to a related party	145	-	-	-	-	145
Dividends payable	-	15,967	-	-	-	15,967
Long-term debts	-	37,746	414,461	1,528,989	1,836,879	3,818,075
Total liabilities carried at amortized cost	90,656	294,437	414,461	1,528,989	1,836,879	4,165,422
Derivative contract receipts	-	-	(2,839)	(10,639)	(292)	(13,770)
Derivative contract payments	-	-	11,028	26,403	581	38,012
Total financial liabilities accounted for as cash flow hedges	-	-	8,189	15,764	289	24,242
Total financial liabilities	\$90,656	\$294,437	\$422,650	\$1,544,753	\$1,837,168	\$4,189,664

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

Merchant Risk

First Gen Group has two fully-merchant power plants, namely FNPC and Prime Meridian. These new gas plants are exposed to the volatility of spot prices because of supply and demand changes. Apart from supply and demand, there are other factors that could influence trends and movements in the WESM prices. These factors include (but are not limited to) unexpected outages, weather conditions, transmission constraints, and changes in fuel prices. These are expected to cause variability in the operating results of the aforementioned merchant plants.

First Gen Group plans to mitigate these risks by having a balanced portfolio of contracted and spot capacities. It intends to contract half of FNPC's capacity. As of December 31, 2016, First Gen Group was 79% contracted in terms of installed capacity. This percentage is targeted to increase.



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. Core capital includes long-term debt and equity.

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 significant changes were made in the objectives, policies or processes during the years ended December 31, 2016 and 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.

	2016	2015
Long-term debts (current and non-current portions)	\$2,678,132	\$2,962,799
Equity attributable to equity holders of the Parent		
Company	\$1,662,949	\$1,598,304
Non-controlling interests	426,618	407,179
Total equity	\$2,089,567	\$2,005,483
Total debt and equity	\$4,767,699	\$4,968,282
Debt ratio	56:44	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 December 31, 2016 and 2015, First Gen Group is in compliance with those covenants.

25. Financial Instruments

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

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Financial assets accounted for as cash flow hedges - Derivative assets	\$12,833	\$12,833	\$8,124	\$8,124
Financial assets designated at FVPL	22,534	22,534	30,108	30,108
Loans and receivables:				
Cash and cash equivalents	497,980	497,980	730,463	730,463
Receivables:				
Trade	336,518	336,518	308,568	308,568
Due from related parties	1,592	1,592	2,021	2,021
Others	6,372	6,372	6,893	6,893
Long-term receivables	1,265	1,209	695	687
Special deposits and funds	2,695	2,695	2,489	2,489
Short-term investments	5,873	5,873	—	—
DSRA	20,665	20,665	28,140	28,140
Other current assets	726	726	801	801
Total loans and receivables	873,686	873,630	1,080,070	1,080,062

(Forward)



	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
AFS financial assets -				
Debt securities	\$2,565	\$2,565	\$5,497	\$5,497
Equity securities	6,749	6,749	598	598
Proprietary club membership shares	1,014	1,014	1,014	1,014
Total AFS financial assets	10,328	10,328	7,109	7,109
	\$919,381	\$919,325	\$1,125,411	\$1,125,403
Financial Liabilities				
Financial liabilities carried at amortized cost:				
Accounts payable and accrued expenses*	\$321,580	\$321,580	\$331,235	\$331,235
Dividends payable	14,719	14,719	15,967	15,967
Due to a related party	145	145	145	145
Long-term debts	2,678,132	2,832,607	2,962,799	3,253,695
Total financial liabilities at amortized cost	3,014,576	3,169,051	3,310,146	3,601,042
Financial liability accounted for as cash flow hedges - Derivative liabilities	16,435	16,435	26,493	26,493
	\$3,031,011	\$3,185,486	\$3,336,639	\$3,627,535

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

Fair Value and Categories of Financial Instruments

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

Long-term Receivables

The fair value of long-term receivables was computed by discounting the expected cash flows using the applicable rates of 3.40% and 3.89% in 2016 and 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, if any, due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

FGP and FGPC long-term debts

The fair values of long-term debts were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. dollar interest rates ranging from 0.9656% to 2.1780% and 0.6460% to 1.6270% as of December 31, 2016 and 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 December 31, 2016 and 2015 ranging from 0.6350% to 2.6520% and 0.3940% to 2.4040%, respectively.

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

The fair values for EDC's and FG Hydro's long-term debts are estimated using the discounted cash flow methodology with the applicable rates ranging from 1.75% to 34.18% on December 31, 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 2.67% to 3.99% in 2015. As of December 31, 2016, the fair value of Red Vulcan's Staple Financing approximates its carrying value as it will mature on November 14, 2017.



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.

	2016			
	Fair value	Level 1	Level 2	Level 3
Loans and receivables:				
Long-term receivables	\$1,209	\$—	\$—	\$1,209
AFS financial assets:				
Debt securities	2,565	2,565	—	—
Equity securities	6,749	655	6,094	—
Financial assets accounted for as cash flow hedges - Derivative assets	12,833	—	12,833	—
Financial assets designated at FVPL	22,534	—	22,534	—
Long-term debt	2,832,607	—	—	2,832,607
Financial liabilities accounted for as cash flow hedges - Derivative liabilities	16,435	—	16,435	—
	2015			
	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 designated at FVPL	30,108	—	30,108	—
Long-term debt	3,253,695	—	—	3,253,695
Financial liabilities accounted for as cash flow hedges - Derivative liabilities	26,493	—	26,493	—

As of December 31, 2016 and 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 swaps, and foreign currency forwards to hedge the foreign exchange risk arising from its loans and payables. These derivatives (including embedded derivatives) are accounted for either as derivatives not designated as accounting hedges or derivatives designated as accounting hedges.

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

	2016			2015		
	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives Designated as Accounting Hedges						
Freestanding derivatives:						
Interest rate swaps	\$2,213	\$16,435	\$441,865	\$—	\$26,493	\$500,134
Cross currency swaps	9,410	—	75,000	8,124	—	75,000
Call spread swaps	1,210	—	28,800	—	—	—
Total derivatives	\$12,833	\$16,435		\$8,124	\$26,493	
Presented as:						
Current	\$9,461	\$88		\$1,245	\$105	
Noncurrent	3,372	16,347		6,879	26,388	
Total derivatives	\$12,833	\$16,435		\$8,124	\$26,493	



Derivatives not Designated as Accounting Hedges

First Gen Group's derivatives not designated as accounting hedges include freestanding derivatives used to economically hedge certain exposures but were not designated by management as accounting hedges. Such derivatives are classified as at FVPL with changes in fair value directly taken to the consolidated statement of income.

Foreign Currency Swap Contracts

A foreign currency swap is an agreement to exchange amounts in different currencies based on the spot rate at trade date and to re-exchange the same currencies at a future date based on an agreed rate.

In 2013, EDC has entered into a total of 22 foreign currency swap contracts with an aggregate notional amount of \$105.6 million and an average forward rate of ₱44.00 per US\$1. EDC settled these foreign currency swap contracts in 2014 resulting to a \$0.3 million gain that was recorded under "Mark-to-market gain (loss) on derivatives - net" account in the consolidated statement of income.

For the year ended December 31, 2014, EDC recognized a \$0.2 million gain from the fair value changes of these foreign currency swap contracts. This is recorded under "Mark-to-market gain (loss) on derivatives - net" account in the consolidated statement of income.

EDC did not enter into any foreign currency swap transaction in 2016 and 2015.

Derivatives Designated as Accounting Hedges

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

Interest Rate Swaps - FGPC

On November 14, 2008, FGPC entered into eight interest rate swap agreements with the following hedge providers namely: Société Générale (Singapore Branch), Bayerische Hypo-und Vereinsbank AG (Hong Kong Branch), Calyon and 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 14).

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

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



As of December 31, 2016 and 2015, the aggregate negative fair values of the interest rate swaps that were deferred to “Cumulative translation adjustments” account in the consolidated statement of financial position amounted to \$10.1 million (net of related deferred income tax effect of \$4.3 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 14). 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.

On June 10, 2013, FGP designated the interest rate swaps as hedging instruments to hedge the variability in the cash flows from the Term Loan Facility, attributable to the movements of six month U.S. LIBOR. The hedges are accounted for as cash flow hedges.

As of December 31, 2016 and 2015, the positive fair values of the interest rate swaps that were deferred to “Cumulative translation adjustments” account in the consolidated statement of financial position amounted to \$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 consolidated statement of income for the years ended December 31, 2016, 2015 and 2014.

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

	2016	2015
Notional amounts	\$272,865	\$350,134
Cumulative mark-to-market losses	(14,388)	(22,192)
Cumulative mark-to-market gains	1,021	653

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

	2016	2015
Fair value at beginning of year	(\$21,539)	(\$27,649)
Fair value changes taken into equity during the year	(1,097)	(6,339)
Fair value changes realized during the year	9,269	12,449
Fair value at end of year	(13,367)	(21,539)
Deferred income tax effect on cash flow hedges	4,010	6,462
Fair value deferred into equity	(\$9,357)	(\$15,077)



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

For the years ended December 31, 2016 and 2015, fair value changes taken to the consolidated statement of income amounted to \$5.7 million and \$12.4 million, respectively.

Cross Currency Swaps - EDC

In 2012 and 2014, EDC entered into 6 and an additional 6 non-deliverable cross-currency swap (NDCCS) agreements with an aggregate notional amount of \$65.0 million and \$45.0 million, respectively, to partially hedge the foreign currency and interest rate risks on its Refinanced Syndicated Term Loan that is benchmarked against U.S. LIBOR and with flexible interest reset feature that allows EDC to select the interest reset frequency to be applied (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 U.S. LIBOR plus 175 basis points and pays fixed peso interest. On specified dates, EDC also receives specified U.S. dollar amounts in exchange for specified peso amounts based on the agreed swap rates. These U.S. dollar receipts correspond with the expected interest and fixed principal amounts due on the hedged loan. Effectively, the 12 NDCCS converted 62.86% of the hedged loan into a fixed-rate peso loan.

Pertinent details of the NDCCS are as follows:

Notional amount (in million)	Trade Date	Effective Date	Maturity Date	Swap rate	Fixed rate	Variable rate
\$15.00	03/26/12	03/27/12	06/17/17	43.05	4.87%	3-month LIBOR + 175 bps
\$10.00	04/18/12	06/27/12	06/17/17	42.60	4.92%	3-month LIBOR + 175 bps
\$10.00	05/03/12	06/27/12	06/17/17	42.10	4.76%	3-month LIBOR + 175 bps
\$10.00	06/15/12	06/27/12	06/17/17	42.10	4.73%	3-month LIBOR + 175 bps
\$10.00	07/17/12	09/27/12	06/17/17	41.25	4.58%	3-month LIBOR + 175 bps
\$10.00	10/29/12	12/27/12	06/17/17	41.19	3.44%	3-month LIBOR + 175 bps
\$7.50	05/14/14	06/27/14	06/17/17	43.62	3.80%	3-month LIBOR + 175 bps
\$7.50	05/14/14	06/27/14	06/17/17	43.57	3.80%	3-month LIBOR + 175 bps
\$7.50	06/09/14	06/27/14	06/17/17	43.55	3.60%	3-month LIBOR + 175 bps
\$7.50	06/09/14	06/27/14	06/17/17	43.55	3.60%	3-month LIBOR + 175 bps
\$7.50	07/10/14	9/27/14	06/17/17	43.29	3.50%	3-month LIBOR + 175 bps
\$7.50	07/09/14	9/27/14	06/17/17	43.37	3.68%	3-month LIBOR + 175 bps

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

As of December 31, 2016 and 2015, the outstanding aggregate notional amount of EDC’s NDCCS amounted to \$75.0 million. For the years ended December 31, 2016 and 2015, the aggregate positive fair value changes on these NDCCS amounting to \$0.3 million and \$0.2 million, respectively, were recognized under “Cumulative translation adjustments” account in the consolidated statement of financial position.



Interest Rate Swap - EBWPC

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 Facilities (the Foreign Facility) that is benchmarked against U.S. LIBOR and with flexible interest reset feature that allows EBWPC to select the interest reset frequency to be applied. Under the interest rate swap agreement, EBWPC will receive semi-annual interest of 6-month U.S. LIBOR and will pay fixed interest. EBWPC designated the interest rate swap as hedging instruments in cash flow hedge against the interest rate risk arising from the Foreign Facility. In the first quarter of 2016, EBWPC entered into three (3) additional IRS with aggregate notional amount of \$30.0 million.

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
18.00	02/12/16	06/15/16	10/23/29	1.825	6-month LIBOR
9.00	10/20/14	12/15/14	10/23/29	2.508	6-month LIBOR
6.00	02/12/16	06/15/16	10/23/29	1.825	6-month LIBOR
6.00	02/12/16	06/15/16	10/23/29	1.825	6-month LIBOR

The maturity date of the seven (7) IRS coincides with the maturity date of the Foreign Facility.

As of December 31, 2016 and 2015, the outstanding aggregate notional amount of EBWPC's interest rate swap amounted to \$169.0 million and \$147.0 million, respectively. For the years ended December 31, 2016 and 2015, the aggregate negative fair value changes on these interest rate swaps amounting to \$0.3 million and \$4.5 million, respectively, were recognized under "Cumulative translation adjustments" account in the consolidated statement of financial position.

Call Spread Swap Contracts - EDC

In March 2016, EDC entered into three (3) call spread swaps (CSS) with an aggregate notional amount of \$28.8 million. In June 2016, EDC also entered into additional two (2) CSS with a notional amount of \$9.6 million each. These derivative contracts are designed to hedge the possible foreign exchange losses of its \$80.0 million Club Loan.

The aggregate fair value changes on these call spread contracts amounted to \$1.2 million as of December 31, 2016.

Hedge Effectiveness Results

Since the critical terms of the hedged loans and the interest rate swaps/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 interest rate swaps/NDCCS amounting to \$8.7 million and \$5.7 million gain as of December 31, 2016 and 2015 were recognized under "Cumulative translation adjustments" account in the consolidated statement of financial position. No ineffective portion was recognized in the consolidated statement of income for the years ended December 31, 2016, 2015 and 2014.



As of December 31, 2016, the fair value of the outstanding CSS amounted to \$0.9 million loss. Since the critical terms of the \$80.0 million club loan and CSS match, EDC recognized the aggregate fair value changes on these under “Mark-to-market gain (loss) on derivatives - net” account in the consolidated statement of income.

As of December 31, 2016 and 2015, the net movement of changes made to “Cumulative translation adjustments” account for EDC’s cash flow hedges are as follows:

	2016	2015
Balances at beginning of year	(\$3,948)	(\$3,710)
Fair value changes taken into equity during the year	8,726	5,727
Fair value changes realized during the year	(2,868)	(2,091)
Foreign exchange losses realized taken to the consolidated statement of income	(2,413)	(3,874)
	(503)	(3,948)
Deferred income tax effect on cash flow hedges	231	(99)
Balances at end of year	(\$272)	(\$4,047)

26. Significant Contracts, Franchise, Commitments and Contingencies

a. PPAs and PSAs

FGP and FGPC

FGP and FGPC each has an existing PPA with Meralco, the largest power distribution company operating in the island of Luzon and the Philippines and the sole customer of both companies. Under the PPA, Meralco will purchase in each contract year from the start of commercial operations, a minimum number of kWh of the net electrical output of FGP and FGPC for a period of 25 years. Billings to Meralco under the PPA are substantially in U.S. dollar and a small portion is billed in Philippine peso.

On January 7, 2004, Meralco, FGP and FGPC signed the amendment to their respective PPAs. The negotiations resulted in a package of concessions including the assumption of FGP and FGPC of community taxes at current tax rate, while conditional concessions include increasing the discounts on excess generation, payment of higher penalties for non-performance up to a capped amount, recovery of accumulated deemed delivered energy until 2011 resulting in the non-charging of Meralco of excess generation charge for such energy delivered beyond the contracted amount but within a 90% capacity quota. The amended terms under the respective PPAs of FGP and FGPC were approved by the ERC on May 31, 2006.

Under the respective PPAs of FGP and FGPC, the fixed capacity fees and fixed operating and maintenance fees are recognized monthly based on the actual NDC tested and proven, which is usually conducted on a semi-annual basis. Total fixed capacity fees and fixed operating and maintenance fees amounted to \$298.0 million, \$296.4 million and \$297.2 million for the years ended December 31, 2016, 2015 and 2014. Total power sold to Meralco by FGP and FGPC (which already includes the fixed capacity fees and fixed operating and maintenance fees mentioned above) amounted to \$826.6 million, \$1,076.5 million, and \$1,205.2 million for the years ended December 31, 2016, 2015 and 2014.



FG Bukidnon

On January 9, 2008, FG Bukidnon and Cagayan Electric Power and Light Co., Inc. (CEPALCO), an electric distribution utility operating in the City of Cagayan de Oro, signed a PSA for the FG Bukidnon plant. Under the PSA, FG Bukidnon shall generate and deliver to CEPALCO and CEPALCO shall take, and pay for even if not taken, the available energy for a period commencing on the date of ERC approval until March 28, 2025.

On June 14, 2012, FG Bukidnon signed a Transmission Service Agreement with NGCP for the latter's provision of the necessary transmission services to FG Bukidnon. The charges under this agreement are as provided in the Open Access Transmission Service Rules and/or applicable ERC orders/issuances. Under the PSA, these transmission-related charges shall be passed through to CEPALCO.

FG Hydro

FG Hydro had contracts which were originally transferred by NPC to FG Hydro as part of the acquisition of PAHEP/MAHEP for the supply of electric energy with several customers within the vicinity of Nueva Ecija. All contracts expired as of December 31, 2010.

In 2010, upon renegotiation with the customers and as stipulated by the ERC, the expired contracts were renewed except for the contract with Pantabangan Municipal Electric System (PAMES). FG Hydro shall generate and deliver to these customers the contracted energy on a monthly basis. FG Hydro is bound to service these customers for the remainder of the stipulated terms, the range of which falls between August 2018 and December 2020.

Upon expiration, these contracts may be renewed upon renegotiation with the customers and approval by the ERC. As of December 31, 2016, there are three remaining long-term power supply agreements being serviced by FG Hydro.

Details of the existing contracts are as follows:

Related Contract	Expiry Date	Other Development
Nueva Ecija II Electric Cooperative, Inc., Area 1 (NEECO II - Area 1)	August 25, 2018	The ERC granted a provisional approval of the PSC between FG Hydro and NEECO II-Area 1 that took effect on January 13, 2014.
Edong Cold Storage and Ice Plant (ECOSIP)	December 25, 2020	A new agreement was signed by FG Hydro and ECOSIP in November 2010 for the supply of power in the succeeding ten years.
NIA-Upper Pampanga River Integrated Irrigation System (UPRIIS)	October 25, 2020	FG Hydro and NIA-UPRIIS signed a new agreement in October 2010 for the supply of power in the succeeding ten years.
Nueva Ecija II Electric Cooperative, Inc., Area 2 (NEECO II - Area 2)	December 25, 2016	The contract with NEECO II - Area 2 was not renewed.
PAMES	December 25, 2008	There was no new agreement signed between FG Hydro and PAMES. However, FG Hydro had continued to supply PAMES' electricity requirements with PAMES' compliance to the agreed restructured payment terms.

In addition to the above contracts, FG Hydro entered into PSAs with FGES in 2016 for the delivery of electricity to a contestable customer of FGES. The PSA commenced on February 26, 2016 and will end on February 25, 2018.



On February 26, 2016, FG Hydro entered into a PSA with BGI for the delivery of electricity to a customer of FG Hydro. The contract is for a period of thirty (30) months and will remain effective until August 25, 2018. In December 2014, FG Hydro also entered into PSAs with BGI for the delivery of electricity to two (2) of FG Hydro's customers. The PSAs commenced on December 26, 2014 and ended on June 25 and December 25, 2015.

EDC

EDC sells electricity pursuant to the following PPAs/PSA:

588.4 MW Unified Leyte

The PPA provides, among others, that NPC shall pay EDC a base price per kilowatt-hour of electricity delivered subject to inflation adjustments. The PPA stipulates a contracted annual energy of 1,370 gigawatt-hour (GWh) for Leyte-Cebu and 3,000 GWh for Leyte-Luzon throughout the term of the PPA. It also stipulates that EDC shall specify the nominated energy for every contract year. The contract is for a period of 25 years, which commenced in November 1997.

52.0 MW Mindanao I

The PPA provides, among others, that NPC shall pay EDC a base price per kilowatt-hour of electricity delivered subject to inflation adjustments. The PPA stipulates a minimum offtake energy of 330 GWh for the first year and 390 GWh per year for the succeeding years. The contract is for a period of 25 years, which commenced in March 1997.

54.0 MW Mindanao II

The PPA provides, among others, that NPC shall pay EDC a base price per kilowatt-hour of electricity delivered subject to inflation adjustments. The PPA stipulates a minimum energy offtake of 398 GWh per year. The contract is for a period of 25 years, which commenced in June 1999.

Revenue from sale of electricity covered by the three (3) PPAs amounted to \$298.1 million, \$304.6 million and \$296.4 million in 2016, 2015, and 2014, respectively.

49.0 MW Nasulo

As of December 31, 2016, EDC's Nasulo power plant has a total of three (3) PSAs as follows:

Customers	Contract Start	Contract Expiration
San Miguel Electric Cooperative (SMEC)	November 26, 2014	December 25, 2024
First Gen Energy Solutions (FGES)	August 26, 2016	August 25, 2018
Unified Leyte Geothermal Energy Inc.	March 26, 2016	December 25, 2016

Revenue from sale of electricity covered by the PSA with SMEC amounted to \$2.4 million, \$2.3 million and \$0.3 million in 2016, 2015, and 2014, respectively.

GCGI

With GCGI's takeover of Palinpinon and Tongonan Power Plants effective October 23, 2009, the Asset Purchase Agreement with PSALM provides for the assignment of 12 NPC Power Supply Contracts (PSCs) to GCGI. As of December 31, 2016, the following PSCs had already ended:

Customers	Contract Expiration
Dynasty Management & Development Corp. (DMDC)	March 25, 2016
Philippine Foremost Milling Corp. (PFMC)	March 25, 2016



As of December 31, 2016, GCGI has a total of 23 PSAs as follows:

Customers	Contract Start	Contract Expiration
<u>Leyte</u>		
Leyte II Electric Cooperative, Inc. (LEYECO II)*	December 26, 2010	December 25, 2040
LEYECO II*	December 26, 2011	December 25, 2040
Leyte III Electric Cooperative, Inc. (LEYECO III)*	December 26, 2011	December 25, 2040
Leyte IV Electric Cooperative, Inc. (LEYECO IV)*	December 26, 2012	December 25, 2017
Philippine Phosphate Fertilizer Corporation (PHILPHOS)	December 26, 2011	December 25, 2016
<u>Cebu</u>		
Visayan Electric Company, Inc. (VECO)*	December 26, 2010	December 25, 2024
VECO*	December 26, 2011	December 25, 2016
Balamban Enerzone Corporation (BEZ)*	December 26, 2010	December 25, 2025
Mactan Enerzone Corporation (MEZ)	September 26, 2015	December 25, 2025
<u>Bohol</u>		
Bohol II Electric Cooperative, Inc. (BOHECO II)*	January 26, 2013	December 25, 2040
<u>Negros</u>		
Central Negros Electric Cooperative, Inc. (CENECO)*	December 26, 2011	December 25, 2040
Negros Oriental I Electric Cooperative, Inc. (NORECO I)*	December 26, 2010	December 25, 2030
Negros Oriental II Electric Cooperative, Inc. (NORECO II)*	December 26, 2010	December 25, 2035
Northern Negros Electric Cooperative, Inc. (NONECO)*,**	December 26, 2010	June 25, 2040
Dumaguete Coconut Mills, Inc. (DUCOM)	October 26, 2010	December 25, 2040
<u>Panay</u>		
Aklan Electric Cooperative, Inc. (AKELCO)*	March 26, 2010	December 25, 2040
Antique Electric Cooperative, Inc. (ANTECO)	December 26, 2014	December 25, 2040
Capiz Electric Cooperative, Inc. (CAPELCO)*	January 27, 2010	December 25, 2040
Iloilo I Electric Cooperative, Inc. (ILECO I)*	March 26, 2010	December 25, 2040
Iloilo II Electric Cooperative, Inc. (ILECO II)*	December 26, 2010	December 25, 2030
Iloilo III Electric Cooperative, Inc. (ILECO III)*	December 26, 2012	December 25, 2030
Guimaras Electric Cooperative, Inc. (GUIMELCO)*	December 26, 2012	December 25, 2040
First Gen Energy Solutions (FGES)***	October 26, 2016	December 25, 2020

* With Provisional Authority from the ERC as of December 31, 2016.

** NONECO is formerly known as V.M.C. Rural Electric Service Cooperative, Inc. (VRESCO).

*** First GES supplies various customers in Luzon and Visayas.

Coordination with the ERC is ongoing to secure the Final Authority for the filed applications for the approval of the PSAs with the distribution utility customers. Preparations are ongoing for the filing with the ERC of the applications for the approval of the PSA with ANTECO.

Prior to the original expiration of certain PSAs with LEYECO II, LEYECO III, VECO, BEZ, BOHECO II, CENECO, NONECO, NORECO I, NORECO II, AKELCO, CAPELCO, ILECO I, ILECO II, ILECO III and GUIMELCO, these customers and GCGI have agreed to extend the term of the PSA up to the contract expiration date indicated above.

Total revenue from sale of electricity under the PSCs and PSAs amounted to \$234.6 million, \$246.6 million and \$231.5 million in 2016, 2015, and 2014, respectively.

The PSAs for Don Orestes Romualdez Electric Cooperative, Inc., Leyte V Electric Cooperative, Inc. and Negros Occidental Electric Cooperative, Inc. ended earlier on December 25, 2015 after the Parties failed to come into agreement during the prescribed repricing period.

Also, GCGI's PSA with FGES for the 2-MW supply to Alturas Group of Companies was assigned to ULGEI effective December 26, 2015 with amended provisions.



BGI

As of December 31, 2016 BGI's outstanding PSAs are as follows:

Customers	Contract Start	Contract Expiration
First Philippine Industrial Corp. (FPIC)	December 26, 2012	December 26, 2018
Camarines Sur II Electric Cooperative, Inc.	January 26, 2013	December 26, 2018
ULGEI	August 26, 2015	December 25, 2025
FG Hydro	February 26, 2016	August 25, 2018
FGES	June 26, 2016	December 25, 2021
IMAK - INEC	December 26, 2016	July 25, 2018

On December 13, 2012, the PSA between GCGI and Philippine Associated Smelting and Refining Corporation was assigned to BGI effective December 26, 2012. The assigned PSA expired on December 25, 2015. Also, two (2) PSAs with FG Hydro expired on June 25, 2015 and December 25, 2015.

Total revenue from the sale of electricity amounted to \$66.5 million (₱3.1 billion), \$93.2 million and \$80.4 million in 2016, 2015 and 2014, respectively. The costs of purchases of electricity from WESM were offset against revenues from sale of electricity. Any excess revenue from or excess cost of sale of electricity is presented as revenues from sale of electricity or cost of sale of electricity, respectively.

ULGEI

As of December 31, 2016, ULGEI's outstanding PSAs are as follows:

Customers	Contract Start	Contract Expiration
Bohol Light Company, Inc. (BLCI)	August 26, 2015	August 25, 2021
Camarines Sur IV Electric Cooperative Inc. (CASURECO IV)	August 26, 2015	December 25, 2025
Bohol II Electric Cooperative, Inc.	April 24, 2016	December 25, 2018

The total revenue from the sale of electricity under PSA's amounted to \$17.5 million, \$9.0 million and nil in 2016, 2015 and 2014.

FGES

In 2016, FGES has entered into various RSC with contestable customers ranging from a contract period of 2 to 10 years. These agreements provide for the supply of electricity at an agreed price on a per kWh basis to contestable customers. Under the respective RSCs, FGES charges the customer for both the basic energy and pass through charges, as may be applicable. As of December 31, 2016 and 2015, FGES has outstanding RSCs with 22 and 2 contestable customers, respectively.

Total sale of electricity relating to the agreements amounted to \$13.7 million and \$8.4 million in 2016 and 2015, respectively.

b. Stored Energy Commitment of EDC

In 1996 and 1997, EDC entered into Addendum Agreements to the PPA related to the Unified Leyte power plants, whereby any excess generation above the nominated energy or take-or-pay volume will be credited against payments made by NPC for the periods it was not able to accept electricity delivered by EDC. As of December 31, 2016 and 2015, the commitment for stored energy is equivalent to 4,326.6 GWh.



c. GSCs/GRESCs of EDC

Under P.D. 1442, all geothermal resources in public and/or private lands in the Philippines, whether found in, on or under the surface of dry lands, creeks, rivers, lakes, or other submerged lands within the waters of the Philippines, belong to the State, inalienable and imprescriptible, and their exploration, development and exploitation. Furthermore, the Philippine Government may enter into service contracts for the exploration, development and exploitation of geothermal resources in the Philippines.

Pursuant to P.D. 1442, EDC entered into several GSCs with the Philippine Government through the DOE granting EDC the right to explore, develop, and utilize the country's geothermal resource subject to sharing of net proceeds with the Philippine Government. The net proceeds is what remains after deducting from the gross proceeds the allowable recoverable costs, which include development, production and operating costs. The allowable recoverable costs shall not exceed 90% of the gross proceeds. EDC pays 60% of the net proceeds as share of the Philippine Government and retains the remaining 40%. The 60% Philippine Government share is comprised of government share and income taxes. The government share is split between the DOE (60%) and the LGUs (40%) where the project is located.

GRESCs and Geothermal Operating Contracts

The RE Law, which became effective in January 2009, mandates the conversion of existing GSCs under P.D. 1442 into GRESCs to avail of the incentives under the RE Law. EDC submitted its letter of intent to register with the DOE as an RE Developer on May 20, 2009 and the conversion contracts negotiation with the DOE started in August 2009. On September 10, 2009, EDC was granted the Provisional Certificate of Registration as an RE Developer for its existing projects. With the receipt of the certificates of provisional registration as geothermal RE Developer, the fiscal incentives of the RE Law was availed of by EDC retroactive from the effective date of such law on January 30, 2009. Fiscal incentives include among others, the change in the applicable corporate tax rate from 30% to 10% for RE-registered activities. Aside from the tax incentives, the significant terms of the service concessions under the GRESCs are similar to the GSCs except that EDC has control over any significant residual interest over the steam fields, power plants, and related facilities throughout the concession period and even after the concession period.

The GSCs were fully converted to GRESCs upon signing of the parties on October 23, 2009; thereby EDC is now the holder of five (5) GRESCs and the corresponding DOE Certificate of Registration as an RE Developer for the following geothermal projects:

- 1) GRESC 2009-10-001 for Tongonan Geothermal Project;
- 2) GRESC 2009-10-002 for Southern Negros Geothermal Project;
- 3) GRESC 2009-10-003 for Bacon-Manito Geothermal Project;
- 4) GRESC 2009-10-004 for Mt. Apo Geothermal Project; and
- 5) GRESC 2009-10-005 for Northern Negros Geothermal Project

On February 19, 2010, EDC's GSC in Mt. Labo in Camarines Norte and Sur was converted to GRESC 2010-02-020, and on March 24, 2010, the DOE issued to EDC a new GRESC of Mainit Geothermal Project under DOE Certificate of Registration No. GRESC 2010-03-021.

In 2015, EDC recognized loss on direct write-off of exploration and evaluation assets related to the Mt. Labo and Mainit Geothermal Projects amounting to \$0.2 million (₱7.0 million) and \$0.1 million (₱4.3 million), respectively, due to issues on productivity and sustainability of geothermal resources in the area.



The remaining service contract of EDC covered by P.D. 1442 as of December 31, 2013 is the Mt. Cabalian in Southern Leyte with a term of 25 years from the effective date of the contract on January 31, 1997 and for an additional period of 25 years if EDC has not been in default in its obligations under the GSC. The evaluation and exploration assets related to the Cabalian project were impaired in 2013.

In 2014, after thorough assessment, EDC surrendered to the DOE the GSC covering the Southern Leyte Geothermal Project located in Cabalian, Southern Leyte. EDC has found the project not viable after considering the size of the resource and the risks associated with the development and sustainability thereof. EDC wrote-off the allowance recognized for the Cabalian project amounting to \$13.0 million (₱574.8 million).

EDC also holds geothermal resource service contracts, each with a five-year pre-development period expiring in 2017 and a 25-year contract period expiring between 2037 and 2040, for the following prospect areas:

- 1) Ampiro Geothermal Project
- 2) Mandalagan Geothermal Project
- 3) Mt. Zion Geothermal Project
- 4) Lakewood Geothermal Project
- 5) Balingasag Geothermal Project
- 6) Mt. Zion 2 Geothermal Project
- 7) Amacan Geothermal Project

Under the GRESCs, EDC pays the Philippine Government a government share equivalent to 1.5% of the gross income from the sale of geothermal steam produced and such other income incidental to and arising from generation, transmission, and sale of electric power generated from geothermal energy within the contract areas. Under the GRESCs, gross income derived from business is an amount equal to gross sales less sales returns, discounts and allowances, and cost of goods sold. Cost of goods sold includes all business expenses directly incurred to produce the steam used to generate power under a GRESC.

The RE Law also provides that the exclusive right to operate geothermal power plants shall be granted through a Renewable Energy Operating Contract with the Philippine Government through the DOE. On May 8, 2012, EDC, through its subsidiaries GCGI and BGI secured three (3) Geothermal Operating Contracts (GOCs), each with a 25-year contract period expiring in 2037 and renewable for another 25 years, covering the following power plant operations:

- 1) Tongonan Geothermal Power Plant under DOE Certificate of Registration No. GOC 2012-04-038;
- 2) Palinpinon Geothermal Power Plant under DOE Certificate of Registration No. GOC 2012-04-037;
- 3) Bacon-Manito Geothermal Power Plant under DOE Certificate of Registration No. GOC No. 2012-04-039

The Government share, presented as “Government share” under the “Costs of sale of electricity” account, for both the GRESCs and GOCs is allocated between the DOE (60%) and the LGUs (40%) within the applicable contract area (see Note 13).



d. SSAs of EDC

Under the SSA, NPC agrees to pay EDC a base price per kWh of gross generation, subject to inflation adjustments, and based on a guaranteed take-or-pay (TOP) rate at certain percentage plant factor. The SSA is for a period of 20 to 25 years.

Details of the existing SSAs are as follows:

Contract Area	Guaranteed TOP	End of Contract
BacMan I	75% plant factor	May 2018
BacMan II	50% for the 1st year, 65% for the 2nd year, 75% for the 3rd and subsequent years	March 2019

Following the commercial operations of the BacMan units, PSALM/NPC, EDC, and BGI have agreed to allow EDC bill BGI directly, on behalf of PSALM/NPC, starting October 1, 2013 for BacMan II and January 28, 2014 for BacMan I.

e. GSPA

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

Total cost of natural gas purchased amounted to \$172.8 million in 2016, \$201.8 million in 2015, and \$291.5 million in 2014, for FGP; and \$293.9 million in 2016, \$408.3 million in 2015, and \$529.3 million in 2014, for FGPC.

Under the GSPA, FGP and FGPC are obligated to purchase and take (or pay for, if not taken) a minimum quantity of gas for each Contract Year (which runs from December 26 of a particular year up to December 25 of the immediately succeeding year), called the Take-Or-Pay Quantity (TOPQ). Thus, if the TOPQ is not taken within a particular Contract Year, FGP and FGPC incur an “Annual Deficiency” for that Contract Year equivalent to the total volume of unused gas (i.e., the TOPQ less the actual quantity of gas taken). FGP and FGPC are required to make payments to the Gas Sellers for such Annual Deficiency after the end of the Contract Year. After paying for Annual Deficiency gas, FGP and FGPC can, subject to the terms of the GSPA, “make-up” such Annual Deficiency by taking the unused-but-paid-for gas (without further charge) within 10-Contract Years after the Contract Year for which the Annual Deficiency was incurred, in the order that it arose.

Included in the June 9, 2010 Settlement Agreement is the GSPA amendment in which FGP, FGPC and the Gas Sellers agreed that where the Gas Sellers reschedule, reduce or cancel Scheduled Maintenance and fail to provide a rescheduling notice within the period required under clause 17.1.2 of the respective GSAs of FGP and FGPC, Gas Sellers shall be permitted, subject to clause 17.5, to carry forward to succeeding Contract Years the number of Days within the originally scheduled period where no actual maintenance is carried out by the Gas Sellers provided that Gas Sellers tender for delivery, and FGP and FGPC actually take, gas equivalent to at least 61.429 Terajoules (TJ) and 122.9 TJ for San Lorenzo and Santa Rita, respectively. FGP and the Gas Sellers likewise agreed that references to “the Base TOPQ divided by 350” in certain clauses of the San Lorenzo GSPA shall be replaced by “61.429 TJ”.



On January 6, 2015, FGPC received an invoice from the Gas Sellers for an Annual Deficiency amount of \$2.2 million for the Contract Year ending on December 25, 2014 ("CY 2014"). FGPC disputed a portion of the Gas Sellers' computation of TOPQ for CY 2014 in the amount of \$0.7 million on the grounds that, among others, there are differences noted in calculating the Shortfall Gas on various dates, and certain claims for relief due to force majeure events that affected the Santa Rita Plant. Considering the differences noted, FGPC has sought correction of the CY 2014 Annual Reconciliation Statement. On August 28, 2015, FGPC received a letter from the Gas Sellers accepting the correction in the CY 2014 ARS. Consequently, the Gas Sellers' claim from FGPC has been reduced to \$1.5 million. In 2015, FGPC has fully taken the volume of gas equivalent to the Annual Deficiency for CY 2014.

f. WESC of EDC

On September 14, 2009, EDC entered into a WESC 2009-09-004 with the DOE granting EDC the right to explore and develop the Burgos Wind Project for a period of 25 years from effective date. The pre-development stage under the WESC shall be two years which can be extended for another one year if EDC does not default in its exploration or work commitments and provides a work program for the extension period upon confirmation by the DOE. The WESC also provides that upon submission of the declaration of commercial viability, as confirmed by the DOE, the WESC shall remain in force for the balance of the 25-year period for the development/commercial stage. The DOE shall approve the extension of the WESC for another 25 years under the same terms and conditions, provided that EDC is not in default in any material obligations under the WESC, and has submitted a written notice to the DOE for the extension of the contract not later than one (1) year prior to the expiration of the 25-year period. The WESC provides that all materials, equipment, plants and other installations erected or placed on the contract area by EDC shall remain the property of EDC throughout the term of the contract and after its termination.

On May 26, 2010, the BOD of EDC approved the assignment and transfer to EBWPC of all the contracts, assets, permits and licenses relating to the establishment and operation of the Burgos Wind Project under DOE Certificate of Registration No. WESC 2009-09-004. On May 16, 2013, EBWPC was granted a Certificate of Confirmation of Commerciality by the DOE.

As of December 31, 2016, EBWPC holds eleven (11) WESC's with the DOE. Each WESC has a contract period of 25 years and will expire between 2034 and 2040. The WESC's cover the following projects:

Projects	DOE Certificates of Registration
1) 150 MW wind project in Burgos, Ilocos Norte	WESC 2009-09-004 (expiring in 2034)
2) 84 MW wind project in Pagudpud, Ilocos Norte	WESC 2010-02-040 (expiring in 2035)
3) Burgos 1 wind project in Burgos, Ilocos Norte	WESC 2013-12-063 (expiring in 2038)
4) Burgos 2 wind project in Burgos, Ilocos Norte	WESC 2013-12-063 (expiring in 2038)
5) Matnog 1 wind project in Matnog & Magdalena, Sorsogon	WESC 2014-07-075 (expiring in 2039)
6) Matnog 2 wind project in Matnog, Sorsogon	WESC 2014-07-076 (expiring in 2039)
7) Matnog 3 wind project in Matnog, Sorsogon	WESC 2014-07-077 (expiring in 2039)
8) Iloilo 1 wind project in Batad & San Dionisio, Iloilo	WESC 2014-07-078 (expiring in 2039)
9) Negros wind project in Manapla & Cadiz City	WESC 2014-07-080 (expiring in 2039)
10) Burgos 3 wind project in Burgos and Pasuquin, Ilocos Norte	WESC 2015-09-085 (expiring in 2040)
11) Burgos 4 wind project in Burgos, Ilocos Norte	WESC 2015-09-086 (expiring in 2040)

**Cancellation letter has been submitted with the DOE in August 2016 but still awaiting confirmation reply.*



g. SESCOs of EDC

As of December 31, 2016, EDC holds six (6) SESCO's with the DOE. Each SESCO has a contract period of 25 years and will expire between 2039 and 2041. The WESCO's cover the following projects:

Projects	DOE Certificates of Registration
1) 6.82 MW Burgos Solar Project in Burgos, Ilocos Norte	SESC No. 2014-07-088 (expiring 2039)
2) Murcia Solar Project in Murcia, Negros Occidental	SESC No. 2015-03-113 (expiring 2040)
3) President Roxas Solar Project in President Roxas, North Cotabato*	SESC No. 2015-03-114 (expiring 2040)
4) Matalam Solar Project in Matalam, North Cotabato*	SESC No. 2015-03-119 (expiring 2040 and renewable for another 25 years)
5) Bogo Solar Project in Bogo, Cebu	SESC No. 2015-06-234 (expiring 2040 and renewable for another 25 years)
6) Iloilo Solar Project in Iloilo City	SESC No. 2016-06-306 (expiring 2041 and renewable for another 25 years)

*Cancellation letter has been submitted with DOE dated March 2016, awaiting confirmation reply.

h. Operating and Maintenance (O&M) Agreements

O&M Agreements of FGP and FGPC

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

Each signed contract took effect on August 1, 2010 (the Commencement Date) and will expire on the earlier of (i) the 20th anniversary of the Commencement Date, or (ii) the satisfactory completion of the major inspections of all units of the San Lorenzo and Santa Rita power plants, in each case nominally scheduled at 200,000 equivalent operating hours, as stipulated in their respective O&M Agreements. The monthly O&M charges include Euro, U.S. dollar and Philippine peso components.

FGPC and FGP total O&M costs (shown as part of the "Power plant operations and maintenance" in the "Costs of sale of electricity" account in the consolidated statement of income) amounted to \$24.1 million in 2016, \$27.7 million in 2015, and \$31.1 million in 2014.

In 2016, prepaid major spare parts amounting to \$30.5 million was reclassified to "Property, plant and equipment" account as a result of the completion of the scheduled maintenance outage of Santa Rita power plant (see Note 10). As of December 31, 2016 and 2015, certain O&M charges amounting to \$65.5 million and \$69.5 million, respectively, which relate to major spare parts that are expected to be replaced during the next scheduled major maintenance outage, were presented as part of the "Other noncurrent assets" account in the consolidated statement of financial position (see Note 12).

O&M Agreement of FNPC

On December 16, 2013, FNPC signed an O&M Agreement with SPOI for the operation, maintenance, management and repair services of San Gabriel power plant for a period of 10 years. SPOI is responsible for the day-to-day administration of the power plant, maintaining



adequate inventory of spare parts, accessories and consumables, and shall operate, maintain and repair the plant in accordance with Good Utility Practice.

In 2016, O&M costs incurred during commissioning phase of the San Gabriel power plant amounting to \$1.3 million was presented under “Property, plant equipment” account in the consolidated statement of financial position.

Following the commercial operations of the San Gabriel power plant, total O&M costs (shown as part of the “Power plant operations and maintenance” in the “Costs of sale of electricity” account in the consolidated statement of income) amounted to \$2.0 million in 2016.

O&M Agreement of EBWPC with Vestas

EBWPC will operate and maintain the wind farm under a ten-year O&M agreement with Vestas. The Vestas O&M contract is a service and energy-based availability agreement based on Vestas’ AOM 5000 product. The agreement is a full-scope maintenance contract covering both scheduled and unscheduled maintenance with an energy-based availability on the wind turbines. The agreement covers the wind turbines, wind farm electrical balance-of-plant systems, the wind turbine yaw back-up generators, and the Burgos Substation as opposed to a traditional O&M contract that provides a guarantee that the turbines in a wind power plant are operational for a defined period of time on an annual basis (referred to as time-based availability), the AOM 5000 model provides an energy-based guarantee, which encourages the contractor to ensure that the turbines are fully-operational when the wind is blowing.

i. SIA

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

Following the assignment by NPC to the National Transmission Corporation (TransCo) of all of NPC’s rights, title, interests and obligations in and to the SIA, FGPC on July 15, 2015 agreed to give, transfer and convey to TransCo, by way of donation, the Substation Improvements amounting to \$1.2 million (see Note 11). As of March 15, 2017, FGPC is still in the process of transferring the 230 kilovolts (kV) Santa Rita to Calaca transmission line to TransCo.

Maintenance services related to the transmission line were rendered by Miescor, a subsidiary of Meralco, on the 230 kV Santa Rita to Calaca transmission line in Batangas under a Transmission Line Maintenance Agreement (TLMA). The TLMA required a monthly payment of \$0.02 million (₱0.8 million) as retainer fee and \$0.08 million (₱3.4 million) for every six-month period as service fee, with both fees subject to periodic adjustment as set forth in the agreement. Total operations and maintenance expense (shown as part of the “Power plant operations and maintenance” in the “Costs of sale of electricity” account in the consolidated statement of income) amounted to \$0.4 million, \$0.6 million, and \$0.5 million in 2016, 2015 and 2014, respectively. The TLMA with Miescor was terminated in October 2016.



j. Interim Interconnection Agreement

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

k. REPA

Under Section 2.2 of the ERC Resolution No. 24, Series of 2013, *A Resolution Adopting the Guidelines on the Collection of the FIT Allowance (FIT-All) and the Disbursement of the FIT-All Fund* (the FIT-All Guidelines), all eligible renewable energy (RE) plant shall enter into a REPA with the TransCo for the payment of the FIT.

Pursuant to the FIT-All Guidelines, EBWPC entered into a REPA with TransCo for its Burgos Wind Power Plants. The REPA became effective after all the documents enumerated in Section 3.1 of the REPA have been submitted to and certified complete by TransCo. Included in those required documents is the FIT COC issued by the ERC on April 13, 2015.

Similarly, on April 24, 2015, EDC entered into a REPA for its 4.16 MW Solar Power Plants with TransCo.

In accordance with the REPA, all actual RE generation from the commercial operations date (COD) until the effective date of the REPA (effective date) were billed to and collected from the Philippine Electricity Market Corporation (PEMC) at market price.

After the effective date, billings for all actual RE generation have been submitted directly to and collected from the TransCo at the applicable FIT rate as approved by the ERC. In addition, the actual FIT differential from the COD until the effective date was also billed to TransCo over the number of months which lapsed during that period.

Total revenues from TransCo recognized in 2016 and 2015 under the REPAs amounted to \$59.6 million and \$45.8 million, respectively.

Total revenue from PEMC recognized in 2016 and 2015 from the Burgos Wind and Burgos Solar power plants amounted to \$0.1 million and \$6.2 million, respectively.

l. Franchise

The Parent Company, through FGHC, has a franchise granted by the 11th Congress of the Philippines through R.A. No. 8997 to construct, install, own, operate and maintain a natural gas pipeline system for the transportation and distribution of the natural gas throughout the island of Luzon (the "Franchise"). The Franchise is for a term of 25 years until February 25, 2026. As of March 15, 2017, FGHC, through its subsidiary FG Pipeline, has an ECC for the Batangas to Manila pipeline project and has undertaken substantial pre-engineering works and design and commenced preparatory works for the right-of-way acquisition activities, among others.



m. Tax Contingencies

FGPC

Deficiency Income Tax

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

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

On August 14, 2013, the CTA en banc issued a resolution that the case is deemed submitted for decision based on the respective Memorandums. On October 7, 2014, the CTA En Banc denied the Motion for Reconsideration filed by the BIR and affirmed the tax position of FGPC mainly due to the legal infirmities on statutory waiver of prescription and validity of assessment forms issued by the BIR. On December 7, 2014, the BIR filed an appeal with the SC within the 30-day extension requested by the BIR.

On April 3, 2015, FGPC filed its Comment on the Petition for Review filed by the BIR with the SC last December 7, 2014, in compliance with the SC's Resolution dated February 16, 2015. The appeal filed by the BIR was its remaining legal recourse against the CTA En Banc's decision affirming the tax position of FGPC mainly due to the legal infirmities on statutory waiver of prescription and validity of assessment forms issued by the BIR. On August 12, 2015, the SC issued a Resolution requiring the Office of the Solicitor General (OSG) to file a Reply to FGPC's Comment within ten (10) days from notice. However, the OSG requested for an additional period of thirty (30) days or until November 8, 2015 within which to file their Reply. On December 7, 2015, FGPC's legal counsel received from the SC a copy of the OSG's reply dated November 27, 2015 in response to FGPC's Comment filed in April 2015. On January 11, 2016, the SC issued a Resolution noting the filing of the BIR's Reply. As of March 15, 2017, FGPC's legal counsel has not received the foregoing or any other resolution from the SC and the case remains pending.

Management believes that the resolution of this assessment will not materially affect First Gen Group's consolidated financial statements.

Real Property Tax (RPT)

In June 2003, FGPC received various Notices of Assessment and Tax Bills from the Provincial Government of Batangas, through the Office of the Provincial Assessor, imposing an annual RPT on steel towers, cable/transmission lines and accessories (the T-Line) amounting to \$0.2 million (₱12 million) per year. FGPC, claiming exemption from said RPT, appealed the assessment to the Provincial LBAA and filed a Petition in August 2003 praying (1) that the Notices of Assessment and Tax Bills issued by the Provincial Assessor be recalled and revoked; and (2) that the Provincial Assessor drop from the Assessment Roll the 230 kV transmission lines from Sta. Rita to Calaca in accordance with Section 206 of the Local



Government Code (LGC). FGPC argued that the T-Line does not constitute real property for RPT purposes, and even assuming that the T-Line is regarded as real property, FGPC is still not liable for RPT as it is NPC/TransCo, a government-owned and controlled corporation (GOCC) engaged in the generation and/or transmission of electric power, which has actual, direct and exclusive use of the T-Line. Pursuant to Section 234 (c) of the LGC, a GOCC engaged in the generation and/or transmission of electric power and which has actual, direct and exclusive use thereof, is exempt from RPT.

FGPC sought, and was granted, a preliminary injunction by the Regional Trial Court (Branch 7) of Batangas City (RTC) to enjoin the Provincial Treasurer of Batangas City from collecting the RPT pending the decision of the LBAA. Despite the injunction, the LBAA issued an Order requiring FGPC to pay the RPT within 15 days from receipt of the Order. FGPC filed an appeal before the CBAA assailing the validity of the LBAA order. The CBAA in December 2006 set aside the LBAA Order and remanded the case to the LBAA. The LBAA was directed to proceed with the case on the merits without requiring FGPC to first pay the RPT on the questioned assessment. The LBAA case remains pending.

On May 23, 2007, the Province filed with the Court of Appeals (CA) a Petition for Review of the CBAA Resolution. The CA dismissed the petition in June 2007; however, it issued another Resolution in August 2007 reinstating the petition filed by the Province. In a decision dated March 8, 2010, the CA dismissed the petition for lack of jurisdiction.

In connection with the prohibition case pending before the RTC which issued the preliminary injunction, the Province filed a Motion to Dismiss in May 2011 which was denied by the RTC. FGPC was directed to amend its petition to include the Provincial Assessor as a party respondent, and in November 2012 FGPC filed its Compliance with Amended Petition.

Pre-Trial was terminated on April 11, 2016, and FGPC's Formal Offer of Exhibits was submitted for resolution.

n. Lease Commitments

- In June 2015, First Gen and certain subsidiaries each executed a non-cancelable lease agreement with Rockwell on its new office space at Rockwell Business Center Tower 3. The term of the lease is for a period of five years commencing on July 1, 2015 to June 30, 2020, and has an option to extend the lease term for an additional 5 years at mutually acceptable terms and conditions. The lease agreement is subject to an annual escalation rate of 5%.
- First Gen Group had a non-cancelable lease agreement with FPRC on its occupied office space. The lease agreement included a clause to enable upward revision of the rental charged at a rate agreed-upon by First Gen Group and FPRC at the end of each year. The lease agreement with FPRC was renewed for one year from August 1, 2014 to July 31, 2015.
- FGPC has a non-cancelable annual foreshore lease agreement with the DENR ("Foreshore Lease Contract") for the lease of a parcel of land in Sta. Rita, Batangas where the power plant complex is located. The term of the lease is for a period of 25 years starting May 26, 1999 for a yearly rental of \$0.05 million (₱3.0 million) and renewable for another 25 years at the end of the term. The land will be appraised every ten (10) years and the annual rental after every appraisal shall not be less than 3% of the appraised value of the land plus 1% of the value of the improvements, provided that such annual rental cannot be less than \$0.05 million (₱3.0 million).



- FGP and FGPC entered into a Sublease Agreement to sublease and use the parcel of land located in Sta. Rita, Batangas (“Leased Property”) which is covered by a Foreshore Lease Contract executed by and between FGPC and the DENR in May 1999. Under the Sublease Agreement, FGPC subleases, sublets and grants FGP the right to use the Leased Property in connection with and as may be necessary for the construction, operation and maintenance of the San Lorenzo plant on a non-exclusive basis. Such Sublease Agreement was approved by the DENR in November 1999 in accordance with the Seventh Paragraph of the Foreshore Lease Contract. The sublease term is for a period of 23 years or until May 25, 2023 or upon termination of the Foreshore Lease Contract. The term may be extended upon mutual agreement between the parties subject to an extension of the term of the Foreshore Lease Contract for an equivalent or greater period. FGP agrees to pay FGPC a yearly rental of \$0.01 million (₱0.31 million), subject to an equitable increase pursuant to the Foreshore Lease Contract.
- FG Bukidnon has a non-cancelable lease agreement with PSALM on the land occupied by its power plant. The term of the lease is for a period of 20 years commencing on March 29, 2005, renewable for another period of 10 years or the remaining corporate life of PSALM, whichever is shorter. The rental paid in advance by FG Bukidnon for the entire term is \$0.02 million (₱1.12 million).
- EDC’s lease commitments pertain to rentals on the drilling rigs, head office and various office space and warehouse for steam/electricity projects in Leyte, Northern Negros, Albay, Sorsogon, Southern Negros, Mindanao and Burgos. Rent expense amounted to \$4.56 million (₱215.7 million), \$14.8 million (₱669.6 million), and \$13.8 million (₱610.9 million), in 2016, 2015, and 2014, respectively.

As of December 31, 2016 and 2015, future minimum rental payments under the non-cancelable operating leases are as follows:

	2016	2015
Within one year	\$4,069	\$3,620
After one year but not more than five years	14,574	5,509
After five years	118	184
	\$18,761	\$9,313

o. Impact of Typhoons

In November 2013, certain assets of EDC located in Leyte sustained damage due to Typhoon Yolanda. As of December 31, 2015, total rehabilitation costs capitalized as part of “Property, plant and equipment” account amounted to \$6.4 million, while the costs of repairs and minor construction activities charged to expense amounted to \$15.8 million in 2015. No rehabilitation cost was capitalized in 2016.

EDC received insurance proceeds relating to the property damaged caused by from Typhoon Yolanda amounting to \$0.03 million (₱1.8 million), \$17.1 million (₱774.8 million), and \$8.7 million (₱386.2 million) for the years ended December 31, 2016, 2015, and 2014, respectively. Proceeds from insurance received were presented as part of “Other income (charges)” account in the consolidated statement of income.

In July 2014, Typhoon Glenda caused damage to certain assets of EDC located in Albay, Sorsogon, and Leyte. In 2015, EDC received insurance proceeds amounting to \$1.0 million which was presented as part of “Other income (charges)” account in the consolidated



statement of income, whereas in 2014, insurance proceeds received amounting to \$1.2 million was offset against “Others” account in the “Costs of sale of electricity” account in the consolidated statement of income (see Note 19).

In December 2014, certain assets of EDC located in Leyte were damaged due to Typhoon Seniang. EDC received insurance proceeds amounting to \$0.3 million (₱12.0 million) and \$1.8 million (₱81.2 million) in 2016 and 2015, respectively, which were presented as part of “Other income (charges)” account in the consolidated statement of income.

In December 2011, certain assets of EDC located in Southern Negros were damaged due to Typhoon Sendong. EDC received insurance proceeds amounting to \$0.4 million (₱17.6 million) and \$3.4 million (₱153.0 million) in 2015 and 2014, respectively, and were presented as part of “Other income (charges)” account in the consolidated statement of income.

EDC likewise received other insurance proceeds in 2016 and 2015 amounting \$5.5 million (₱259.4 million) and \$0.4 million (₱17.1 million), respectively. Such proceeds pertain to property damages and machinery breakdowns in prior years.

p. BGI Insurance Claims

On August 12, 2016, EDC and BGI entered into a settlement agreement with their Insurers in relation to BGI’s claims involving Unit 2 at the Bac-man I Plant in Palayan, Bayan, Manito, Albay which occurred on February 26, 2013. The Insurers were required to pay a total of \$32.2 million (₱1,525.0 million) in full and final settlement of the claims.

BGI received insurance proceeds relating to machinery breakdown of Unit 2 of Bac-man I Plant located in Palayan, Sorsogon amounting to \$26.2 million (₱1,238.9 million) and \$5.2 million (₱235.8 million) in 2016 and 2015, respectively. Proceeds from insurance claims received were presented as part of “Proceeds from insurance claims” account in the consolidated statement of income.

q. FGP Insurance Claims

On May 28, 2013, a fire occurred at the main transformer of Unit 60 of San Lorenzo which caused extensive damage to the transformer and rendered Unit 60 inoperative. The incident reduced the generation capacity of the San Lorenzo power plant by approximately 250 MW and resulted to a temporary reduction of revenues and earnings of FGP. In relation to the incident, FGP issued a notice of event of force majeure to Meralco.

FGP had undertaken a number of mitigating measures that expedited the replacement of the main transformer, approximately nine (9) months of time savings as against a typical replacement lead time of 16 months and thus, returned Unit 60 back to commercial operations on December 26, 2013 following the completion of the NDC test of the San Lorenzo power plant.

In 2015 and 2014, FGP received insurance proceeds from various insurers for the business interruption and machinery breakdown totaling to \$8.5 million and \$14.9 million, respectively. Such amounts were recognized as part of “Proceeds from insurance claims” account in the consolidated statement of income.



r. Other Legal Proceedings

West Tower Condominium Corporation, et al. vs.
First Philippine Industrial Corporation, et al.
G.R. No. 194239, Supreme Court of the Philippines

On November 15, 2010, a Petition for the Issuance of a Writ of Kalikasan was filed before the SC by the West Tower Condominium Corporation, et al., against respondents First Philippine Industrial Corporation (FPIC), the Parent Company, their respective boards of directors and officers, and John Does and Richard Roes. The petition was filed in connection with the oil leak which is being attributed to a portion of FPIC's white oil pipeline located in Bangkal, Makati City.

The petition was brought by the West Tower Condominium Corporation purportedly on behalf of its unit owners and in representation of the inhabitants of Barangay Bangkal, Makati City. The petitioners sought the issuance of a Writ of Kalikasan to protect the constitutional rights of the Filipino people to a balanced and healthful ecology, and prayed that the respondents permanently cease and desist from committing acts of negligence in the performance of their functions as a common carrier; continue to check the structural integrity of the entire 117-km white oil pipeline and replace the same; make periodic reports on findings with regard to the said pipeline and their replacement of the same; be prohibited from opening the white oil pipeline and allowing its use until the same has been thoroughly checked and replaced; rehabilitate and restore the environment, especially Barangay Bangkal and West Tower Condominium, at least to what it was before the signs of the leak became manifest; open a special trust fund to answer for similar contingencies in the future; and be temporarily restrained from operating the said pipeline until final resolution of the case.

On November 19, 2010, the SC issued a Writ of Kalikasan with Temporary Environmental Protection Order (TEPO) directing the respondents to: (i) make a verified return of the Writ within a non-extendible period of ten days from receipt thereof; (ii) cease and desist from operating the pipeline until further orders from the court; (iii) check the structural integrity of the whole span of the pipeline, and in the process apply and implement sufficient measures to prevent and avert any untoward incident that may result from any leak in the pipeline; and (iv) make a report thereon within 60 days from receipt thereof.

The Parent Company and its impleaded directors and officers filed a verified Return in November 2010, and a Compliance in January 2011, explaining that the Company is not the owner and operator of the pipeline, and is not involved in the management, day-to-day operations, maintenance and repair of the pipeline. For this reason, neither the Company nor any of its directors and officers has the capability, control, power or responsibility to do anything in connection with the pipeline, including to cease and desist from operating the same.

For the purpose of expediting the proceedings and the resolution of all pending incidents, the SC reiterated its order to remand the case to the Court of Appeals to conduct subsequent hearings within a period of 60 days, and after trial, to render a report to be submitted to the SC. The SC also clarified that the black oil pipeline is not included in the Writ with TEPO.

On December 21, 2012, the former 11th Division of the Court of Appeals rendered its Report and Recommendation in which the following recommendations were made to the SC: (i) that certain persons/organizations be allowed to be formally impleaded as petitioners subject to the submission of the appropriate amended petition; (ii) that FPIC be ordered to submit a



certification from the DOE that the white oil pipeline is safe for commercial operation; (iii) that the petitioners' prayer for the creation of a special trust fund to answer for similar contingencies in the future be denied for lack of sufficient basis; (iv) that respondent Company not be held solidarily liable under the TEPO; and (v) that without prejudice to the outcome of the civil and criminal cases filed against respondents, the individual directors and officers of FPIC and the Parent Company not be held liable in their individual capacities.

Petitioners filed a Motion for Partial Reconsideration in January 2013, in which they prayed, among others, that the Department of Science and Technology (DOST), specifically its Metal Industry Research and Development Center, be tasked to chair the monitoring of FPIC's compliance with the directives of the court and issue the certification required to prove that the pipeline is safe to operate before commercial operation is resumed; that stakeholders be consulted before a certification is issued; that a trust fund be created to answer for future contingencies; and that the Company and the directors and officers of the Parent Company and FPIC also be held liable under the Writ of Kalikasan and the TEPO.

In a Compliance dated January 25, 2013, FPIC submitted to the SC a Certification signed by then DOE Secretary Carlos Jericho L. Petilla stating that the black oil pipeline is safe for commercial operation.

On July 30, 2013, the SC resolved to adopt the recommendations of the CA in its December 2012 resolution. Specifically, the SC ordered FPIC to secure a certification from the DOE that the white oil pipeline is safe to resume commercial operations, as well as consider FPIC's adoption of an appropriate leak detection system used in monitoring the entire pipeline's mass input versus mass output and the necessity of replacing pipes with existing patches and sleeves. On October 25, 2013 the DOE issued a certification that the white oil pipeline is safe to return to commercial operations. FPIC submitted the DOE certification to the SC on October 29, 2013. On June 16, 2015, the SC issued another resolution recognizing the powers of the DOE to oversee the operation of the pipelines. The resolution also stated that the DOE is fully authorized by law to issue an order for the return to commercial operations of the pipeline following integrity tests. Petitioners have filed several motions for the SC to reconsider this resolution. As of March 15, 2017, the final resolution of the Writ remains pending with the SC.

West Tower Condominium Corporation, et al. vs.
First Philippine Industrial Corporation, et al.
Civil Case No. 11-256, Regional Trial Court, Makati Branch 58

On March 24, 2011, a civil case for damages was filed by the West Tower Condominium Corporation and some residents of the West Tower Condominium against FPIC, the FPIC directors and officers, the Parent Company, Pilipinas Shell Petroleum Corporation, and Chevron Philippines, Inc. before the Makati City RTC. In their complaint, the Plaintiffs alleged that FPIC, its directors and officers, and the Company violated R.A. No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), R.A. 8749 (Philippine Clean Air Act of 1999) and Its Implementing Rules and Regulations, and R.A. 9275 (Philippine Clean Water Act of 2004). The complaint sought payment by the Defendants of actual damages comprising incurred rentals for alternative dwellings, incurred additional transportation and gasoline expenses and deprived rental income; recompense for diminished or lost property values to enable the buying of new homes; incurred expenses in dealing with the emergency; moral damages; exemplary damages; a medical fund; and attorney's fees.



First Gen filed its Answer in May 2011, in which it was argued that the case is not an environmental case under the Rules of Procedure for Environmental Cases, but an ordinary civil case for damages under the Rules of Court for which the appropriate filing fees should be paid before the court can acquire jurisdiction thereof. In an Order dated August 22, 2011, Makati City RTC (Branch 158) Judge Eugene Paras ruled that the complaint is an ordinary civil action for damages and that the Plaintiff should pay the appropriate filing fees in accordance with the Rules of Court within 10 days from receipt of the Order. The other individual plaintiffs were ordered dropped as parties in the case. The Plaintiffs filed a Motion to Inhibit Judge Paras as well as a Motion for Reconsideration of the Order. In an Order dated October 17, 2011, the court reiterated that it has no jurisdiction over the case and ordered the referral of the case to the Executive Judge for re-affle.

In an Order dated December 1, 2011, Judge Elpidio Calis of the Makati City RTC (Branch 133) declared that the records of the case have been transferred to his court. In an Order dated March 29, 2012, Judge Calis denied the plaintiffs' Motion for Reconsideration for lack of merit, and ordered the plaintiffs to pay the appropriate filing fees within ten (10) days from receipt of the Order, with a warning that non-compliance will constrain the court to dismiss the case for lack of jurisdiction. Instead of paying the filing fees, the plaintiffs filed a Petition for Certiorari with the CA to nullify the order of Branch 133.

In a resolution dated June 30, 2014, the CA denied the petition of West Tower and affirmed the trial court's recognition of the case as being an ordinary action for damages. The CA, however, also ruled that the individual residents who joined West Tower in the civil case need not file separate cases, but instead can be joined as parties in the present case. West Tower and FPIC each filed a motion for partial reconsideration, with West Tower arguing that the case is an ordinary action for damages, and FPIC assailing the ruling that the individual residents can be joined as parties in the present case. Both motions were denied in a CA resolution dated December 11, 2014. Both parties subsequently filed separate Petitions for Certiorari with the SC assailing the CA's resolution. As of March 15, 2017, the case remains pending.

West Tower Condominium Corporation vs. Leonides Garde, et al.
NPS No. XV-05-INQ-11J- 02709
Office of the City Prosecutor
Makati City

This is a criminal complaint for negligence under Article 365 of the Revised Penal Code against FPIC directors and some of its officers, as well as directors of the Parent Company, Pilipinas Shell Petroleum Corporation and Chevron Philippines, Inc.

On December 14, 2011, a Counter-Affidavit with Verified Manifestation was filed by Francis Giles B. Puno, Director, President and Chief Operating Officer of First Gen and one of the Respondents. The other Respondent-Directors of the Parent Company verified the Verified Manifestation and adopted the factual allegations and defenses in the Counter-Affidavit of Respondent Puno.

Makati City Prosecutor Feliciano Aspi *motu proprio* (on his own) inhibited himself from the case on the ground that he had previously worked for the counsel of the Parent Company. Complainant then filed with the Department of Justice (DOJ) a petition for change of venue, which petition was granted by way of Department Order No. 63 dated January 18, 2012, which designated Manila Senior Assistant City Prosecutor Raymunda Apolo as special investigating prosecutor for the case.



In an Order dated February 3, 2012, Makati City Prosecutor Aspi ordered the consolidation of the case with another case entitled Anthony M. Mabasa et al. vs. Roberto B. Dimayuga et al. for violation of Article 183 of the Revised Penal Code.

On February 17, 2012, Respondent-Directors of the Parent Company filed a Motion for Reconsideration of the Order dated January 18, 2012 which granted Complainant's petition for a change of venue. As of March 15, 2017, the case remains pending with the DOJ.

Bayan Muna Representatives, et al. vs. ERC and Meralco (G.R. No. 210245)
NASECORE, et al. vs. Meralco, ERC and DOE (G.R. No. 210255)
Meralco vs. Philippine Electricity Market Corporation (PEMC), et al (G.R. No. 210502)
Supreme Court
Manila

In these cases, the SC issued separate Temporary Restraining Orders (TROs) restraining Meralco from increasing the generation charge rate it charges to its consumers during the November 2013 billing period, and similarly restraining PEMC and other generation companies, including certain subsidiaries of First Gen, namely, FGPC, FGP, FG Hydro, BGI, and BEDC, from demanding and collecting from Meralco the deferred amounts representing the costs raised by the latter. The TROs will remain effective until April 22, 2014, unless renewed or lifted ahead of such date.

On February 26, 2014, FGPC, FGP, FG Hydro, BGI and BEDC filed with the SC a Memorandum with Motion to Lift TRO. It is First Gen Group's position that its right to the payment of the generation charges owed by Meralco is neither dependent nor conditional upon Meralco's right to collect the same from its consumers. In the case of FGPC and FGP, Meralco's obligation to pay is contractual and thus governed by the terms and conditions of their respective PPAs. Ultimately, Meralco is bound to comply with its contractual obligations to FGPC and FGP, whether via the pass-through mechanism or some other means.

On April 22, 2014, the subject TRO was extended indefinitely and until further orders from the SC.

In the meantime, the SC ordered the parties to comment on the March 2014 Order of ERC declaring void the WESM prices for November and December 2013, and imposing regulated prices for the said months to be calculated by the PEMC. First Gen Group filed its Comment in May 2014, where it noted that the ERC has not made any adverse finding against the group or any ruling that the group committed an abuse of market power or anti-competitive behavior. There has been no further substantial movement in the case since then.

Kevin M. Candee vs. First Gen Corporation and Francis Giles B. Puno
NLRC NCR Case No. 11-13474-15
NCR Regional Arbitration Office
Quezon City

This is a complaint for illegal dismissal and damages filed by Complainant Kevin M. Candee against Respondents First Gen and its President, Francis Giles T. Puno. Mr. Candee claims that Respondents illegally dismissed him from his employment by serving upon him a notice of termination for violations of his Contract of Employment, without giving him a chance to explain his side. He sought reinstatement and payment of backwages and damages. First Gen's position is that Mr. Candee was dismissed from his employment for valid cause and in observance of due process. First Gen is seeking the dismissal of the complaint and has asked



that Mr. Candee be held liable to pay damages and attorney's fees. Both parties filed their respective Position Papers, and replies thereto are due in April 2016.

In a Decision dated August 26, 2016 the Labor Arbiter dismissed the complaint on the ground that Mr. Candee failed to execute the same under oath in accordance with the Rules of Procedure of the National Labor Relations Commission, and for his failure to personally appear during the mandatory conferences that were held prior to the submission of position papers in this case.

Mr. Candee appealed the decision of the Labor Arbiter, which appeal was denied in a Resolution dated November 29, 2016. The NLRC has held that the Labor Arbiter's Decision is now final and executory.

27. Other Matters

FG Hydro

a. O&M Agreement

In 2006, FG Hydro entered into an O&M Agreement with the NIA, with the conformity of NPC. Under the O&M Agreement, NIA will manage, operate, maintain and rehabilitate the Non-Power Components of the PAHEP/MAHEP in consideration for a service fee based on actual cubic meter of water used by FG Hydro for power generation. FG Hydro has fully funded the required Trust Fund amounting to \$2.2 million (₱100.0 million) since October 2008.

The O&M Agreement is effective for a period of 25 years commencing on November 18, 2006 and renewable for another 25 years under the terms and conditions as may be mutually agreed upon by both parties.

b. Ancillary Services Procurement Agreement (ASPA)

FG Hydro entered into an agreement with the NGCP on February 23, 2011 after being certified and accredited by NGCP as capable of providing Contingency Reserve Service, Dispatchable Reserve Service, Reactive Power Support Service and Black Start Service. Under the agreement, FG Hydro through the PAHEP facility shall provide any of the above-stated ancillary services to NGCP.

The ASPA is effective for a period of three (3) years, commencing on February 23, 2011 and shall be automatically renewed for another three (3) years after the end of the original term subject to certain conditions as provided in the ASPA.

The ASPA was provisionally approved by the ERC on June 6, 2011. However, ERC altered the rates that FG Hydro can charge NGCP, and likewise imposed caps and floors to the various ancillary services that FG Hydro can provide to NGCP.

As provided for in the ASPA, the agreement was automatically renewed subject to the same terms of the agreement. The extended agreement ended on February 23, 2017, and FG Hydro is now in negotiation with NGCP for a new ASPA.



c. Memorandum of Agreement with NGCP (MOA with NGCP)

FG Hydro entered into a MOA with NGCP on August 31, 2011 for the performance of services on the operation of the PAHEP 230 kV switchyard and its related appurtenances (Switchyard). NGCP shall pay FG Hydro a monthly fixed operating cost of ₱0.1 million and monthly variable charges representing energy consumed at the Switchyard.

The MOA is effective for a period of five (5) years and renewable for another three (3) years under such terms as maybe agreed by both parties.

d. MOA with Protected Area Management Board (MOA with PAMB)

PSALM entered into a MOA with PAMB. Under the MOA, PAMB granted FG Hydro the right to use the Masiway land, where the MAHEP power plant is situated in consideration for an annual user's fee. The MOA shall be effective for 25 years and renewable for a similar period subject to terms and conditions as may be mutually agreed upon by both parties.

e. Masiway Refurbishment Project (MRP) Contracts

In June 2014, FG Hydro entered into a contract with ALSTOM Hydro China Co., Ltd. for the design, engineering, manufacturing, procurement and supply of components and equipment for the MRP (Supply Contract). FG Hydro likewise entered into a contract with ALSTOM Philippines, Inc. in June 2014 for the installation and construction works and the testing and commissioning of the MAHEP (Installation Contract). Payments to both contractors are to be made in accordance with the Milestone Schedules set forth in the MRP Contracts. The contract prices for the Supply and Installation Contracts amounts to \$2.2 million and ₱41.1 million, respectively.

The excitation, protection and generator systems as well as the main step-up transformer of MAHEP were replaced in 2015. Formal take-over of the refurbished MAHEP has taken place in 2016. Total Project Costs for the Supply and Installation Contracts, including variation orders, amounted to \$2.3 million and ₱43.1 million, respectively.

FG Bukidnon

On October 23, 2009, FG Bukidnon entered into a Hydropower Service Contract (HSC) with the DOE, which grants FG Bukidnon the exclusive right to explore, develop, and utilize the hydropower resources within the Agusan river contract area.

FG Bukidnon shall furnish the services, technology, and financing for the conduct of its hydropower operations in the contract area in accordance with the terms and conditions of the HSC. The HSC is effective for a period of 25 years from the date of execution, or until October 2034. Pursuant to the RE Law and the HSC, the National Government and Local Government Units shall receive the Government's share equal to 1.0% of FG Bukidnon's preceding fiscal year's gross income for the utilization of hydropower resources within the Agusan river contract area.

FG Mindanao

On October 23, 2009, FG Mindanao also signed five HSCs with the DOE in connection with the following projects: (1) Puyo River Hydropower Project in Jabonga, Agusan del Norte; (2) Cabadbaran River Hydropower Project in Cabadbaran, Agusan del Norte; (3) Bubunawan River Hydropower Project in Baungon and Libona, Bukidnon; (4) Tumalaong River Hydropower Project in Baungon, Bukidnon; and (5) Tagoloan River Hydropower Project in Impasugong and



Sumilao, Bukidnon. The five (5) HSCs give FG Mindanao the exclusive right to explore, develop, and utilize renewable energy resources within their respective contract areas, and will enable FG Mindanao to avail itself of both fiscal and non-fiscal incentives pursuant to the RE Law.

The pre-development stage under each of the HSCs is two years from the time of execution of said contracts (the “Effective Date”) and can be extended for another one year if FG Mindanao has not been in default of its exploration or work commitments and has provided a work program for the extension period upon confirmation by the DOE. Each of the HSCs also provides that upon submission of declaration of commercial viability, as confirmed by the DOE, it is to remain in force during the remaining life of the 25-year period from the Effective Date.

On July 2, 2013 and July 3, 2013, FG Mindanao obtained from the DOE the Certificate of Confirmation of Commerciality confirming the conversion of the five (5) HSCs from Pre-development to Development stage.

On August 5, 2013, FG Mindanao entered into respective Deeds of Assignments with FGen Bubunawan, FGen Puyo, FGen Cabadbaran, FGen Tagoloan and FGen Tumalaong to assign and transfer FG Mindanao’s full rights and obligations over the five (5) HSCs. On March 11, 2014, the DOE approved the assignment of Puyo, Bubunawan and Tagoloan hydro projects and issued the corresponding Certificates of Registration and Certificates of Confirmation of Commerciality under FGen Puyo, FGen Bubunawan, and FGen Tagoloan, respectively. On November 13, 2015 and December 9, 2015, the DOE approved the assignment of Cabadbaran and Tumalaong hydroelectric power projects, respectively, and issued the corresponding Certificates of Registration which FG Mindanao received on February 11, 2016.

On June 8, 2016, FGen Tumalaong notified the DOE regarding its intention to surrender the entire contract area covered by the HSC 2009-10-007 for the 9 MW Tumalaong Hydro Project in the Municipality of Baungon, Bukidnon. After several years of project development and considering the plans of NIA to develop its Bubunawan River Irrigation Project, FGen Tumalaong has concluded that the Tumalaong hydro project is no longer viable for future development. Such request was acknowledged by the DOE on October 24, 2016, and informed FGen Tumalaong that the said HSC was hereby terminated and requested to settle the remaining financial obligations pursuant to the HSC to fully and satisfactorily comply all obligations in view of the termination of the HSC. As of March 15, 2017, FGen Tumalaong is in coordination with the DOE for the settlement of its remaining obligations.

On November 10, 2016, the DOE has issued three Certificates of Registration to FG Mindanao as an RE Developer of 175 MW Binongan-Tineg, 160 MW Cagayan 1N and 17.5 MW Cateel River hydroelectric power projects which are covered by HSCs executed between the DOE and FG Mindanao. As of March 15, 2017, the three hydroelectric power projects are still under pre-development stage.

FG Prime and FG Premier

On March 29, 2012, the DOE awarded to FG Prime and FG Premier an HSC to develop a 300 MW Pump Storage Hydroelectric Power Plant in Pantabangan, Nueva Ecija and the 300 MW Angat (Pump Storage) Hydro Project in Norzagaray, Bulacan, respectively. The respective HSCs provide the companies with the exclusive right to explore, develop, and utilize renewable energy resources within FG Prime’s and FG Premier’s respective contract areas, and will enable FG Prime and FG Premier to avail itself of both fiscal and non-fiscal incentives pursuant to the RE Law. On April 22, 2013, FG Prime and FG Premier each engaged an international engineering consultancy firm to conduct feasibility study for their respective projects. After the site selection review, the consultancy firm recommended to FG Prime to pursue the development of an



alternative project site, while the consultancy firm has recommended to FG Premier to pursue the development of the identified initial project site. The DOE has already approved FG Prime's request to amend the contract area under the HSC. In 2014, FG Prime continued to conduct preliminary engineering surveys and investigations based on the amended contract area in the new project site. With the support of the Company, FG Premier continued to conduct preliminary engineering surveys on the 300 MW Angat Pump Storage in 2014.

The pre-development stage under the HSC is two years from the time of execution of the said contract. This was extended by the DOE on October 13, 2014 for another year at the respective requests of FG Prime and FG Premier. On November 24, 2014, in accordance with DOE Department Order No. DO2014-06-0010, FG Prime and FG Premier submitted separate requests for the application of a non-extendible period of five years pre-development stage under the HSC. On October 20, 2015, FG Prime notified the DOE on its request to amend the capacity of 300 MW Pump Storage Hydroelectric Power Plant to 600 MW. On October 28, 2016, the DOE amended the HSC of FG Prime considering the non-extendible period of five years pre-development stage and the new capacity of 600 MW.

On March 28, 2016, FG Premier notified the DOE regarding its intention to surrender the entire contract area covered by the HSC 2012-01-195 for the 300 MW Angat (Pump Storage) Hydro Project in Norzagaray, Bulacan due to the non-viability of the project. Such request was acknowledged by the DOE on May 20, 2016, and informed FG Premier that the said HSC was hereby terminated and has requested to settle the remaining financial obligations pursuant to the HSC to fully and satisfactorily comply all obligations in view of the termination of the HSC. As of March 15, 2017, FG Premier is in coordination with the DOE for the settlement of its remaining obligations.

FG Luzon

On March 10, 2011, a Memorandum of Agreement ("MOA") covering the development of the proposed Balintong Reservoir Multi-Purpose Project ("BRMPP") was signed among the Company's wholly owned subsidiary, FG Luzon, the Province of Nueva Ecija and the Municipality of General Tinio. The project will involve the development construction and operation of a new hydro reservoir and a new hydroelectric power plant in the Municipality of General Tinio, Nueva Ecija for purposes of power generation, irrigation and domestic water supply.

A MOA was executed on November 16, 2011 between FG Luzon and NIA for the conduct of a comprehensive study on the economic, financial and technical viability of the project.

On March 29, 2012, the project was awarded an HSC under the DOE Certificate of Registration No. HSC 2012-01-194.

FGES

a. Distribution Wheeling Service Agreement

In 2016, FGES has entered into various Distribution Wheeling Service (DWS) agreement with distribution utilities such as MERALCO, Mactan Electric Company (MECO), Batangas II Electric Cooperative, Inc. (BATELEC II), Bohol I Electric Cooperative, Inc. (BOHECO), and Bohol Light Company, Inc. (BLCI).



Based on the agreement, FGES shall pass on all applicable distribution service and wheeling charges, transmission and ancillary charges, taxes and others charges as billed by distribution utilities to FGES. The sale of electricity in the consolidated statement of income for the year ended December 31, 2016 includes passed-on distribution and transmission charges amounting to \$0.4 million and \$0.4 million, respectively. Customer's deposit for the guarantee on obligations in the form of escrow amounted to \$1.2 million as of December 31, 2016.

b. Spot Market Participation Agreement

In 2016, FGES entered into a market participation agreement with PEMC to be a member of the WESM. With this agreement, FGES will be able to purchase through the WESM in case its contracted supplier fails to deliver sufficient electricity. FGES maintains \$0.3 million and nil deposits in bank with Standby Letter of Credit (SBLC) in 2016 and 2015, respectively, for the fulfillment of its contract obligations.

ELECTRIC POWER INDUSTRY REFORM ACT of 2001 (EPIRA)

R.A. No. 9136, otherwise known as the EPIRA, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector, which include among others: the functional unbundling of the generation, transmission, distribution and supply sectors; the privatization of the generating plants and other disposable assets of the NPC, including its contracts with IPP; the unbundling of electricity rates; the creation of a WESM; and the implementation of open and nondiscriminatory access to transmission and distribution systems.

WESM

WESM Luzon has already been commercially operating for almost 10 years since its commencement on June 26, 2006. Annual average Luzon spot prices ranged from approximately ₱2.69/kWh, ₱3.58/kWh, and ₱4.66/kWh for 2016, 2015, and 2014, respectively. It must be noted, however, that the drop in 2015 WESM prices is attributable to increase in capacity made available during summer months.

On the other hand, WESM Visayas was operated and integrated with the Luzon grid on December 26, 2010. Annual average Visayas spot prices ranged from approximately ₱2.59/kWh, ₱3.42/kWh, and ₱3.64/kWh for 2016, 2015, and 2014, respectively.

Mindanao does not have a WESM yet. However, last September 26, 2013, the Interim Mindanao Electricity Spot Market (IMEM) was commercially operated. In contrast to the WESM in Luzon and Visayas, IMEM will be a day-ahead market intended to draw out uncontracted generation capacities and augment the supply, as well as attract the voluntary curtailment of load customers to lower the demand. The IMEM is seen as a medium-term and interim solution to address the supply deficiency in Mindanao, until the entry of new capacities in Mindanao by 2015. The IMEM was supposed to serve as a transition towards WESM in Mindanao. However, the commercial operations of the IMEM was suspended last March 2014 due to the emergency shutdown of major baseload plants in Mindanao. No information yet on the resumption of its operations.

Retail Competition and Open Access (RCOA)

The EPIRA provides for a system of RCOA. With RCOA, the end users will be given the power to choose its energy source. Prior to RCOA, distribution utilities procured power supply in behalf of its consumers. With RCOA, the Retail Electricity Supplier (RES) chosen by the consumer will do the buying and selling of power and the distribution utility shall deliver the same.



RCOA shall be implemented in phases. During the first phase only end users with an average monthly peak demand of 1 MW for the 12 months immediately preceding the start of RCOA, shall have a choice of power supplier, as a contestable customer. Later, in the second phase, the peak demand threshold will be lowered to 0.75 MW, and will continue to be periodically lowered until the household demand level is reached.

In a joint statement issued by the DOE and ERC, dated September 27, 2012, the 1st phase implementation of RCOA was prescribed. December 26, 2012 was marked as the Open Access date. This signaled the beginning of the six-month transition period until June 25, 2013. The transition period involved the contracting of the retail supply contracts, metering installations, registration and trainings, trial operations by March 2013, and supplier of last resort service or disconnection.

The initial commercial operations of the RCOA commenced on June 26, 2013. For this, ERC issued Resolution No. 11, Series of 2013 providing that a contestable customer can stay with its respective distribution utility until such time that it is able to find a RES. In case a contestable customer decides to participate in the competitive retail market, it should advise the distribution utility that it will be leaving the distribution utility's regulated service at least 60 days prior to the effectivity of its RSC with a RES.

The current RCOA is governed by the Transitory Rules for the Implementation of Open Access and Retail Competition (ERC Resolution No. 16, Series of 2012) that was established last December 17, 2012 to ensure the smooth transition from the existing structure to a competitive market.

In June 2015, the Department of Energy released a Circular (DC2015-06-0010) that provided policies that will facilitate the full implementation of RCOA in the Philippines. This was supplemented by four (4) resolutions issued by ERC, namely:

1. ERC Resolution No. 5, Series of 2016 - Resolution Adopting the 2016 Rules Governing the Issuances of Licenses to Retail Electricity Suppliers and Prescribing the Requirements and Conditions Therefor;
2. ERC Resolution No. 10, Series of 2016 - Resolution Adopting the Revised Rules for Contestability;
3. ERC Resolution No. 11, Series of 2016 - Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market; and
4. ERC Resolution No. 28, Series of 2016 - Resolution on the Revised Timeframe for Mandatory Contestability, amending Resolution No. 10.

According to ERC Res. No. 28 Series of 2016, the mandatory switch dates are February 26, 2017 for contestable customers with an average monthly peak demand of at least 1 MW and June 26, 2017 for contestable customers with an average monthly peak demand of at least 750 kW.

On February 21, 2017, however, the SC issued a TRO on the DOE Circular 2015-06-0010 and the 4 recent ERC resolutions. As a result, the switching of 750-999 kW contestable customers is put on hold. Contestable Customers with 1 MW and up demand may still voluntarily switch. The DOE, ERC and PEMC are expected to release general guidelines on many other issues concerning the SC-issued TRO on RCOA implementation.



Proposed Amendments to the EPIRA

Below are proposed amendments to the EPIRA that, if enacted, may have a material effect on First Gen Group's electricity generation business, financial condition and results of operations.

In the Philippine Congress, pending for committee approval as of December 31, 2016 are:

1. Senate Bill (SB) No. 156: An Act Amending Section 47 of R.A. No. 9136, Otherwise Known As the EPIRA
2. SB No. 762: An Act Amending R.A. No. 9136, Otherwise Known As the EPIRA
3. House Bill (HB) No. 84: An Act Requiring the Energy Regulatory Commission to Conduct A Transparent Bidding Process for Power Supply, Amending for the purpose Section 45, B of Republic Act No. 9136, Otherwise Known as the EPIRA
4. HB No. 1222 An Act Declaring Power Infrastructure Projects as Projects of National Significance, amending for the Purpose Certain Provisions of Republic Act Numbered 9136, Otherwise Known as the EPIRA, and for other Purposes
5. HB No. 1650 An Act Requiring the Energy Regulatory Commission to Conduct Transparent Bidding Process for Power Supply, Amending for the Purpose Section 45 (b) of Republic Act No. 9136, Otherwise Known as the EPIRA
6. HB No. 2298 An Act Amending Paragraph (J) Section 47 of Republic Act 9136 of the EPIRA
7. HB No. 3508 An Act to Address the Worsening State of the Power Industry in the Philippines, Amending for the Purpose Section 47 of Republic Act 9136, and for other Purposes
8. HB No. 3896 An Act Amending Section 47 of Republic Act No. 9136, Otherwise Known as the EPIRA
9. Joint Resolution 574 Urging the Appropriate House Committee to Conduct an Inquiry, in Aid of Legislation, on Amending R.A. No. 9136, Otherwise Known as the EPIRA Specifically Section 38 Thereof, on the Powers, Functions and Membership of the Energy Regulatory Commission (ERC) Following the Suicide of ERC Director Francisco Jose Villa Jr. from Alleged Pressure from ERC Chair and Chief Executive Officer Jose Vicente B. Salazar to Approve Contracts without Proper Bidding and due Adherence to Procedure, and Allegations of Corruption Behind ERC Deals, and the Possibility of Withholding the ERC Budget During the Pendency of the Inquiry
10. Joint Resolution 656 Resolution Calling for an Investigation in Aid of Legislation by the Appropriate Committee of the House of Representatives to Review Sections 4, 5, 6, 7, and 8 of Rule 29 A of the Implementing Rules and Regulations (IRR) of Republic Act 9136 Otherwise Known as EPIRA and other Related Laws

The aforementioned bills passed their respective first readings and are currently being deliberated in the committees.

First Gen Group cannot provide any assurance whether these proposed amendments will be enacted in their current form, or at all, or when any amendment to the EPIRA will be enacted. Proposed amendments to the EPIRA, including the above bills, as well as other legislation or regulation could have a material impact on First Gen Group's business, financial position and financial performance.

RENEWABLE ENERGY (RE) LAW OF 2008 (RE Law)

On January 30, 2009, R.A. No. 9513, "An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes," otherwise known as the "RE Law of 2008" or the "RE Law", became effective. On May 25, 2009, DOE Circular No. DC2009-05-0008, otherwise known as the "Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 9513, was issued and became effective on June 12, 2009.



The RE Law aims to accelerate the exploration and development of RE resources, increase the utilization of renewable energy resources, increase the utilization of renewable energy, encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions, and establish the necessary infrastructure and mechanism to carry out mandates specified in the RE Law.

The RE Law also provides various fiscal and non-fiscal incentives to RE developers and manufacturers, fabricators, and suppliers of locally-produced RE equipment and components. The incentives to RE developers include, among others, ITH for the 1st seven (7) years of the RE developers' commercial operations or, if there is a failure to receive ITH, accelerated depreciation; duty free importation of RE machinery, equipment and materials; special realty tax rates on civil works, equipment, machinery, and other improvements not to exceed 1.5% of the original cost less accumulated normal depreciation or net book value; NOLCO during the 1st three (3) years from the start of commercial operations to be carried over as a deduction from gross income for the next 7 consecutive taxable years; 10% corporate income tax after ITH; 0% percent VAT tax rate on sale of power and purchase of local supply of goods, properties, and services; cash incentive for missionary electrification; tax exemption of proceeds from the sale of carbon emission credits; and tax credit on domestic capital equipment and services.

On August 10, 2009, the DOE issued the "Guidelines Governing a Transparent and Competitive System of Awarding Renewable Energy Service/Operating Contracts and Providing for the Registration Process of Renewable Energy Developers" (DOE Circular No. DC2009-07-0011), and the "Guidelines for the Accreditation of Manufactures, Fabricators and Suppliers of Locally-Produced Renewable Energy Development Equipment and Components (DOE Circular No. DC2009-07-0010). The DOE had since then began executing various service/operating contracts with RE developers.

Renewable Energy Law: Feed-In Tariff (FIT) Scheme

The Philippine FIT Scheme is a renewable energy policy mechanism that allows electricity generated from emerging RE technologies to be included in the supply of power at a guaranteed fixed rate per kWh, applicable for a period of 20 years. The FIT scheme involves a uniform charge to all electricity end consumers called the FIT All (Renewables) and the corresponding market prices of each eligible RE Plant to finance payments to actual electricity generated and delivered to the grid by FIT Eligible RE Plants.

This policy mechanism aims to accelerate the development of emerging RE resources such as wind, solar, ocean, run-of-river hydropower, and biomass energy resources in order to lessen our dependence on imported fossil fuels.

The following are the relevant approvals and issuances in the development and implementation of the FIT Scheme:

1. FIT Rules were issued by the ERC last July 12, 2010 under ERC Resolution No. 16, Series of 2010.
2. Resolution Approving the FIT Rates was approved by the ERC last July 27, 2012 under ERC Resolution No. 10 Series of 2012
3. Guidelines for the Selection Process of Renewable Energy Projects Under FIT System and the Award of Certificate for FIT Eligibility were approved by the DOE last May 28, 2013
4. Guidelines on the Collection of the Feed-in Tariff Allowance ("FIT All") and Disbursement of the FIT All Fund were adopted by the ERC last December 16, 2013 under Resolution No. 24 Series of 2013



5. Provisional Authority for Collection of Feed-in Tariff Allowance and Disbursement of the FIT Allowance Fund was granted to TransCo last October 10, 2014 under ERC Case No. 2014-19 RC, FIT All (Renewables) was set at ₱0.0406 / kWh for 2014 and 2015

RE Technology	Installation targets (MW)	Approved Rates¹ (₱/kWh)
Solar PV	50	₱9.68
	450	₱8.69 ²
Ocean	10	Deferred
Wind	200	₱8.53
	200	₱7.40 ³
Biomass	250	₱6.6
Run-of-river Hydro	250	₱5.90

¹ Initial FIT Rates were approved by the ERC under ERC Resolution No. 10 Series of 2012

² Solar FIT 2 was approved by the ERC under ERC Resolution No. 06 Series of 2015

³ Wind FIT 2 was approved by the ERC under ERC Resolution No. 14 Series of 2015

Certificates of Compliance (COCs)

FGP, FGPC, FG Hydro and FG Bukidnon successfully renewed their relevant COCs on September 6, 2010, October 29, 2013, December 1, 2010, and February 8, 2010, respectively. The COCs, which are valid for a period of five (5) years, signify that the companies in relation to their respective generation facilities have complied with all the requirements under relevant ERC guidelines, the Philippine Grid Code, the Philippine Distribution Code, the WESM rules, and related laws, rules and regulations. Subsequently, FGP, FGPC, FG Hydro and FG Bukidnon successfully renewed their relevant COCs on October 29, 2013, September 1, 2015, March 1, 2016, and February 2, 2015, respectively. On September 26, 2016 and November 7, 2016, Prime Meridian and FNPC received their respective COCs from the ERC which enables both plants to sell power to the WESM. Such COCs are valid for a period of five (5) years from the date of issuance.

FGES was first granted a Wholesale Aggregator's Certificate of Registration on May 17, 2007, effective for a period of five years, and the RES License on February 27, 2008, effective for a period of three (3) years. Subsequently, FGES was issued a Wholesale Aggregator Certificate on May 22, 2012 and an RES License on May 9, 2011. The ERC approved the renewal which is effective for a period of five years.

Pursuant to the provisions of Section 36 of the EPIRA, Electric Power Industry Participants prepare and submit for approval of the ERC their respective Business Separation and Unbundling Plan (BSUP) which requires them to maintain separate accounts for, or otherwise structurally and functionally unbundle, their business activities.

Since each of FGP, FGPC, FG Bukidnon and FG Hydro is engaged solely in the business of power generation, to the exclusion of the other business segments of transmission, distribution, supply and other related business activities, compliance with the BSUP requirement on maintaining separate accounts is not reasonably practicable. Based on assessments of FGP, FGPC, FG Bukidnon, FG Hydro and FGES, they are in the process of complying with the provisions of the EPIRA and its IRR.



Clean Air Act

On November 25, 2000, the IRR of the Philippine Clean Air Act (PCAA) took effect. The IRR contain provisions that have an impact on the industry as a whole, and on FGP and FGPC in particular, that need to be complied with within 44 months (or July 2004) from the effectivity date, subject to approval by the DENR. The power plants of FGP and FGPC use natural gas as fuel and have emissions that are way below the limits set in the National Emission Standards for Sources Specific Air Pollution and Ambient Air Quality Standards. Based on FGP's and FGPC's initial assessments of the power plants' existing facilities, the companies believe that both are in full compliance with the applicable provisions of the IRR of the PCAA.

28. Events After the Financial Reporting Date

Parent Company

On January 12, 2017, the Parent Company purchased from the open market 1,800,000 Series "G" redeemable preferred stocks at a market price of ₱113.00 per share and 400,000 Series "F" redeemable preferred stocks at a market price of ₱108.00 per share. Total payments for the buyback of Series "G" and Series "F" redeemable preferred stocks amounted to \$4.1 million (₱203.7 million) and \$0.9 million (₱43.3 million), respectively.

EDC

In January 2017, the Philippine SEC approved the incorporation of the following subsidiaries of EDC:

1. EDC Wind Energy Holdings
2. Calaca Renewable Energy Corporation
3. Burgos 3 Renewable Energy Corporation
4. Burgos 4 Renewable Energy Corporation

On February 27, 2017, EBSPC entered into SESC 2016-11-352 with the DOE with a 25 year contract period expiring in 2042.

On February 28, 2017, EDC declared cash dividends amounting to ₱0.0008 per share on the preferred shares in favor of preferred stockholders and a cash dividend of ₱0.14 per share on the common shares in favor of common stockholders both of record as of March 20, 2017, payable on or before April 12, 2017.





March 15, 2017

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of First Gen Corporation (the "Company") is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Federico R. Lopez
Chairman and Chief Executive Officer

Francis Giles B. Puno
President and Chief Operating Officer

Emmanuel P. Singson
SVP, CFO and Treasurer



SUBSCRIBED AND SWORN TO before me this APR 03 2017 day of April 2017, affiants exhibited to me their Community Tax Certificate Nos. as follows:

	<u>CTC/SSS NOS.</u>	<u>Date/Place Issued</u>
Federico R. Lopez	7397215 SSS 0372789020	January 18, 2017 / Pasig City
Francis Giles B. Puno	7397216 SSS 3355362021	January 18, 2017 / Pasig City
Emmanuel P. Singson	263986260 SSS 388564598	January 10, 2017 / Pasig City

Doc. No. 079
Page No. 017
Book No. 1
Series of 2017.


JASON S. JIMENEZ
NOTARY PUBLIC
FOR AND IN THE CITIES OF PASIG AND SAN JUAN
AND IN THE MUNICIPALITY OF PATEROS, METRO MANILA
UNTIL DECEMBER 31, 2018
PTR NO. 2535558; 1/26/17; PASIG CITY
IBP NO. 1060548; RSM CHAPTER; LIFETIME MEMBER
ROLL NO. 65776 / APPOINTMENT NO. 113 (2017-2018)
6F ROCKWELL BUSINESS CENTER TOWER 3
ORTIGAS AVENUE, PASIG CITY

FS FOR FILING WITH SEC

AFTER THE BIR HAS DULY
STAMPED "RECEIVED."

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 8 - 1 8 2 6 0

COMPANY NAME

F I R S T G E N C O R P O R A T I O N

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

6 t h F l o o r , R o c k w e l l B u s i n e s s C
e n t e r T o w e r 3 , O r t i g a s A v e n u e ,
P a s i g C i t y

Form Type

A A F S

Department requiring the report

S E C

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

www.firstgen.com.ph

Company's Telephone Number

(02) 449-6388

Mobile Number

N/A

No. of Stockholders

360

Annual Meeting (Month / Day)

2nd Wednesday of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Maria Carmina Z. Ubaña

Email Address

czubana@firstgen.com.ph

Telephone Number/s

449-6253

Mobile Number

0917-3279054

CONTACT PERSON'S ADDRESS

6th Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
First Gen Corporation
6th Floor, Rockwell Business Center Tower 3
Ortigas Avenue, Pasig City



Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of First Gen Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2016 and 2015, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of First Gen Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is
Jhoanna Feliza C. Go.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001988-103-2017

January 31, 2017, valid until January 30, 2020

PTR No. 5908703, January 3, 2017, Makati City

March 15, 2017



FIRST GEN CORPORATION**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

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

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 18 and 19)	\$129,351	\$225,218
Due from related parties (Notes 14, 18 and 19)	45,516	47,029
Financial assets at fair value through profit or loss (FVPL) (Notes 6, 18 and 19)	2,049	8,555
Other current assets (Notes 7, 14, 18 and 19)	9,920	7,973
Total Current Assets	186,836	288,775
Noncurrent Assets		
Investments and deposits (Notes 8 and 14)	2,722,588	2,616,123
Property and equipment (Notes 9 and 15)	963	896
Other noncurrent assets (Note 16)	882	1,308
Total Noncurrent Assets	2,724,433	2,618,327
TOTAL ASSETS	\$2,911,269	\$2,907,102
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 10, 11, 18 and 19)	\$10,564	\$12,540
Dividends payable (Notes 12, 18 and 19)	14,719	15,967
Due to related parties (Notes 14, 18 and 19)	145,732	95,734
Current portion of:		
Long-term debts (Notes 11, 18 and 19)	5,787	5,697
Advances from subsidiaries (Notes 14, 18 and 19)	57,131	71,536
Total Current Liabilities	233,933	201,474
Noncurrent Liabilities		
Long-term debts - net of current portion (Notes 11, 18 and 19)	484,356	489,843
Advances from subsidiaries - net of current portion (Notes 14, 18 and 19)	160,964	203,372
Total Noncurrent Liabilities	645,320	693,215
Total Liabilities	879,253	894,689
Equity (Notes 12 and 13)		
Redeemable preferred stock	69,345	69,345
Common stock	75,123	75,123
Additional paid-in capital	1,165,366	1,165,366
Deposit for future stock subscriptions	2,139	-
Retained earnings	817,872	788,218
Cost of redeemable preferred stocks held in treasury	(97,829)	(85,639)
Total Equity	2,032,016	2,012,413
TOTAL LIABILITIES AND EQUITY	\$2,911,269	\$2,907,102

See accompanying Notes to Parent Company Financial Statements.



FIRST GEN CORPORATION
PARENT COMPANY STATEMENTS OF INCOME
(Amounts in U.S. Dollars and in Thousands)

	Years Ended December 31	
	2016	2015
REVENUES		
Dividend income (Note 14)	\$116,308	\$381,767
Consultancy fee (Note 14)	8,481	8,864
	124,789	390,631
GENERAL AND ADMINISTRATIVE EXPENSES		
(Notes 9, 14, 15 and 16)	(14,989)	(16,390)
FINANCIAL INCOME (EXPENSES)		
Interest income (Note 5)	1,985	2,117
Interest expense and financing charges (Notes 11, 14 and 15)	(42,625)	(42,084)
	(40,640)	(39,967)
OTHER INCOME (CHARGES)		
Foreign exchange losses - net	(1,437)	(1,933)
Mark-to-market gain (loss) on financial assets at FVPL (Notes 6, 18 and 19)	(18)	37
Others (Note 14)	20,141	10
	18,686	(1,886)
INCOME BEFORE INCOME TAX	87,846	332,388
PROVISION FOR INCOME TAX (Note 17)	534	136
NET INCOME	\$87,312	\$332,252

See accompanying Notes to Parent Company Financial Statements.



FIRST GEN CORPORATION**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

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

	Years Ended December 31	
	2016	2015
NET INCOME	\$87,312	\$332,252
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income not to be reclassified to profit and loss in subsequent periods -</i>		
Re-measurement gains on retirement benefits (Note 16)	204	662
TOTAL COMPREHENSIVE INCOME	\$87,516	\$332,914

See accompanying Notes to Parent Company Financial Statements.

FIRST GEN CORPORATION

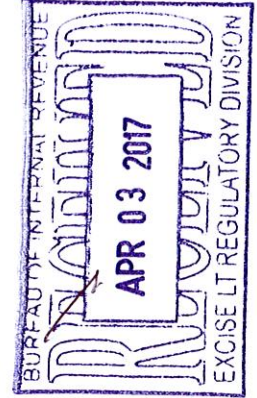
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	Capital Stock (Notes 12 and 13)			Re-measurement			Cost of Stocks Held in Treasury (Notes 12 and 13)		
	Redeemable Preferred Stock	Common Stock	Additional Paid-in Capital	Deposits for Future stock Subscriptions	of Retirement Benefits (Note 16)	Retained Earnings (Note 12)	Common Stock	Redeemable Preferred Stock	Total Equity
BALANCES AT DECEMBER 31, 2015	\$69,345	\$75,123	\$1,165,366	\$-	\$-	\$788,218	\$-	(\$85,639)	\$2,012,413
Total comprehensive income	-	-	-	-	204	87,312	-	-	87,516
Deposit for future stock subscriptions (Note 12)	-	-	-	2,139	-	-	-	-	2,139
Buyback of Series F preferred stocks (Note 12)	-	-	-	-	-	-	-	(23)	(23)
Buyback of Series G preferred stocks (Note 12)	-	-	-	-	-	-	-	(12,167)	(12,167)
Re-measurement gains on retirement benefits closed to retained earnings (Note 16)	-	-	-	-	(204)	204	-	-	-
Cash dividends on common stocks (Note 12)	-	-	-	-	-	(27,463)	-	-	(27,463)
Cash dividends on preferred stocks (Note 12)	-	-	-	-	-	(30,399)	-	-	(30,399)
BALANCES AT DECEMBER 31, 2016	\$69,345	\$75,123	\$1,165,366	\$2,139	\$-	\$817,872	\$-	(\$97,829)	\$2,032,016
BALANCES AT DECEMBER 31, 2014	\$69,345	\$74,728	\$1,052,282	\$-	\$-	\$519,530	(\$52,987)	\$-	\$1,662,898
Total comprehensive income	-	-	-	-	662	332,252	-	-	332,914
Proceeds from issuance of common stocks and treasury stocks through private placement (Note 12)	-	395	114,474	-	-	-	52,987	-	167,856
Transaction costs on private placement (Note 12)	-	-	(1,390)	-	-	-	-	-	(1,390)
Buyback of Series F preferred stocks (Note 12)	-	-	-	-	-	-	-	(85,639)	(85,639)
Re-measurement gains on retirement benefits closed to retained earnings (Note 16)	-	-	-	-	(662)	662	-	-	-
Cash dividends on common stocks (Note 12)	-	-	-	-	-	(28,468)	-	-	(28,468)
Cash dividends on preferred stocks (Note 12)	-	-	-	-	-	(35,758)	-	-	(35,758)
BALANCES AT DECEMBER 31, 2015	\$69,345	\$75,123	\$1,165,366	\$-	\$-	\$788,218	\$-	(\$85,639)	\$2,012,413

See accompanying Notes to Parent Company Financial Statements.



FIRST GEN CORPORATION**PARENT COMPANY STATEMENTS OF CASH FLOWS**

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

	Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$87,846	\$332,388
Adjustments for:		
Interest expense and financing charges (Note 15)	42,625	42,084
Unrealized foreign exchange losses (gains)	3,217	(2,757)
Depreciation and amortization (Notes 9 and 15)	322	364
Mark-to-market loss (gain) on financial assets at FVPL (Note 6)	18	(37)
Dividend income (Note 14)	(116,308)	(381,767)
Interest income (Note 5)	(1,985)	(2,117)
Operating income (loss) before working capital changes	15,735	(11,842)
Decrease (increase) in:		
Due from related parties	(596)	(8,072)
Net retirement benefits asset	628	842
Other current assets	(2,732)	45
Decrease in accounts payable and accrued expenses	(6,376)	(3,997)
Net cash from (used in) operations	6,659	(23,024)
Interest received	1,985	2,117
Income taxes paid	(534)	(136)
Net cash flows from (used in) operating activities	8,110	(21,043)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (Note 14)	116,308	382,326
Sale of financial assets at FVPL (Note 6)	34,357	89,873
Proceeds from disposal of property and equipment	14	3
Additions to:		
Investments and deposits (Note 8)	(106,058)	(159,672)
Investment in financial assets at FVPL (Note 6)	(27,777)	(99,476)
Property and equipment (Note 9)	(403)	(292)
Decrease in other noncurrent assets	—	618
Net cash flows from investing activities	16,441	213,380
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends to preferred shareholders (Note 12)	(31,674)	(39,606)
Cash dividends to common shareholders (Note 12)	(27,463)	(28,468)
Interest expense and financing charges	(29,388)	(24,403)
Long-term debts (Note 11)	(6,000)	(96,000)
Net payments to subsidiaries and related parties	(12,976)	(255,930)
Buyback of Series "F" & "G" preferred stocks (Note 12)	(12,190)	(85,639)

(Forward)



	Years Ended December 31	
	2016	2015
Proceeds from:		
Availment of long-term debt - net of debt issuance costs (Note 11)	\$-	\$198,338
Issuance of common stocks and treasury stocks through private placement - net of transaction costs (Notes 1 and 12)	-	166,466
Net cash flows used in financing activities	(119,691)	(165,242)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(727)	(339)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(95,867)	26,756
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	225,218	198,462
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	\$129,351	\$225,218

See accompanying Notes to Parent Company Financial Statements.



FIRST GEN CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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



1. Corporate Information and Authorization for Issuance of the Parent Company Financial Statements

Corporate Information

First Gen Corporation (the Parent Company or First Gen) is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1998. The Parent Company is involved in management and investment holdings of subsidiaries and associates. The Parent Company and its subsidiaries and associates are involved in the power generation business.

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

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

On 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 ₱100.0 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 stock (see Note 12).

On May 11, 2016, the Board of Directors (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. In 2016, the Parent Company purchased from the open market 10,010 and 5,026,280 Series "F" and Series "G" redeemable preferred stocks, respectively. Total payments for the buyback of the Series "F" and Series "G" redeemable preferred stocks amounted to ₱1.1 million (\$0.02 million) and ₱598.8 million (\$12.2 million), respectively (see Note 12).

As of December 31, 2016 and 2015, FPH directly and indirectly owns 66.24% of the common stocks of First Gen and 100% of First Gen's voting preferred stocks. FPH is 46.47% and 46.50%-owned by Lopez Holdings Corporation (Lopez Holdings), a publicly-listed Philippine-based entity, as at December 31, 2016 and 2015, respectively. 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 December 31, 2016 and 2015, there are 360 and 356 common stockholders of record of First Gen, respectively, and 3,660,943,557 common stocks issued and outstanding as of December 31, 2016 and 2015 (see Note 12).

Corporate Address

In February 2016, the Parent Company changed its principal registered 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.

Authorization for Issuance of the Parent Company Financial Statements

The parent company financial statements were reviewed and recommended for approval by the Audit Committee to the BOD on March 15, 2017. The same parent company financial statements were approved and authorized for issuance by the BOD on March 15, 2017.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The parent company financial statements are prepared on a historical cost basis, except for derivative financial instruments and financial assets at FVPL that have been measured at fair value. The parent company 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 parent company financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

The Parent Company also prepares and issues consolidated financial statements, which are also presented in compliance with PFRSs, for the same financial year as the parent company financial statements. These are filed and may be obtained from the Philippine SEC and PSE.



Significant Accounting and Financial Reporting Policies

The Parent Company applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Parent Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and Philippine Accounting Standards (PAS) 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify 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) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the Parent Company since the Parent Company is not an investment entity nor does the Parent Company have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3, *Business Combinations*), to 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.

These amendments do not have any impact on the Parent Company as there has been no interest acquired in a joint operation during the period.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 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 income 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.



Since the Parent Company is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

- 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 statement of income and other 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
- 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.

These amendments do not have any impact to the Parent Company.

- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*

The 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.

These amendments are applied prospectively and do not have any impact to the Parent Company, given that the Parent Company has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture - Bearer Plants*

The 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 are applied retrospectively and do not have any impact on the Parent Company as the Parent Company does not have any bearer plants.



- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*

The amendments 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 PFRSs and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

These amendments do not have any impact on the Parent Company's financial statements.

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 the Parent Company's financial position or performance:

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

The amendment is applied prospectively and 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.

- Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*

PFRS 7 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 for continuing involvement 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.

- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and 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.

- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*

This amendment is applied prospectively and 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.



- Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment is applied retrospectively and 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).

Fair Value Measurement

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible to the Parent Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As of December 31, 2016 and 2015, the Parent Company has financial assets at FVPL that are measured at fair value on a recurring basis. The Parent Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.



Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

Financial instruments within the scope of PAS 39, are recognized in the parent company statement of financial position when the Parent Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting. Derivatives are also recognized on a trade date basis.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments at FVPL. The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or loans and borrowings. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

"Day 1" difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the parent company statement of income, unless it qualifies for recognition as some other type of asset. In cases where data which is not observable are used, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the "Day 1" difference amount.

Financial assets and liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if they are acquired for the purposes of selling and repurchasing in the near term.

Derivatives, including any separated embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;



- the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and liabilities at FVPL are recorded in the parent company statement of financial position at fair value. Subsequent changes in fair value are recognized in the parent company statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Classified under financial instruments at FVPL are the financial assets at FVPL (see Note 6).

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Parent Company's management has the positive intention and ability to hold to maturity. Where the Parent Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Gains and losses are recognized in the parent company statement of income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement on foreign currency denominated HTM investments are also recognized in the parent company statement of income.

The Parent Company has no HTM investments as of December 31, 2016 and 2015.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the parent company statement of income when the loans and receivables are derecognized and impaired, as well as through the amortization process.

As of December 31, 2016 and 2015, classified under loans and receivables are cash and cash equivalents, amounts due from related parties, and consultancy fee receivables included as part of "Other current assets."

AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.



After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealized gains and losses being recognized as other comprehensive income (losses) until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported as other comprehensive income (losses) is recognized in the parent company statement of income. The Parent Company uses the specific identification method in determining the cost of securities sold.

The Parent Company has no AFS financial assets as of December 31, 2016 and 2015.

Loans and borrowings

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Loans and borrowings are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the parent company statement of income when the liabilities are derecognized, as well as through the amortization process.

Debt issuance costs incurred in connection with availments of long-term debt and issuances of Notes are deferred and amortized using the effective interest method over the term of the loans and Notes. Debt issuance costs are included in the measurement of the related long-term debts and are allocated accordingly to the respective current and noncurrent portions.

Classified under loans and borrowings are accounts payable and accrued expenses, dividends payable, amounts due to related parties, advances from subsidiaries and long-term debts as of December 31, 2016 and 2015.

Derivative Financial Instruments and Hedge Accounting

The Parent Company enters into derivative and hedging transactions, primarily cross currency swap and foreign currency forwards, as needed, for the sole purpose of managing the risks that are associated with the Parent Company's borrowing activities or as required by the lenders in certain cases and hedge its foreign exchange rate risk.

Derivative financial instruments (including bifurcated embedded derivatives) are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from changes in fair value on derivatives that do not qualify for hedge accounting is taken directly to the parent company statement of income for the current year under the "Mark-to-market gain (loss) on derivatives" account.

For purposes of hedge accounting, derivatives can be designated either as cash flow hedges or fair value hedges depending on the type of risk exposure it hedges.

At the inception of a hedge relationship, the Parent Company formally designates and documents the hedge relationship to which the Parent Company opts to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the



exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Parent Company has no derivatives that are designated as fair value hedges as of December 31, 2016 and 2015.

Cash flow hedges

Cash flow hedges are hedges of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the parent company statement of comprehensive income. The effective portion of the gain or loss on the hedging instrument, if any, is recognized as other comprehensive income (loss) in the "Accumulated other comprehensive income (loss)" account in the parent company statement of financial position while the ineffective portion, if any, is recognized as "Mark-to-market gain (loss) on derivatives" account in the parent company statement of income.

Amounts taken to other comprehensive income (loss) are transferred to the parent company statement of income when the hedged transaction affects profit or loss, such as when hedged financial income or expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to other comprehensive income (loss) are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in other comprehensive income (loss) are transferred to the parent company statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income (loss) remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is recognized in the parent company statement of income.

The Parent Company has no derivatives that are designated as cash flow hedges as of December 31, 2016 and 2015.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

The Parent Company assesses whether embedded derivatives are required to be separated from the host contracts when the Parent Company first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met:

- (a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets and liabilities at FVPL;
- (b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and
- (c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.



Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in the parent company statement of income. The Parent Company has no bifurcated embedded derivatives as of December 31, 2016 and 2015.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Parent Company retains the right to receive cash flows from the asset, but has assumed obligation to pay them in full without material delay to a third party under a “pass-through” arrangement and either (a) the Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Parent Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

Impairment of Financial Assets

The Parent Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Parent Company first assesses whether an objective evidence of impairment (such as the probability of insolvency or significant financial difficulties of the debtor) exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between



the asset's carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Parent Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

The carrying value of the asset is reduced through the use of an allowance account and the amount of loss is charged to the parent company statement of income. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable. Interest income continues to be recognized based on the original effective interest rate of the asset. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

AFS financial assets

For AFS financial assets, the Parent Company assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the investments below its cost is considered an objective evidence of impairment. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income (loss), is removed from other comprehensive income (loss) and recognized in the parent company statement of income. Impairment losses on equity investments are not reversed through the parent company statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income (loss).

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of the "Interest income" in the parent company statement of income. If, in a subsequent year, the fair value of a debt instrument increases and that increase can be objectively related to an event occurring after the impairment loss was recognized in the parent company statement of income, the impairment loss is reversed through the parent company statement of income.

Offsetting Financial Instruments

Financial assets and liabilities are offset with the net amount reported in the parent company statement of financial position, if and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal



course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Prepayments

Prepayments comprise prepaid items such as rent, insurance and other prepaid items. Prepayments are expenses paid in advance and recorded as asset before they are utilized. The prepaid insurance premiums, rent and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the parent company statement of income when incurred.

Creditable Withholding Taxes (CWT)

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation.

Investments and Deposits

The Parent Company's investments and deposits in subsidiaries and associates are accounted for at cost less provision for impairment, if any. A subsidiary is an entity in which the Parent Company has control. Control is achieved when Parent Company 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. An associate is an entity in which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating decision of the investee but is not in control or in joint control of those policies.

The Parent Company recognizes income from its investments when its right to receive dividends is established.

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

An assessment of the carrying value of investments and deposits are performed when there is an indication that the investments and deposits are impaired.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and impairment in value, if any.

The initial cost of property and equipment consists of the purchase price including import duties, borrowing cost (during the construction period) and other costs directly attributable to bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to the parent company statement of income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.



Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

Asset Type	Number of Years
Buildings and building improvements	20
Transportation equipment	5
Furniture, fixtures and office equipment	3-5
Leasehold improvements	5 or lease term with no renewal option, whichever is shorter

The useful lives and depreciation and amortization method are reviewed at each financial reporting date to ensure that the years and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the asset is derecognized. Leasehold improvements are amortized over the lease term or the economic life of the related asset, whichever is shorter.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the assets (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the parent company statements of income in the year the asset is derecognized.

Impairment of Non-financial Assets

Investments and deposits

The Parent Company determines whether it is necessary to recognize an impairment loss on its investments and deposits. The Parent Company determines at each financial reporting date whether there is any objective evidence that the investments and deposits are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable value, which is the value in use, and the carrying amount of investments and deposits and recognizes the amount of loss in the parent company statement of income. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in the parent company statement of income.

Recoverable amount is estimated for the individual asset or, if this is not possible, for the cash-generating unit to which the asset belongs. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in the parent company statement of income. However, the increased carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

Property and equipment

At each financial reporting date, the Parent Company assesses whether there is any indication that its property and equipment may be impaired. When an indicator of impairment exists, the Parent



Company makes a formal estimate of an asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset (or cash-generating unit). An impairment loss is recognized in the parent company statement of income in the year in which it arises.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income.

Current versus Non-current Classification

The Parent Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred income tax assets and liabilities and net retirement assets and liabilities are classified as non-current assets and liabilities.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the



obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized under the "Interest expense and financing charges" account in the parent company statement of income.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes to the parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the notes to the parent company financial statements when an inflow of economic benefits is probable.

Retirement benefits

The Parent Company has a distinct, funded, non-contributory defined benefit retirement plan covering all permanent employees and administered by its retirement committee.

The Parent Company recognizes the net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as an expense or income in the parent company statement of income.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the parent company statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. The fair value of plan assets is based on market price information



and when no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Share-based Payment Transactions

Certain employees (including senior executives) of the Parent Company, its subsidiaries, and FPH receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the stock options at grant date. The fair value was then determined using the Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the stocks of the Parent Company ("market conditions"), if applicable.

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

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, an expense, as a minimum, is recognized as if the terms had not been modified. An expense is recognized for any increase in the value of the transactions as a result of the modification, as measured on the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were modifications of the original award, as described in the previous paragraph.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at financial reporting date.



Deferred income tax

Deferred income tax is provided, using the balance sheet method, on all temporary differences at financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will become available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the income tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at financial reporting date.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates.

Current and deferred income tax relating to items recognized directly in equity is also recognized in parent company statement of changes in equity and not in the parent company statement of income. Deferred income tax relating to items recognized directly in other comprehensive income is recognized in parent company statement of comprehensive income.

Leases

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

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

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



Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. In cases where the Parent Company acts as a lessee, operating lease payments are recognized as expense in the parent company statement of income on a straight-line basis over the lease term.

Capital Stock, Stock Rights and Additional Paid-in Capital

Capital stock is measured at par value and is classified as equity for all stocks issued. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued. The Parent Company's capital stock is classified as common and preferred stock. A preferred stock is an equity instrument that is usually preferred as to claims on the entity's assets, earnings, or both. A common stock is an equity instrument that is subordinate to all other classes of equity instruments.

Stock rights that are given pro-rata to all of the existing owners of the same class of the Parent Company's non-derivative equity instruments in order to acquire a fixed number of its own equity instruments for a fixed amount in any currency are classified as equity instrument.

When the stocks are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When stocks are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the stocks are issued to extinguish or to settle the liability of the Parent Company, such stocks shall be measured either at the fair value of the stocks issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to the issuance of new capital stock, such as underwriting, accounting and legal fees, printing costs and taxes are shown in equity as deduction, net of tax, from the proceeds.

Treasury Stocks

Acquired treasury stocks are accounted for at weighted average cost and shown as a deduction in the equity section of the parent company statement of financial position. Upon reissuance of treasury stocks, the "Cost of common and preferred stocks held in treasury" account is credited at cost. No gain or loss is recognized in the parent company statement of income on the purchase, sale, issuance or cancellation of the Parent Company's own equity instruments. The excess of proceeds from reissuance over the cost of treasury stock is credited to the "Additional paid-in capital" account. However, if the cost of treasury stocks exceeds the proceeds from reissuance, such excess is debited to the "Additional paid-in capital" account but only to the extent of previously set-up additional paid-in capital for the same class of stock. Otherwise, this is debited against the "Retained earnings" account.

Retained Earnings

The amount included in retained earnings includes profit or loss attributable to the Parent Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when these are declared by the Parent Company's BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. The remeasurement gains and losses on retirement benefits are also included in the amount of retained earnings.

Retained earnings may also include the effect of changes in accounting policies as may be required by the standards' transitional provisions.



Dividends on Preferred and Common Stocks

The Parent Company may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the Philippine SEC. The Parent Company may declare dividends only out of its unrestricted retained earnings.

Cash and property dividends on preferred and common stocks are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Parent Company and the amount of the revenue can be measured reliably. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as a principal in all its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend income is recognized when the Parent Company's right to receive the payment is established.

Consultancy fee is recognized when services are rendered.

Interest income is recognized as the interest accrues (using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset), taking into account the effective yield on the asset.

Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants, and are recognized when these are incurred.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of qualifying assets until such time that the assets are substantially ready for their intended use or sale, which necessarily take a substantial period of time. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. All other borrowing costs are expensed in the year they occur and are recognized in the parent company statement of income in the period in which they are incurred.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the weighted average functional currency rate prevailing at transaction date. Monetary assets and liabilities denominated in foreign currencies are restated using the functional currency rate of exchange at financial reporting date. All differences are taken to the parent company statement of income. Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the weighted average exchange rates at the date when the fair value was determined.



Segment Reporting

For purposes of management reporting, the Parent Company's operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment. The Parent Company's identified operating segments are consistent with the segments reported to the BOD which is the Parent Company's Chief Operating Decision Maker (CODM). Financial information on the operating segments is presented in Note 4.

Events After the Financial Reporting Date

Any event after the financial reporting date that provides additional information about the Parent Company's position at financial reporting date (adjusting event) is reflected in the parent company financial statements. Events after financial reporting date that are not adjusting events, if any, are disclosed in the notes to the parent company financial statements, when material.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements to have a significant impact on its parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments are not expected to have any impact on the Parent Company's financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 financial statements of the Parent Company.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should



determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Parent Company.

Effective beginning on or after January 1, 2018

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Parent Company is assessing the potential effect of the amendments on its parent company financial statements.

- *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Parent Company since the Parent Company does not have activities that are predominantly connected with insurance and does not issue insurance contracts.



- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Parent Company is currently assessing the impact of adopting PFRS 15.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Parent Company's financial liabilities. The Parent Company is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions



for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Parent Company is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or



contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The preparation of the parent company financial statements in accordance with PFRSs requires the Parent Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. However, future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Parent Company's accounting policies, management has made the following judgments and estimates which have the most significant effect on the amounts recognized in the parent company financial statements:

Judgments

a. *Determination of functional currency*

The Parent Company has determined that its functional currency is the U.S. dollar. The U.S. Dollar is the currency of the primary economic environment in which the Parent Company operates. Based on the Parent Company's evaluation, the U.S. dollar is the currency that mainly represents the economic substance of its underlying transactions, events and conditions.

b. *Determination of Control over an Investee Company*

Control is presumed to exist when an investor 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. The Parent Company has established that it has the ability to control its subsidiaries by virtue of either 100% or majority interest in the investee companies.

c. *Classification of financial instruments*

The Parent Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company statement of financial position (see Note 19).

d. *Operating lease*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Parent Company has determined that it has not acquired all the significant risks and rewards of ownership of leased property as the lease term does not



represent substantially the full economic life in years of the asset and there is no purchase option at a significant discount available. Accordingly, the Parent Company accounts for the lease as operating lease. The Parent Company has a non-cancelable lease agreement with Rockwell Land Corporation (Rockwell), subsidiary of FPH, on its occupied office space that is determined to be a non-cancelable operating lease (see Note 14).

Estimates

a. *Impairment losses on due from related parties and consultancy fee receivables*

The Parent Company reviews its due from related parties and consultancy fee receivables at each financial reporting date to assess whether a provision for impairment should be recognized in the parent company statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance.

No impairment loss on due from related parties and consultancy fee receivables was recognized for the years ended December 31, 2016 and 2015. The carrying values of due from related parties and consultancy fee receivables amounted to \$46.2 million and \$49.1 million as of December 31, 2016 and 2015, respectively (see Notes 7, 14, 18 and 19).

b. *Impairment of non-financial assets*

Investments and deposits

The Parent Company performs impairment review on its investments and deposits whenever an impairment indication exists. This requires an estimation of the value in use of the subsidiaries and associates. Estimating the value in use requires the Parent Company to make an estimate of the expected future cash flows of the subsidiaries and associates and to make use of a suitable discount rate to calculate the present value of those future cash flows.

No impairment loss on its investments and deposits was recognized in the parent company statements of income for the years ended December 31, 2016 and 2015.

The carrying values of investments and deposits as of December 31, 2016 and 2015 amounted to \$2,722.6 million and \$2,616.1 million, respectively (see Note 8).

Property and equipment

The Parent Company assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Parent Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amount is estimated for an individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs.



No impairment loss on property and equipment was recognized in the parent company statements of income for the years ended December 31, 2016 and 2015. The carrying values of property and equipment amounted to \$1.0 million and \$0.9 million as of December 31, 2016 and 2015, respectively (see Note 9).

c. *Estimating useful lives of property and equipment*

The Parent Company estimated the useful lives of the property and equipment based on the years over which the property and equipment are expected to be available for use, and on the collective assessment of industry practices, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment are reviewed at each financial reporting date and updated, if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of these assets. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recording the depreciation and amortization of property and equipment for any year may be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded depreciation and amortization and decrease the carrying value of property and equipment.

There is no change in the estimated useful lives of property and equipment during the year. The carrying values of property and equipment as of December 31, 2016 and 2015 amounted to \$1.0 million and \$0.9 million, respectively (see Note 9).

d. *Recognition of deferred income tax assets*

The carrying amounts of deferred income tax assets at each financial reporting date are reviewed and are reduced to the extent that there is no longer sufficient future taxable income available to allow all or part of the deferred income tax assets to be utilized. The Parent Company's assessment on the recognition of deferred income tax assets on deductible temporary differences, carryforward benefits of MCIT and NOLCO is based on the forecasted taxable income. This forecast is based on the Parent Company's past results and future expectations on revenue and expenses.

As of December 31, 2016 and 2015, the Parent Company recognized deferred income tax assets amounting to \$0.3 million and \$0.4 million, respectively. The Parent Company also has temporary differences, carryforward benefits of unused NOLCO and excess MCIT totaling to \$208.6 million and \$106.4 million as of December 31, 2016 and 2015, respectively, for which no deferred income tax assets were recognized (see Note 17).

e. *Retirement benefits*

The cost of defined benefit retirement plan is determined using the projected unit credit method of actuarial valuation. An actuarial valuation involves making assumptions. These include the determination of the discount rates, and future salary increases, mortality and disability rates and employee turnover rate. While the assumptions are reasonable and appropriate, significant differences in the Parent Company's actual experience or significant changes in the assumptions may materially affect the retirement benefit obligation. Due to the long-term nature of this plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at financial reporting date. The details of assumptions used in the calculation of the Parent Company's retirement benefits are presented in Note 16.



As of December 31, 2016 and 2015, the Parent Company recognized a net retirement benefits asset (shown as part of "Other noncurrent assets" account in the parent company statements of financial position) of \$0.6 million and \$1.0 million, respectively (see Note 16).

f. *Fair values of financial instruments*

The Parent Company carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Parent Company utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect the parent company statement of income and parent company statement of changes in equity.

Where the fair values of certain financial assets and financial liabilities recorded in the parent company statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. Judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The fair values of the Parent Company's financial instruments are presented in Note 19 to the parent company financial statements.

g. *Legal contingencies*

The Parent Company is involved in legal proceedings as discussed in Note 20 to the parent company financial statements. The Parent Company's estimate of probable costs for the assessment and resolution of the case has been developed in consultation with in-house and external counsels handling the defense of the case and is based upon thorough analysis of potential results.

The Parent Company, in consultation with its external counsels, believes that these proceedings will not have a material adverse effect on the parent company financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings.

4. **Operating Segment Information**

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

- First Gas Power Corporation (FGPC), which operates the 1,000 MW combined cycle, natural gas-fired Santa Rita power plant, and where the Parent Company now has a 100% equity interest;



- FGP Corp. (FGP), which operates the 500 MW combined cycle, natural gas-fired San Lorenzo power plant, and where the Parent Company now has a 100% equity interest;
- Energy Development Corporation (EDC) and Subsidiaries, which holds service contracts with the DOE corresponding to 15 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 15 geothermal contract areas. Likewise, EDC, owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 6.82 MW Burgos Solar Power Plant Phase 1 and Phase 2 (Burgos Solar) both situated in Burgos, Ilocos Norte, which achieved commercial operations in November 2014, March 2015 and January 2016, respectively. As of December 31, 2015, Burgos Wind and Burgos Solar power plants are entitled to Feed-in Tariff (FIT) rates. As of December 31, 2016 and 2015, the Parent Company has 100% direct voting interest in Prime Terracota, and has 50.55% effective economic interest in EDC; and
- First Gen Hydro Power Corporation (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 December 31, 2016 and 2015.
- First NatGas Power Corp. (FNPC), which owns and operates the approximately 420 MW natural gas-fired San Gabriel power plant, and where the Parent Company has a 100% equity interest. The San Gabriel power plant went into commercial operations in November 2016; and,
- Prime Meridian Powergen Corporation (Prime Meridian), which owns and operates the 100 MW Avion open-cycle natural gas-fired power plant (Avion Plant), and where the Parent Company has a 100% equity interest. The Avion plant has been in commercial operations since September 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 PFRSs. The classification of segment revenue is consistent with the parent company statements of income. Segment expenses pertain to the costs and expenses presented in the parent company statements of income excluding interest expense and financing charges, depreciation and amortization expense and income taxes which are managed on a per company basis.

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

Revenue is recognized to the extent that it is probable that economic benefits will flow to First Gen and that the revenue can be reliably measured. Substantially all of the segment revenues of FGP and FGPC are derived from Manila Electric Company, the sole customer of FGP and FGPC; while close to 37.7% of EDC's total revenues in 2016 are derived from existing long term Power Purchase Agreements with National Power Corporation (NPC).



Financial information on the business segments are summarized as follows:

Year Ended December 31, 2016							
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others**	Eliminating Entries**	Total
Segment revenue	\$535,141	\$291,536	\$675,637	\$48,350	\$22,635	(\$1,448,510)	\$124,789
Segment expenses	(355,765)	(196,090)	(277,947)	(10,260)	(46,213)	871,608	(14,667)
Segment results	179,376	95,446	397,690	38,090	(23,578)	(576,902)	110,122
Interest income	6,374	4,417	5,705	275	2,407	(17,193)	1,985
Interest expense and financing charges	(25,840)	(13,176)	(92,791)	(2,441)	(42,336)	133,959	(42,625)
Depreciation and amortization	(39,398)	(22,199)	(121,075)	(9,475)	(5,437)	197,262	(322)
Other income (charges) - net	2,612	(513)	15,021	(178)	33,597	(31,853)	18,686
Income (loss) before income tax	123,124	63,975	204,550	26,271	(35,347)	(294,727)	87,846
Benefit from (provision for) income tax	(35,476)	(17,800)	(27,294)	(7,059)	(15,559)	102,654	(534)
Net income (loss)	\$87,648	\$46,175	\$177,256	\$19,212	(\$50,906)	(\$192,073)	\$87,312

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

**Others include the combined net income of FNPC and Prime Meridian totaling to \$18.0 million.

***Pertains to transactions of the Parent Company's subsidiaries and associates for the year ended December 31, 2016.

Year Ended December 31, 2015							
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Segment revenue	\$715,620	\$360,868	\$716,917	\$41,598	\$9,187	(\$1,453,559)	\$390,631
Segment expenses	(539,881)	(265,479)	(339,553)	(10,811)	(36,379)	1,176,077	(16,026)
Segment results	175,739	95,389	377,364	30,787	(27,192)	(277,482)	374,605
Interest income	10,129	5,569	6,315	191	2,403	(22,490)	2,117
Interest expense and financing charges	(29,568)	(12,856)	(97,222)	(3,414)	(51,675)	152,651	(42,084)
Depreciation and amortization	(38,852)	(22,060)	(114,691)	(9,554)	(818)	185,611	(364)
Other income (charges) - net	1,469	8,117	(6,667)	(622)	(27)	(4,156)	(1,886)
Income (loss) before income tax	118,917	74,159	165,099	17,388	(77,309)	34,134	332,388
Benefit from (provision for) income tax	(35,855)	(18,883)	(12,956)	(5,396)	4,047	68,907	(136)
Net income (loss)	\$83,062	\$55,276	\$152,143	\$11,992	(\$73,262)	\$103,041	\$332,252

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

**Pertains to transactions of the Parent Company's subsidiaries and associates for the year ended December 31, 2015.

Other financial information of the business segments are as follows:

As of December 31, 2016							
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others**	Eliminating Entries***	Total
Current assets	\$330,031	\$293,136	\$490,465	\$16,965	\$243,508	(\$1,187,269)	\$186,836
Noncurrent assets	385,411	282,288	2,154,460	104,986	6,008,692	(6,211,404)	2,724,433
Total assets	\$715,442	\$575,424	\$2,644,925	\$121,951	\$6,252,200	(\$7,398,673)	\$2,911,269
Current liabilities	\$231,657	\$151,446	\$342,437	\$9,897	\$96,956	(\$598,460)	\$233,933
Noncurrent liabilities	212,363	294,618	1,280,462	41,245	888,262	(2,071,630)	645,320
Total liabilities	\$444,020	\$446,064	\$1,622,899	\$51,142	\$985,218	(\$2,670,090)	\$879,253

*Pertains to EDC and subsidiaries consolidated assets and liabilities including the effect of the purchase price allocation but excluding FG Hydro.

**Others include the combined total assets and combined total liabilities of FNPC and Prime Meridian totaling to \$605.5 million and \$215.1 million, respectively.

***Pertains to assets and liabilities of the Parent Company's subsidiaries and associates as of December 31, 2016.

As of December 31, 2015							
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	\$327,094	\$265,760	\$588,083	\$37,021	\$597,446	(\$1,526,629)	\$288,775
Noncurrent assets	430,074	323,579	2,192,947	120,302	5,639,457	(6,088,032)	2,618,327
Total assets	\$757,168	\$589,339	\$2,781,030	\$157,323	\$6,236,903	(\$7,614,661)	\$2,907,102
Current liabilities	\$230,551	\$150,959	\$369,245	\$12,963	\$311,908	(\$874,152)	\$201,474
Noncurrent liabilities	264,954	322,071	1,450,673	60,414	970,358	(2,375,255)	693,215
Total liabilities	\$495,505	\$473,030	\$1,819,918	\$73,377	\$1,282,266	(\$3,249,407)	\$894,689

* Pertains to EDC and subsidiaries consolidated assets and liabilities including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to assets and liabilities of the Parent Company's subsidiaries and associates as of December 31, 2015.



5. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash in banks (see Notes 18 and 19)	\$22,670	\$20,785
Short-term deposits (see Notes 18 and 19)	106,681	204,433
	\$129,351	\$225,218

Cash and cash equivalents earn interest at the respective bank deposit rates ranging from 0.12% to 1.63% and 0.12% to 1.80% as of December 31, 2016 and 2015, respectively. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company, and earn interest at the respective short-term deposit rates.

For the years ended December 31, 2016 and 2015, total interest income earned from cash and cash equivalents amounted to \$2.0 million and \$2.1 million, respectively.

6. Financial Assets at FVPL

In 2015, the Parent Company entered into an Investment Management Agreement (IMA) with Banco De Oro (BDO) Unibank, Inc.

Among others, following are the significant provisions of the IMA:

- The Investment Manager shall administer and manage the fund as allowed and subject to the requirements of the Bangko Sentral ng Pilipinas, and in accordance with the written investment policy and guidelines mutually agreed upon and signed by Investment Manager and the Parent Company.
- The agreement is considered as an agency and not a trust agreement. 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 the Parent Company.

The Parent Company accounts for the entire investment as financial assets at FVPL. Mark-to-market on the securities amounting to \$0.02 million loss and \$0.04 million gain are presented under "Other income (charges)" in the Parent Company's statements of income for the years ended December 31, 2016 and 2015, respectively.



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

	2016	2015
Balance at beginning of year	\$8,555	\$-
Additions for the year	27,777	99,476
Redemption for the year	(34,357)	(89,873)
Realized income for the year	188	79
Trustee fees	(10)	(6)
Foreign exchange adjustments	(86)	(1,158)
Mark-to-market gain (loss) on financial assets at FVPL	(18)	37
Balance at end of year	\$2,049	\$8,555

7. Other Current Assets

This account consists of:

	2016	2015
CWTs	\$7,820	\$4,542
Consultancy fee receivables [see Note 14(c)]	652	2,066
Prepayments	260	265
Others	1,188	1,100
	\$9,920	\$7,973

Others include input VAT, receivables from employees, and other receivables.

8. Investments and Deposits

Subsidiaries

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

	Percentage of Voting Interest	
	2016	2015
First Gen Renewables, Inc. (FGRI)	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
Northern Terracotta Power Corp. (Northern Terracotta)	100	100
Blue Vulcan Holdings Corporation (Blue Vulcan)	100	100
Prime Meridian ³	100	100
FGP ⁴	100	100

(Forward)



	Percentage of Voting Interest	
	2016	2015
FNPC ⁵	100	100
FGPC ⁶	100	100
First Gas Pipeline Corporation (FG Pipeline) ⁶	100	100
FG Land Corporation (FG Land) ⁶	100	100
Gold silk Holdings Corp. (Gold silk) ⁷	100	100
Dualcore Holdings, Inc. (Dualcore) ⁷	100	100
Onecore Holdings, Inc. (Onecore) ⁷	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
First Gas Holdings Corporation (FGHC)	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
Prime Terracota ¹⁴	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) ^{12, 15}	100	100
FGen Power Operations, Inc. (FPOI) ¹⁶	100	100
FGen Fuel Line Systems, Inc. (FGen Fuel Line) ¹⁷	100	100
FG Hydro ¹³	40	40

¹Through FGESHI

²Through FGRI

³Through FGEN Meridian

⁴60% through Unified and 40% through Onecore

⁵Through AlliedGen

⁶Through FGHC

⁷Through Blue Vulcan

⁸Through FG Mindanao

⁹Through FMRC

¹⁰Through FNMHI

¹¹Through LNG Holdings

¹²Through Liquefied Holdings

¹³The Parent Company has 40% direct voting interest in FG Hydro while its effective economic interest is 70.0% through Prime Terracota.

¹⁴On 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 December 31, 2016 and 2015, the Parent Company has a 100% direct voting interest in Prime Terracota and a 67% voting interest in EDC through Prime Terracota.

¹⁵On 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.

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

¹⁷On 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 December 31, 2016, FG Luzon, FG Visayas, FG Mindanao, FG Ecopower, FG Premier, FG Prime, FG Visayas Energy, Northern Terracotta, FMRC, FNMHI, FG Tagoloan, FG Tumalaong, FG Puyo, FG Bubunawan, FG Cabadbaran, FG Pipeline, FG Land, FGEN LNG, LNG Holdings, FGEN Northern Power, FGEN Power Ventures, FGEN Casecnan, Power Holdings, Prime Holdings, FGESHI, 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 December 31, 2015, AlliedGen, FNPC, FG Luzon, FG Visayas, FG Mindanao, FG Ecopower, FG Premier, FG Prime, FG Visayas Energy, Northern Terracotta, Prime Meridian, FMRC, FNMHI, FG Tagoloan, FG Tumalaong, FG Puyo, FG Bubunawan, FG Cabadbaran, FG Pipeline, FG Land, FGEN LNG, LNG Holdings, FGEN Meridian, FGEN Northern Power, FGEN Power Ventures, FGEN Casecnan, Power Holdings, Prime Holdings, FGESHI, Liquefied Holdings, FG Reliable Energy, FG Power Solutions, FGVBSHI, FG Aqua Power, FGen NatGas Supply, FPOI and FGen Fuel Line have not started commercial operations.

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

	Percentage of Voting Interest	
	2016	2015
Red Vulcan Holdings Corporation (Red Vulcan)	100	100
EDC ¹	60	60
First Gen Hydro Power Corporation (FG Hydro)	60	60
EDC Drillco Corporation (EDC Drillco)	60	60
EDC Geothermal Corp. (EGC) ⁴	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) ³	60	60
EDC Mindanao Geothermal, Inc. (EMGI) ^{3,5}	—	60
Bac-Man Energy Development Corporation (BEDC) ³	60	60
Kayabon Geothermal, Inc. (KGI) ^{3,5}	—	60
Mount Apo Renewable Inc. (MAREI) ^{3,5}	—	60
EDC Wind Energy Holdings, Inc. (EWEHI) ⁴	60	60
EDC Burgos Wind Power Corporation (EBWPC)	60	60
EDC Pagudpud Wind Power Corporation (EPWPC) ³	60	60
EDC Bayog Burgos Wind Power Corporation (EBBWPC) ³	60	60
EDC Pagali Burgos Wind Power Corporation (EPBWPC) ³	60	60
Matnog 1 Renewable Energy Corporation (M1REC) ²	60	—
Matnog 2 Renewable Energy Corporation (M2REC) ²	60	—
Matnog 3 Renewable Energy Corporation (M3REC) ²	60	—
Iloilo 1 Renewable Energy Corporation (I1REC) ²	60	—
Negros 1 Renewable Energy Corporation (N1REC) ²	60	—
EDC Bright Solar Energy Holdings, Inc. (EBSEHI) ⁴	60	60
EDC Bago Solar Power Corporation (EBSPC) ³	60	60
EDC Burgos Solar Corporation (EBSC) ³	60	60
EMGI ^{3,5}	60	—
KGI ^{3,5}	60	—
MAREI ^{3,5}	60	—
EDC Chile Limitada ³	60	60
EDC Holdings International Limited (EHIL) ⁴	60	60
Energy Development Corporation Hong Kong International Limited (EDC HKIIL) ²	60	—
Energy Development Corporation Hong Kong Limited (EDC HKL) ⁴	60	60
EDC Chile Holdings SPA ³	60	60
EDC Geotermica Chile ³	60	60
EDC Peru Holdings S.A.C. ³	60	60
EDC Geotermica Peru S.A.C. ³	60	60
Energy Development Corporation Peru S.A.C. ³	60	60
EDC Geotermica Del Sur S.A.C. ³	60	60
EDC Energia Azul S.A.C. ³	60	60
Geotermica Crucero Peru S.A.C. ³	42	42

(Forward)



	Percentage of Voting Interest	
	2016	2015
EDC Energía Perú S.A.C. ³	60	60
Geotermica Tutupaca Norte Peru S.A.C. ³	42	42
EDC Energía Geotérmica S.A.C. ³	60	60
EDC Progreso Geotérmico Perú S.A.C. ³	60	60
Geotermica Loriscota Peru S.A.C. ³	42	42
EDC Energía Renovable Perú S.A.C. ³	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 ³	57	57
PT EDC Panas Bumi Indonesia ³	57	57

¹The Parent Company's economic interest in EDC is 50.55% as of December 31, 2016 and 2015, and 50.29% as of December 31, 2014.

²Incorporated in 2016 and has not yet started commercial operations

³Incorporated in prior years and has not yet started commercial operations

⁴Serves as an investment holding company

⁵Became wholly-owned subsidiaries of EBSEHI starting December 2016.

EDC Drillco is a company incorporated on September 28, 2009 to act as an independent service contractor, consultant, and specialized technical adviser for well construction and drilling, and other related activities. As of December 31, 2016, EDC Drillco is already in the process of dissolution.

EGC was incorporated on April 9, 2008 to participate in the bid for another power plant. The bid was won by and awarded to another local entity. Thereafter, EGC became an investment holding company of EDC's wholly-owned subsidiaries, namely GCGI, BGI, ULGEI, SNGI, BEDC, EMGI, KGI, and MAREI. EGC also has a 0.01% stake in EDC Chile Limitada.

In December 2016, EGC sold all of its stocks in EMGI, KGI, and MAREI to EBSEHI. This sale transaction has no impact to the parent company financial statements, and these companies became wholly-owned subsidiaries of EBSEHI.

As of December 31, 2016 and 2015, EDC HKIIL and all subsidiaries of EDC HKL remained non-operating.

Associates

	Percentage of Voting Interest	
	2016	2015
First Gen Northern Energy Corp. (FGNEC) ¹	33	33
Buang 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" 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 P1.00 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.



The components of the Parent Company's investments and deposits as of December 31, 2016 and 2015 are as follows:

	2016	2015
Investments in shares of stock:		
Subsidiaries	\$2,703,245	\$2,457,516
Associates (net of accumulated provision for impairment loss)	220	220
	2,703,465	2,457,736
Deposits for future stock subscriptions	19,123	158,387
	\$2,722,588	\$2,616,123

Movements of investments in shares of stock are as follows:

	2016	2015
Acquisition cost of investments:		
Balance at beginning of year	\$2,461,502	\$2,356,906
Conversion of deposits to investments	245,322	100,147
Conversion of advances to investments	407	3,100
Additions	—	1,349
	2,707,231	2,461,502
Less accumulated provision for impairment loss	3,766	3,766
Balance at end of year	\$2,703,465	\$2,457,736

As of December 31, 2016 and 2015, the accumulated provision for impairment loss pertains to the Parent Company's investment in BPPC.

Details of deposits for future stock subscriptions are as follows:

	2016	2015
FGESHI	\$11,782	\$10,079
LNG Holdings	7,341	2,975
AlliedGen	—	103,901
FGEN Meridian	—	41,432
	\$19,123	\$158,387

Movements of deposits for future stock subscriptions are as follows:

	2016	2015
Balance at beginning of year	\$158,387	\$100,211
Additions for the year	106,058	158,323
Conversion of deposits to investment	(245,322)	(100,147)
Balance at end of year	\$19,123	\$158,387

FGESHI

In 2016 and 2015, the Parent Company made deposits for future stock subscriptions amounting to \$1.7 million and \$10.1 million, respectively, to FGESHI for conversion to a fixed number of stocks.

On November 13, 2014, the BOD of FGESHI approved the increase in authorized capital stock of FGESHI from ₱100,000 to ₱2,000.0 million divided into 500,000,000 common stocks with a par



value of ₱1.0 per share, and 15,000,000 preferred stocks with a par value of ₱100.0 per share. On March 30, 2015, the Philippine SEC approved the increase in authorized capital stock of FGESHI.

On the same date, the Philippine SEC approved the Parent Company's subscription to 43,331,800 common stocks with a par value of ₱1.0 per share, and 937,500 preferred stocks with a par value of ₱100.0 per share. The subscription was paid through the conversion of the Parent Company's then outstanding advances amounting to \$3.1 million (₱137.1 million).

LNG Holdings

In 2016 and 2015, the Parent Company made deposits for future stock subscriptions amounting to \$4.4 million and \$3.0 million, respectively, to LNG Holdings for conversion to a fixed number of stocks.

On October 1, 2014, the BOD of LNG Holdings approved the increase in authorized capital stock of LNG Holdings from ₱100,000 to ₱1,500.0 million divided into 500,000,000 common stocks with a par value of ₱1.0 a share, and 10,000,000 preferred stocks with a par value of ₱100.0 a share. On January 7, 2015, the Philippine SEC approved the increase in authorized capital stock of LNG Holdings.

On the same date, the Philippine SEC approved the Parent Company's subscription to 499,900,000 common stocks with a par value of ₱1.0 a share, and 2,500,000 preferred stocks with a par value of ₱100.0 a share and the subscription was paid through the conversion of the Parent Company's outstanding deposits for future stock subscriptions amounting to \$16.8 million (₱749.9 million).

On December 15, 2014, the BOD of LNG Holdings approved the Parent Company's subscription to 75,000 common stocks with a par value of ₱1.0 a share, and 339,350 preferred stocks with a par value of ₱100.0 a share at a subscription price of \$0.8 million (₱34.0 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. On January 7, 2015, the Philippine SEC issued a notice of confirmation to LNG Holdings.

AlliedGen

In 2016 and 2015, the Parent Company made deposits for future stock subscriptions amounting to \$67.4 million and \$103.9 million, respectively, to AlliedGen for conversion to a fixed number of stocks.

On December 15, 2014, the BOD of AlliedGen approved the Parent Company's subscription to 1,753,436 preferred stocks with a par value of ₱100.0 per share at a subscription price of \$38.6 million (₱1,753.4 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. On May 4, 2015, the Philippine SEC issued a notice of confirmation on AlliedGen's application.

On November 11, 2016, the BOD of AlliedGen approved the increase in the authorized capital stock from ₱900.0 million to ₱1,950.0 million divided into 1,500,000 common stocks with a par value of ₱100.0 per share and 18,000,000 preferred stocks with a par value of ₱100.0 per share.

On December 29, 2016, the Philippine SEC approved the increase in the authorized capital stock of AlliedGen. On the same date, the Philippine SEC approved the subscription of the Parent Company to 480,000 common stocks with a par value ₱100.0 per share and 7,335,758 preferred stocks with a par value of ₱100.0 per share, and the subscription was paid through the conversion of the Parent Company's outstanding deposits for future stocks subscriptions amounting to \$171.3 million (₱7,815.8 million).



FGEN Meridian

In 2016 and 2015, the Parent Company made deposits for future stock subscriptions amounting to \$32.6 million and \$41.4 million, respectively, to FGEN Meridian for conversion to a fixed number of stocks.

On December 15, 2014, the BOD of FGEN Meridian approved the Parent Company's additional subscription to 8,449,865 common stocks with a par value of ₱1.0 per share, and 1,750,000 preferred stocks with a par value of ₱100.0 per share at a subscription price of \$41.4 million (₱1,834.5 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. On September 30, 2015, the Philippine SEC issued a notice of confirmation to FGEN Meridian.

On October 14, 2016, the BOD of FGEN Meridian approved the increase in the authorized capital stock from ₱550.0 million to ₱1,050.0 million divided into 50,000,000 common stocks with a par value of ₱1.0 per share and 10,000,000 preferred stocks with a par value of ₱100.0 per share.

On December 29, 2016, the Philippine SEC approved the increase in the authorized capital stock of FGEN Meridian. On the same date, the Philippine SEC approved the subscription of the Parent Company to 3,390,767 preferred stocks with a par value of ₱100.0 per share and the subscription was paid through the conversion of the Parent Company's outstanding deposits for future stocks subscriptions amounting to \$74.0 million (₱3,390.8 million).

FGES

On December 29, 2016, the Parent Company and FGES executed a Deed of Assignment for the conversion of its Advances amounting to \$0.4 million (₱20.0 million) for the issuance of 20,000,000 FGES' common shares at par value of ₱1.00 a share.

FG Hydro

In 2016 and 2015, FG Hydro declared and paid cash dividends to its common shareholders amounting to \$17.7 million (₱857.0 million) and \$6.8 million (₱320.0 million), respectively. The Parent Company received cash dividends from FG Hydro amounting to \$7.1 million (₱342.8 million) and \$2.9 million (₱128.0 million) for the years ended December 31, 2016 and 2015, respectively.

BPPC/FPPC

FPPC has a 93.25% voting and economic interest in BPPC. BPPC assumed the rights and obligation of FPPC under Project Agreement signed by FPPC with NPC, granting FPPC the right to build and operate a bunker-fired diesel power plant.

BPPC then undertook the construction and operation of the 225 MW bunker-fired diesel generator power plant (power plant) in Bo. Payocpoc Sur, Bauang, La Union and turned over the power plant to NPC on July 26, 2010 to mark the end of the 15-year Cooperation Period under the Project Agreement.

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

Pursuant to the Articles of Merger, BPPC issued common stock to holders of FPPC common stock upon the surrender and cancellation of common stock of FPPC. The merger was accounted for in



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

As of December 31, 2016 and 2015, the investment in BPPC amounted to \$0.2 million, net of provision for impairment loss.

FGNEC

On July 22, 2015, the BOD and the Stockholders of FGNEC approved a resolution to amend FGNEC's articles of incorporation shortening the term of the FGNEC's existence from 50 years from and after the date of issuance of the certificate of incorporation to "until December 31, 2016." On December 23, 2015, the Philippine SEC approved the term for which FGNEC is to exist until December 31, 2016.

9. Property and Equipment

	2016				
	Buildings and Building Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	\$340	\$1,075	\$1,294	\$276	\$2,985
Additions	–	257	81	65	403
Disposals	–	(65)	(1)	–	(66)
Balance at end of year	340	1,267	1,374	341	3,322
Accumulated Depreciation and Amortization					
Balance at beginning of year	155	704	1,077	153	2,089
Depreciation and amortization (see Note 15)	17	144	137	24	322
Disposals	–	(51)	(1)	–	(52)
Balance at end of year	172	797	1,213	177	2,359
Net Book Value	\$168	\$470	\$161	\$164	\$963

	2015				
	Buildings and Building Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	\$340	\$959	\$1,230	\$191	\$2,720
Additions	–	141	66	85	292
Disposals	–	(25)	(2)	–	(27)
Balance at end of year	340	1,075	1,294	276	2,985
Accumulated Depreciation and Amortization					
Balance at beginning of year	137	565	894	153	1,749
Depreciation and amortization (see Note 15)	18	161	185	–	364
Disposals	–	(22)	(2)	–	(24)
Balance at end of year	155	704	1,077	153	2,089
Net Book Value	\$185	\$371	\$217	\$123	\$896

No borrowing costs were capitalized for the years ended December 31, 2016 and 2015.



10. Accounts Payable and Accrued Expenses

This account consists of:

	2016	2015
Accounts payable	\$701	\$385
Accrued interest and financing costs (see Note 11)	7,060	7,027
Deposits for future stock subscriptions (see Note 12)	—	2,139
Others	2,803	2,989
	\$10,564	\$12,540

Accounts payable are noninterest-bearing and are normally settled on 30 to 60-day payment terms.

Accrued interest and financing costs, and other payables are normally settled semi-annually throughout the year.

Others include withholding taxes payable, output value-added tax (VAT), and other payables to government agencies.

11. Long-term Debts

This account consists of long-term debts as follows:

	2016	2015
\$300.0M Notes	\$297,353	\$297,053
\$200.0M Term Facility	192,790	198,487
Total	490,143	495,540
Less current portion	5,787	5,697
Noncurrent portion	\$484,356	\$489,843

\$300.0 Million Notes

On October 9, 2013, the Parent Company issued \$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 \$200,000 and integral multiples of \$1,000 in excess thereof. The Notes are represented by a permanent global certificate (“Global Certificate”) in fully registered form that has been deposited with the custodian and registered in the name of a nominee for a common depositary for Euroclear bank SA/NV and Clearstream Banking, *societe anonyme*. The Notes are listed on the Singapore Exchange Securities Trading Limited.

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



redemption price equal to 100.0% of the principal amount of the Notes redeemed, plus the Applicable Premium, accrued and unpaid interest, if any, to (but not including) the date of redemption. In addition, at any time prior to October 9, 2018, the Parent Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes, at a redemption price equal to 106.5% of the principal amount of notes redeemed plus accrued and unpaid interest, with the net cash proceeds of certain equity offerings. Finally, at any time and from time to time after October 9, 2018, the Parent Company may on any one or more occasions redeem all or a part of the Notes at a specified redemption price (expressed in percentages of the principal amount) plus accrued and unpaid interest, if any, to (but not including) the date of redemption.

The Notes are direct, unconditional and unsecured obligations of the Parent Company, ranking *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Parent Company, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. As of December 31, 2016 and 2015, the Parent Company is in compliance with the terms of the Notes.

The movements of the unamortized debt issuance costs account are as follows:

	2016	2015
Balances at beginning of year	\$2,947	\$3,227
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 15)	(300)	(280)
Balances at end of year	\$2,647	\$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 the 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 December 31, 2016 and 2015, the Parent Company is in compliance with the terms of the Term Loan Agreement.

The movements of the unamortized debt issuance costs account are as follows:

	2016	2015
Balance at beginning of year/ inception of the loan	\$1,513	\$1,662
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 15)	(303)	(149)
Balance at end of year	\$1,210	\$1,513



\$100.0 Million Notes Facility

On December 17, 2010 (the charged to the “Interest expense any, 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 dates of Tranche A and Tranche B were 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 Amendment No. 2 to the Notes Facility Agreement to amend the interest rate to 5.09091% for both Tranche A and Tranche B effective October 16, 2012 until the respective maturity dates.

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

Accretion of debt issuance costs charged to the “Interest expense and financing charges” account amounted to \$0.3 million for the year ended December 31, 2015. The unamortized debt issuance costs charged directly to the “Interest expense and financing charges” account amounted to \$0.8 million for the year ended December 31, 2015.

12. Equity

a. Capital Stock

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

	Number of Shares	
	2016	2015
Redeemable preferred stock (Series “B”) -		
₱0.50 par value		
Authorized	1,000,000,000	1,000,000,000
Issued and outstanding	1,000,000,000	1,000,000,000
Redeemable preferred stock (Series “E”) -		
₱0.50 par value		
Authorized	1,500,000,000	1,500,000,000
Issued and outstanding	468,553,892	468,553,892
Redeemable preferred stock (Series “F”) -		
₱10.00 par value		
Authorized	100,000,000	100,000,000
Issued	100,000,000	100,000,000
Outstanding	63,625,000	63,635,000

(Forward)



	Number of Shares	
	2016	2015
Redeemable preferred stock (Series "G") - ₱10.00 par value		
Authorized	135,000,000	135,000,000
Issued	133,750,000	133,750,000
Outstanding	128,723,720	133,750,000
Common stock - ₱1 par value		
Authorized	5,000,000,000	5,000,000,000
Issued and outstanding		
Balances at beginning of year	3,660,943,557	3,643,320,457
Issuance of shares through private placement	—	17,623,100
Balances at end of year	3,660,943,557	3,660,943,557

As of December 31, 2016, the Parent Company's redeemable preferred stock consists of the following:

- The Series "B" preferred stocks have voting rights, entitled to cumulative dividends of two centavos (₱0.02) a share and redeemable at the option of the Parent Company 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 May 31, 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 buy-back program, the maximum amount of the shares and buyback period will be subject to revision by the BOD from time to time as circumstances warrant, subject to proper disclosures to regulatory agencies. The program will not involve active and widespread solicitation from shareholders in general, and not adversely affect the Parent Company's prospective and existing development projects. The program will be executed in open market through the trading facilities of the PSE and be implemented under the supervision of the Parent Company's CEO, President, and CFO. 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 ₱110.0 per share. The transaction was made pursuant to a two-year buyback program approved by the stockholders and BOD on May 12, 2014.

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.

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 (see Note 1).

On March 12, 2015 and May 13, 2015, the BOD and the stockholders of the Parent Company approved the following amendments/matters to Article Seventh of the Parent Company's Amended Articles of Incorporation:

- to create 160 million Series "H" preferred stocks with a par value of ₱10.0 per share with the following features: issue value and dividend rate to be determined by the BOD at the time of issuance, entitled to cumulative dividends, non-voting, non-participating, redeemable at option of the Parent Company and in the event of liquidation, dissolution, distribution of assets or winding-up of the Parent Company shall be entitled to be paid at their issue value plus any accrued and unpaid dividends thereon;
- to increase the authorized capital stock from ₱8,600.0 million to ₱10,200.0 million; and
- to file the corresponding amendments to Article Seventh of the Parent Company's Amended Articles of Incorporation to reflect the above items.

b. Deposits for future stock subscriptions

On October 30, 2015, FPH made a deposit for future stock subscriptions amounting to \$2.1 million (₱100.0 million) for the subscription of Series "H" preferred stocks of the Parent Company. The deposits were recorded as part of "Accounts payable and accrued expenses" as of December 31, 2015. In 2016, the Parent Company reclassified the balance to "Deposits for future stock subscriptions" upon its application for the increase in authorized capital stock to create the Series 'H' preferred stocks.



c. 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)
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "B" Preferred	Regular	₱0.02	\$406	₱20,000
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "E" Preferred	Regular	0.01	95	4,686
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "F" Preferred	Regular	4.00	5,171	254,500
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "G" Preferred	Regular	3.8904	9,088	447,294
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "G" Preferred*	Regular	0.38904	109	5,349
Sep. 14, 2016	Sep. 28, 2016	Oct. 14, 2016	Common	Regular	0.35	27,463	1,281,330
June 15, 2016	June 29, 2016	July 25, 2016	Series "F" Preferred	Regular	4.00	5,439	254,540
June 15, 2016	June 29, 2016	July 25, 2016	Series "G" Preferred	Regular	3.8904	9,977	466,848
June 15, 2016	June 29, 2016	July 25, 2016	Series "G" Preferred*	Regular	0.38904	114	5,349
						\$57,862	₱2,739,896

*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.

As of December 31, 2016 and 2015, total unpaid cash dividends on preferred stocks amounting to \$14.7 million (₱731.8 million) and \$16.0 million (₱751.4 million), respectively, are presented as "Dividends payable" in the parent company statements of financial position.

The retained earnings balance is restricted to the extent of acquisition price of the treasury stocks amounting to \$97.8 million and \$85.6 million as of December 31, 2016 and 2015, respectively.

d. Treasury Stocks

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 (see Note 1).

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 \$85.6 million (₱4.0 billion) [see Note 1].



In 2016, the Parent Company purchased from the open market 10,010 and 5,026,280 Series "F" and Series "G" redeemable preferred stocks, respectively. The total payments for the buyback of the Series "F" and Series "G" redeemable preferred stocks amounted to \$0.02 million (P1.1 million) and \$12.2 million (P598.8 million), respectively.

As of December 31, 2016 and 2015, the Parent Company has Series "F" and Series "G" redeemable preferred stocks held in treasury amounting to \$97.8 million and \$85.6 million, respectively.

13. Share-based Payment Plans

The Parent Company had an Employee Stock Purchase Plan (ESPP), which entitled the eligible employees to acquire the common stocks of the Parent Company, provided that such stocks shall not at any grant date exceed one percent (1%) of the total issued and outstanding common stocks of the Parent Company. The stocks may be acquired under the ESPP at fair market price equal to the average of the closing price of the common stocks on the exchange for the 20 market days immediately preceding the grant date. A grantee under the ESPP shall have five years to complete payments on the common stocks acquired pursuant to the plan, with a right to prepay after two years. The ESPP expired on April 14, 2015, or ten (10) years from the plan's adoption date of April 15, 2005. For the years ended December 31, 2016 and 2015, no award or issuance of stocks under the ESPP has been granted to any employee.

14. Related Party Transactions

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

The following are the significant transactions with related parties:

- a. The Parent Company received cash dividends from its subsidiaries totaling to \$116.3 million and \$381.8 million for the years ended December 31, 2016 and 2015, respectively, which are shown as "Dividend income" in the parent company statements of income. Such dividends were declared by the following subsidiaries:

	2016	2015
FGHC	\$48,794	\$53,641
BVHC	34,114	283,285
Unified	20,538	34,800
FG Hydro	7,087	2,865
Others	5,775	7,176
	\$116,308	\$381,767



- b. The details of the Parent Company's "Advances from subsidiaries" are as follows:

Advances from FGPC

In November 2008, a portion of the proceeds of the loan availed by FGPC from a consortium of nine foreign banks amounting to \$154.9 million was upstreamed to the Parent Company. Such advances from FGPC are subject to an interest rate of 175 basis points over the average of the rate for the six months U.S. dollar deposits quoted by three reputable banks in the Philippines, provided however, that such interest rate shall in no case exceed 5.8%. As of December 31, 2016 and 2015, advances from FGPC including accrued interest amounted to \$81.3 million and \$95.3 million, respectively, are recorded under the "Advances from subsidiaries" account in the parent company statements of financial position.

Advances from FGP

On November 5, 2012, a portion of proceeds of the loan availed by FGP from a facility with seven local banks amounting to \$195.6 million was upstreamed to the Parent Company by issuance of a promissory note. Such advances from a subsidiary are subject to a fixed interest rate of 2.5%. As of December 31, 2016 and 2015, the advances from FGP including accrued interest amounted to \$136.8 million and \$179.6 million, respectively, are recorded under the "Advances from subsidiaries" account in the parent company statements of financial position.

Advances from Goldsilk

On May 30, 2012, the Parent Company issued a five-year promissory note to Goldsilk amounting to \$258.5 million payable at maturity with fixed interest rate of 2.0% per annum.

On October 27, 2014, the Parent Company partially paid a portion of the promissory note amounting to \$67.6 million (inclusive of accrued interest amounting to \$9.1 million). On the same date, the Parent Company and Goldsilk amended the promissory note from interest bearing to non-interest bearing.

On February 9, 2015, the Parent Company fully paid the promissory note amounting to \$200.0 million.

- 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). On November 23, 2016, the Consultancy Agreement was further extended for another 24 months, from January 1, 2017 to December 31, 2018, for a monthly fee of \$0.6 million (₱28.0 million, net of withholding taxes plus VAT).

Consultancy fees amounted to \$8.5 million and \$8.9 million for the years ended December 31, 2016 and 2015, respectively. The Parent Company has outstanding receivables from EDC related to the foregoing amounting to \$0.7 million and \$2.1 million as of December 31, 2016 and 2015, respectively, and is included in the "Other current assets" account in the parent company statements of financial position (see Note 7).

- d. Except for the U.S. dollar-denominated advances from/to subsidiaries, all other advances to and from related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of the Parent Company. Such advances to and from related parties are payable on demand.



- e. The Parent Company leases from Rockwell its office premises where its new principal office is located. Total rent expense included under "Rent" in the "General and administrative expenses" account in the parent company statements of income amounted to \$0.06 million and \$0.03 million in 2016 and 2015, respectively (see Note 15). As of December 31, 2016, future minimum rental payments under the non-cancellable operating lease with Rockwell amounted to \$0.07 million within one year and \$0.2 million a year after but not more than five years.
- f. The Parent Company leased from FPRC its office premises where its previous principal office was located. Total rent expense, included under "Others" in the "General and administrative expenses" account in the parent company statements of income, amounted to \$0.05 million for the year ended December 31, 2015 (see Note 15).
- g. On September 1, 2016, the Parent Company has entered into a Project Development and Technical Consultancy Services Agreement (the Agreement) with FNPC and Prime Meridian relating to the development, construction and completion of the 414 MW San Gabriel and the 97 MW Avion power plants (collectively referred to as the "Projects" or "Power Plants"). Under the Agreement, the Parent Company shall render engineering and environmental studies, consultation, procurement of licenses and permits for, supervision of site planning and preparation for construction, engineering, and construction management of the Projects.

The above services shall commence during the period of development and construction of the power plant up to its full completion, unless sooner terminated or otherwise extended as may be agreed by the parties.

The commissioning of the San Gabriel and Avion Power Plants were completed in November 2016 and September 2016, respectively. For the year ended December 31, 2016, FNPC and Prime Meridian paid the Parent Company a fixed fee amounting to \$15.0 million and \$5.0 million (net of VAT), respectively, and presented under "Other Income (charges)" account in the parent company statement of income.

h. Intercompany Guarantees

During the February 26, 2014 meeting, 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 Prime Meridian, 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 May 12, 2014, the stockholders of the Parent Company ratified and confirmed such authority.

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



As of December 31, 2016 and 2015, the Parent Company issued guarantees totaling to \$8.0 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 Prime Meridian 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 were installed in the San Gabriel and Avion power plants. On February 8, 2017, the BOI granted the respective requests of FNPC and Prime Meridian for the cancellation of the Parent Company guarantees in view of San Gabriel and Avion power plants' compliance of its obligations under their respective Certificates of Authority.

- i. Compensation of key management personnel are as follows:

	2016	2015
Short-term employee benefits	\$5,186	\$4,999
Retirement benefits (see Note 16)	405	488
	\$5,591	\$5,487

Terms and Conditions of Transactions with Related Parties. As mentioned above, except for the Parent Company guarantees issued to FNPC and Prime Meridian in relation to the construction of San Gabriel and Avion power plants, respectively, there have been no other guarantees provided for or received from any other related party in 2016 and 2015.

Except for advances to/from subsidiaries, outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. The Parent Company has not recognized any impairment loss on amounts due from related parties for the years ended December 31, 2016 and 2015. This assessment is undertaken each financial year through a review of the financial position of the related parties and the market in which the related party operates.

A summary of the outstanding related party balances (see Note 8) follows:

Related Party	Nature of Transactions	Terms	Transactions for the Years Ended December 31		Balances as of December 31	
			2016	2015	2016	2015
Due from related parties						
		Unsecured and				
Red Vulcan	Interest-free advances	receivable on demand	\$114	\$273	\$10,089	\$10,317
FGHC	- do -	- do -	-	-	9,554	9,554
Northern Terracotta	- do -	- do -	-	4,553	5,192	10,935
FG Bubunawan	- do -	- do -	4,075	688	4,600	753
FG Mindanao	- do -	- do -	183	116	2,581	2,541
FG Prime	- do -	- do -	323	743	1,976	1,767
FG Land	- do -	- do -	1	1,939	1,787	1,887
Gold silk	- do -	- do -	461	979	1,517	1,145
FG Puyo	- do -	- do -	546	692	1,206	729
FG Tagoloan	- do -	- do -	711	366	1,022	362
FG Luzon	- do -	- do -	-	314	959	1,113
Prime Terracota	- do -	- do -	42	85	753	751
FPH	- do -	- do -	-	-	719	759
FGEN LNG	- do -	- do -	19	5	649	634
FGEN Power Ventures	- do -	- do -	101	110	467	383
Allied Gen	- do -	- do -	-	80	361	381
Blue Vulcan	- do -	- do -	-	359	340	348
FG Premier	- do -	- do -	34	-	217	195
FG Visayas	- do -	- do -	-	17	187	198
FG Ecopower	- do -	- do -	-	1	180	190

(Forward)



Related Party	Nature of Transactions	Terms	Transactions for the Years Ended December 31		Balances as of December 31	
			2016	2015	2016	2015
FGNEC	Interest-free advances	Unsecured and receivable on demand	\$2	\$365	\$168	\$176
First Philec	Marketing services	Payable monthly	151	1	149	-
FNPC	Interest-free advances	Unsecured and receivable on demand	3	116	162	199
FGPC	- do -	- do -	10	-	97	90
FGESHI	- do -	- do -	9	5	93	89
LNG Holdings	- do -	- do -	22	3	85	67
FG Cabadbaran	- do -	- do -	-	11	83	88
FGEN Fuel Line	- do -	- do -	78	1	78	1
Prime Meridian	- do -	- do -	-	83	75	79
FG Bukidnon	- do -	- do -	29	1	53	51
FNMHCI	- do -	- do -	-	1	20	21
FG Tumalaong	- do -	- do -	19	1	24	6
FGen Meridian	- do -	- do -	-	106	22	23
FG Visayas Energy	- do -	- do -	2	1	14	13
FGEN Northern Power	- do -	- do -	-	10	8	8
FGES	- do -	- do -	23	451	6	428
FGMRC	- do -	- do -	1	1	5	4
FPIC*	- do -	- do -	-	-	-	731
Others**	- do -	- do -	11	14	18	13
			\$6,970	\$12,491	\$45,516	\$47,029

Due to related parties

Onecore	Interest-free advances	Unsecured and payable on demand	\$-	\$1	\$76,363	\$76,363
FGP	- do -	- do -	50,006	10	57,256	7,250
Blue Vulcan	- do -	- do -	-	-	11,613	11,613
FGRI	- do -	- do -	-	-	336	357
FGHC International Ltd.*	- do -	- do -	-	-	145	145
FGHC	- do -	- do -	5	-	5	-
FGPC	- do -	- do -	8	-	8	-
FG Pipeline	- do -	- do -	-	-	6	6
			\$50,019	\$11	\$145,732	\$95,734

Advances from subsidiaries***

FGP	Interest-bearing loan	Unsecured and payable by installment	\$3,104	\$3,539	\$136,771	\$179,630
FGPC	- do -	- do -	3,040	4,845	81,324	95,278
			\$6,144	\$8,384	\$218,095	\$274,908

Other current assets (see Note 7)

EDC	Consultancy fees	Unsecured and receivable on demand	\$8,481	\$8,864	\$652	\$2,066
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*FGHC International Ltd. and FPIC are subsidiaries of FPH.

** Included in "Others" are advances to newly incorporated subsidiaries.

***Including accrued interest.



15. Expenses

General and Administrative

	2016	2015
Staff costs	\$9,718	\$8,953
Professional fees	2,098	2,326
Taxes and licenses	713	1,070
Advertising	416	426
Transportation and travel	394	1,377
Depreciation and amortization (see Note 9)	322	364
Rent	319	768
Other outside services	285	315
Seminars and trainings	178	239
Repairs and maintenance	146	202
Donations	48	17
Others (Note 14)	352	333
	\$14,989	\$16,390

Staff Costs

	2016	2015
Salaries and wages	\$9,125	\$8,165
Retirement benefits (see Note 16)	593	788
	\$9,718	\$8,953

Interest Expense and Financing Charges

	2016	2015
Interest on:		
Long-term debts (see Note 11)	\$34,342	\$30,077
Advances from subsidiaries (see Note 14)	7,680	10,481
Accretion of debt issuance costs on:		
Long-term debts (see Note 11)	603	723
Unamortized debt issuance costs (see Note 11)	-	803
	\$42,625	\$42,084

16. Retirement Benefits

The following tables summarize the funded status and amounts recognized in the parent company statements of financial position for the retirement plan and the components of net retirement benefits expense recognized as part of "Staff costs" in the "General and administrative expense" account in the parent company statements of income.

Net retirement benefits asset is included in the "Other noncurrent assets" account in the parent company statements of financial position as of December 31, 2016 and 2015.



Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

	2016	2015
Present value of defined benefit obligation	\$6,348	\$5,463
Fair value of plan assets	(6,928)	(6,467)
Net retirement benefits asset	(\$580)	(\$1,004)

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

	2016	2015
Current service cost	\$645	\$865
Net interest	(52)	(77)
Retirement benefits expense	\$593	\$788

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

	2016	2015
Balances at beginning of year	\$5,463	\$6,135
Current service cost	645	865
Interest cost	258	261
Actuarial gains (losses) due to:		
Experience adjustments	382	395
Changes in financial assumptions	—	(1,286)
Changes in demographic assumptions	(48)	(616)
Foreign exchange adjustments	(352)	(291)
Balances at end of year	\$6,348	\$5,463

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

	2016	2015
Balances at beginning of year	\$6,467	\$7,320
Interest income	310	338
Return on plan assets, excluding interest income	538	(846)
Foreign exchange adjustments	(387)	(345)
Balances at end of year	\$6,928	\$6,467
Actual return on plan assets	\$848	(\$508)

The Parent Company has initially funded the retirement plan in December 2005. The Parent Company does not expect to contribute to the retirement plan in 2017 given its net retirement benefit asset position.

The retirement fund of the Parent Company is maintained and managed by BDO Trust and Investment Group. The investing decisions of the Plan are made by its Retirement Committee.



The plan assets' carrying amount approximates its fair value since these are either short-term in nature or marked-to-market.

The plan assets and investments by each class as of December 31, 2016 and 2015 are as follows:

	2016	2015
Investments quoted in active market		
Quoted equity investments:		
Holding firms	\$2,988	\$2,115
Industrial - electricity, energy, power and water	1,175	—
Financials - banks	6	1,021
	4,169	3,136
Investments in debt instruments:		
Government securities	1,248	1,850
Investments in corporate bonds	180	192
	1,428	2,042
Investment in mutual funds	638	—
Unquoted investments:		
Cash and cash equivalents	673	1,266
Receivables and other assets	29	31
Liabilities	(9)	(8)
	693	1,289
Fair value of plan assets	\$6,928	\$6,467

- Cash and cash equivalents include regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, bear interest ranging from 4.625% to 4.889% and have maturities from 2017 to 2020;
- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 2.90% to 7.75% and have maturities from 2017 to 2037; and
- As of December 31, 2016 and 2015, investment in equity securities consist of investments in the following securities:

Issuer	Relationship	2016	2015
Lopez Holdings	Intermediate parent company	\$2,988	\$926
FPH (Voting common stocks)	Parent Company	1,175	1,189
Others	N/A	6	1,021
		\$4,169	\$3,136

The carrying amounts of investments in equity securities also approximate their fair values since these are marked-to-market.

For the year ended December 31, 2016, unrealized gain arising from the investments in Lopez Holdings amounted to \$0.4 million, and unrealized loss arising from the investment in FPH amounted to \$0.1 million.



For the year ended December 31, 2015, unrealized loss arising from the investments in Lopez Holdings and FPH amounted to \$0.1 million and \$0.2 million, respectively.

The details of the realized gains for the years ended December 31, 2016 and 2015 based on the type of securities are as follows:

	2016	2015
Investment in government securities	\$169	\$125
Investment in shares of stock	341	74
Investment in corporate debt instruments	25	9
	\$535	\$208

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

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

The principal actuarial assumptions used in determining retirement benefit obligations of the Parent Company as at January 1 are as follows:

	2016	2015
Discount rate	5.11%	5.02%
Future salary increase rate	8.00%	8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2016, assuming if all other assumptions were held constant:

	Increase/Decrease in Percentage Point	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1%	(\$474)
	-1%	536
Future salary increases	+1%	545
	-1%	(491)

The Parent Company estimated that the weighted average duration of benefit payment is 12.16 years in 2016.

Following are the information about the maturity profile of the defined benefit obligations as of December 31, 2016 and 2015:

	2016	2015
Less than one (1) year	\$510	\$500
One (1) year up to five (5) years	2,071	1,296
More than five (5) years up to 10 years	6,776	4,836
More than 10 years up to 15 years	4,538	6,198
More than 15 years up to 20 years	7,750	5,022
More than 20 years	2,185	4,029



17. Income Tax

The components of the deferred income tax asset (liabilities) as of December 31, 2016 and 2015 are as follows:

	2016	2015
Deferred income tax liabilities on:		
Excess of the unamortized debt issuance cost under effective interest rate method over straight-line method	(\$112)	(\$86)
Net retirement benefits asset	(174)	(301)
Difference between the carrying amounts of nonmonetary assets and their related tax bases	(18)	—
	(304)	(387)
Deferred income tax asset on NOLCO	304	387
	\$—	\$—

Certain deferred income tax assets of the Parent Company have not been recognized since management believes that it is not probable that sufficient future taxable income will be available against which they can be utilized. The deductible temporary differences of certain items in the parent company statements of financial position and the carryforward benefits of NOLCO and MCIT for which no deferred income tax assets were recognized consist of the following:

	2016	2015
NOLCO	\$119,448	\$105,610
MCIT	688	783
Unrealized foreign exchange losses	88,163	—
Others	258	—

As of December 31, 2016 and 2015, the taxable temporary differences representing the excess of the carrying amount of the investments in subsidiaries over the tax base amounted to \$341.9 million and \$205.3 million, respectively. There is no corresponding deferred income tax liability recognized since these temporary differences pertain to investment in domestic companies and, accordingly, the reversals of these temporary differences are through regular dividend distribution not subject to income tax.

Provision for current income tax in 2016 and 2015 amounting to \$0.5 million and \$0.1 million, respectively, represents MCIT.

The balance of NOLCO as of December 31, 2016 may be used by the Parent Company as additional deductions against the future taxable income. Similarly, the MCIT balance as of December 31, 2016 may be applied as credit against future income tax liability of the Parent Company.



The balances of NOLCO and MCIT, with their respective years of expiration, are as follows:

Incurring for the Year Ended December 31	Available until December 31	NOLCO		MCIT	
		(In U.S. Dollar)	(In Philippine Peso)	(In U.S. Dollar)	(In Philippine Peso)
2014	2017	\$47,598	₱2,366,587	\$59	₱2,916
2015	2018	46,982	2,335,958	125	6,226
2016	2019	25,882	1,286,858	504	25,037
		\$120,462	₱5,989,403	\$688	₱34,179

Movements in NOLCO are as follows:

	2016		2015	
	(In U.S. Dollar)	(In Philippine Peso)	(In U.S. Dollar)	(In Philippine Peso)
Balances at January 1	\$106,900	₱5,030,689	\$92,012	₱4,114,755
Additions	25,882	1,286,858	49,638	2,335,958
Expirations	(6,973)	(328,144)	(30,175)	(1,420,024)
Foreign exchange adjustments	(5,347)	—	(4,575)	—
	\$120,462	₱5,989,403	\$106,900	₱5,030,689

Movements in MCIT are as follows:

	2016		2015	
	(In U.S. Dollar)	(In Philippine Peso)	(In U.S. Dollar)	(In Philippine Peso)
Balances at January 1	\$783	₱36,859	\$991	₱44,316
Additions	504	25,037	132	6,226
Expirations	(589)	(27,717)	(291)	(13,683)
Foreign exchange adjustments	(10)	—	(49)	—
	\$688	₱34,179	\$783	₱36,859

A reconciliation between the statutory income tax due and effective income tax due follows:

	2016	2015
Provision for income tax computed at the statutory tax rate of 30%	\$26,354	\$99,716
Adjustments resulting from:		
Permanent differences	(35,193)	(115,142)
Effect of using 2% MCIT	9,366	14,929
Unrealized foreign exchange losses	—	580
Movement of unrecognized DTA	—	54
Translation difference	7	(1)
Provision for income tax	\$534	\$136

18. Financial Risk Management Objectives and Policies

The Parent Company's principal financial liabilities are comprised of long-term debts and advances from subsidiaries, among others. The main purpose of these financial liabilities is to raise financing for the Parent Company's growth and operations. The Parent Company has other financial assets and liabilities such as cash and cash equivalents, financial assets at FVPL, amounts due from/to



related parties, accounts payable and accrued expenses and dividends payable, which arise directly from its operations.

The main financial risks arising from the Parent Company's financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks as summarized below. The Parent Company's accounting policies in relation to derivative financial instruments are set out in Note 2 to the parent company financial statements.

Interest Rate Risk

The Parent Company's exposure to the risk of changes in market interest rate relates primarily to its advances from subsidiaries that are subject to floating interest rates.

The Parent Company 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 Parent Company 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 Parent Company may consider prepayment, refinancing or entering into derivative financial instruments, as deemed necessary and feasible.

As of December 31, 2016 and 2015, approximately 88.6% and 87.7%, respectively, of the Parent Company's borrowings are subject to fixed interest rate.

Interest Rate Risk Table

The following table sets out the nominal amounts, by maturity, of the Parent Company's financial instruments that are exposed to interest rate risk (amounts in millions):

2016						
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	Total
Fixed Rate						
Long-term debts:						
US\$300M Notes	6.50%	\$-	\$-	\$-	\$300.00	\$300.00
US\$200M Term Loan	4.90%	6.00	40.00	40.00	108.00	194.00
Advances from subsidiaries:						
FGP*	2.50%	38.97	64.18	32.09	-	135.24
Floating Rate						
Advances from FGPC*	2.88%	16.43	35.62	29.08	-	81.13

* Excluding accrued interest

2015						
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	Total
Fixed Rate						
Long-term debts:						
US\$300M Notes	6.50%	\$-	\$-	\$-	\$300.00	\$300.00
US\$200M Term Loan	4.90%	6.00	26.00	40.00	128.00	200.00
Advances from subsidiaries:						
FGP*	2.50%	52.29	58.07	64.18	-	174.54
Floating Rate						
Advances from FGPC*	5.80%	13.83	33.05	39.90	8.17	94.95

* Excluding accrued interest



Interest on financial instruments classified as floating rate is repriced semi-annually on each interest payment date. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Parent Company that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates for the years ended December 31, 2016 and 2015, with all other variables held constant, of the Parent Company's income before income tax (through the impact of floating rate borrowings):

	Increase/Decrease in Basis Points	Increase (Decrease) in Effect on Income Before Income Tax
2016	+100	(\$915)
	-100	915
2015	+100	(\$1,048)
	-100	1,048

Credit Risk

The credit risk of the Parent Company is limited to the risk arising from the inability of the related parties to make payments when due. With respect to credit risk arising from the other financial assets of the Parent Company, which include cash and cash equivalents and consultancy fee receivables, the Parent Company's exposure to credit risk arises from a possible default of the counterparties with a maximum exposure equal to the carrying amount of these instruments.

As of December 31, 2016 and 2015, the Parent Company's total financial assets amounted to \$177.6 million and \$282.9 million, respectively. These financial assets are neither past due nor impaired as at financial reporting dates.

Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the Parent Company as of December 31, 2016 and 2015:

	2016	2015
Loans and receivables:		
Cash and cash equivalents	\$129,351	\$225,218
Due from related parties	45,516	47,029
Consultancy fee receivables (under "Other current assets" account)	652	2,066
Financial assets at FVPL	2,049	8,555
	\$177,568	\$282,868

The Parent Company does not hold collateral for its financial assets as security.

Credit quality of neither past due nor impaired financial assets

The evaluation of the credit quality of the Parent Company'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 and related parties who pay on or before due date. Financial assets are classified as 'standard grade' if the counterparties settle their obligations to the Parent Company with tolerable delays.

As of December 31, 2016 and 2015, all of the Parent Company's 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

As of December 31, 2016 and 2015, the Parent Company has no significant concentration of credit risk.

Foreign Currency Risk

The Parent Company's exposure to foreign currency risk arises as its functional currency, the U.S. dollar, is not the local currency in its country of operations. Certain financial assets and liabilities as well as some expenses are denominated in Philippine peso. To manage the foreign currency risk, the Parent Company may consider entering into derivative transactions as necessary.

The following table sets out the Philippine peso-denominated financial assets and liabilities as of December 31, 2016 and 2015 that may affect the parent company financial statements (amounts in millions):

	2016		2015	
	Philippine peso-denominated Balances	Equivalent U.S. Dollar Balances	Philippine peso-denominated Balances	Equivalent U.S. Dollar Balances
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱539	\$11	₱366	\$8
Consultancy fee receivables (under "Other current assets" account)	32	1	97	2
Due from related parties	1,533	31	1,455	31
Financial assets at FVPL	102	2	403	9
Total financial assets	2,206	45	2,321	50
Financial Liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses	170	3	143	3
Due to related parties	17	1	-	-
Dividends payable	732	15	751	16
Total financial liabilities	919	19	894	19
Net Financial Assets	₱1,287	\$26	₱1,427	\$31

In translating these Philippine peso-denominated monetary assets and liabilities into U.S. Dollar, the exchange rates used were ₱49.72 to \$1.00 and ₱47.06 to \$1.00, the Philippine peso-U.S. Dollar closing exchange rates for December 31, 2016 and 2015, respectively.



The following table sets out, for the years ended December 31, 2016 and 2015, the impact on the Parent Company's income (loss) before income tax of the range of reasonably possible movements in the U.S. Dollar and Philippine peso exchange rates with all other variables held constant, due to changes in the fair value of monetary assets and liabilities.

	2016		2015	
Change in exchange rate (in Philippine Peso against U.S. Dollar)	5%	(5%)	3%	(3%)
	<i>(Amounts in Millions)</i>			
Increase (decrease) in income (loss) before income tax	(\$1.3)	\$1.3	(\$0.9)	\$0.9

Any change in foreign currency exchange rate pertaining to financial assets and liabilities will have no impact on the Parent Company's equity, other than those already affecting the parent company statements of income.

Liquidity Risk

The Parent Company's exposure to liquidity risk refers to 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 Parent Company maintains its internally generated funds and prudently manages the proceeds obtained from fund raising activities through the debt and equity markets. On a regular basis, the Parent Company's Treasury department monitors the available cash balances by preparing cash position reports. The Parent Company maintains a level of cash and cash equivalents deemed sufficient to finance the operations.

In addition, the Parent Company has short-term deposits and has available credit lines with certain banking institutions. As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows. It also continuously assesses the financial market conditions for opportunities to pursue fund-raising activities.

As of December 31, 2016 and 2015, 24.2% and 20.4%, respectively, of the Parent Company's financial liabilities will mature in less than one year based on the carrying value of borrowings reflected in the parent company financial statements.

The following tables below summarize the maturity profile of the Parent Company's financial assets used for liquidity management and financial liabilities as of December 31, 2016 and 2015 based on the contractual undiscounted payments:

	2016					
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	Total
Financial assets:						
Cash and cash equivalents	\$129,351	\$-	\$-	\$-	\$-	\$129,351
Financial assets at FVPL	2,049	-	-	-	-	2,049
	\$131,400	\$-	\$-	\$-	\$-	\$131,400
Financial liabilities:						
Accounts payable and accrued expenses*	\$1,426	\$-	\$-	\$-	\$-	\$1,426
Dividends payable	-	14,719	-	-	-	14,719
Due to related parties	145,732	-	-	-	-	145,732
Long-term debts	-	7,780	27,554	189,559	459,616	684,509
Advances from subsidiaries	16,417	-	47,597	169,603	-	233,617
	\$163,575	\$22,499	\$75,151	\$359,162	\$459,616	\$1,080,003

* Excluding local and other taxes and payable to government agencies.



	2015					Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	
Financial assets:						
Cash and cash equivalents	\$225,218	\$-	\$-	\$-	\$-	\$225,218
Financial assets at FVPL	8,555	-	-	-	-	8,555
	<u>\$233,773</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$233,773</u>
Financial liabilities:						
Accounts payable and accrued expenses*	\$5,112	\$-	\$-	\$-	\$-	\$5,112
Dividends payable	-	15,967	-	-	-	15,967
Due to related parties	95,734	-	-	-	-	95,734
Long-term debts	-	7,954	27,950	180,327	506,200	722,431
Advances from subsidiaries	32,675	-	45,663	208,067	8,293	294,698
	<u>\$133,521</u>	<u>\$23,921</u>	<u>\$73,613</u>	<u>\$388,394</u>	<u>\$514,493</u>	<u>\$1,133,942</u>

* Excluding local and other taxes and payable to government agencies.

Capital Management

The primary objective of the Parent Company'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.

The Parent Company 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, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new stocks (see Note 12).

No changes were made in the objectives, policies or processes for the years ended December 31, 2016 and 2015. The Parent Company was able to meet its capital management objectives as of December 31, 2016 and 2015.

As of December 31, 2016 and 2015, the Parent Company considers its total equity of \$2,032.0 million and \$2,012.4 million as its capital.

The Parent Company monitors capital using the debt to equity ratio, which is total liabilities divided by total equity. The Parent Company's practice is to keep the debt to equity ratio lower than 75:25.

	2016	2015
Accounts payable and accrued expenses	\$10,564	\$12,540
Dividends payable	14,719	15,967
Due to related parties	145,732	95,734
Long-term debts	490,143	495,540
Advances from subsidiaries	218,095	274,908
Total liabilities	<u>\$879,253</u>	<u>\$894,689</u>
Total equity	<u>\$2,032,016</u>	<u>\$2,012,413</u>
Debt to equity ratio	<u>43:57</u>	<u>44:56</u>

The Parent Company is obligated to perform certain covenants with respect to maintaining specified debt-to-equity and minimum debt-service-coverage ratios, as set forth in the respective agreements with the creditors. As of December 31, 2016 and 2015, the Parent Company is in compliance with those covenants.



19. Financial Instruments

Set out in the following tables is a comparison by category of the carrying values and fair values of the Parent Company's financial instruments as at December 31, 2016 and 2015 that are carried in the parent company financial statements:

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	\$129,351	\$129,351	\$225,218	\$225,218
Due from related parties	45,516	45,516	47,029	47,029
Consultancy fee receivables (under "Other current assets" account)	652	652	2,066	2,066
Financial assets at FVPL	2,049	2,049	8,555	8,555
	\$177,568	\$177,568	\$282,868	\$282,868
Financial Liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses**	\$8,486	\$8,486	\$10,240	\$10,240
Dividends payable	14,719	14,719	15,967	15,967
Due to related parties	145,732	145,732	95,734	95,734
Long-term debts	490,143	513,226	495,540	523,056
Advances from subsidiaries*	218,095	220,461	274,908	277,947
	\$877,175	\$902,624	\$892,389	\$922,944

*Carrying value includes accrued interest as of December 31, 2016 and 2015.

**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, amounts due to/from related parties, consultancy fee receivables, accounts payable and accrued expenses, and dividends payable approximate their carrying values as at financial reporting date due to the short-term maturities of the transactions.

Financial Assets at FVPL

The fair values of financial assets at FVPL are based on the total net asset value as at reporting date.

Long-term debts and advances from subsidiaries

The fair values of long-term debts and advances from subsidiaries, specifically FGP, were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. Dollar interest rates on December 31, 2016 and 2015 ranging from 0.436% to 2.244% and 0.394% to 2.404%, respectively.

The fair values of advances from FGPC were determined by discounting future cash flows using the prevailing U.S. credit-adjusted LIBOR ranging from 0.966% to 1.987% and 0.646% to 1.469% in 2016 and 2015, respectively.

Financial Instruments Carried at Fair Value

As of December 31, 2016 and 2015, the fair value measurement of financial assets at FVPL and long-term debt is categorized under Level 2 and Level 3 of fair value hierarchy, respectively. The Parent Company has no financial instruments under Level 1.



20. Other Matters

a. Legal Proceedings

West Tower Condominium Corporation, et al. vs.
First Philippine Industrial Corporation, et al.
G.R. No. 194239, Supreme Court of the Philippines

On November 15, 2010, a Petition for the Issuance of a Writ of Kalikasan was filed before the SC by the West Tower Condominium Corporation, et al., against respondents First Philippine Industrial Corporation (FPIC), the Parent Company, their respective boards of directors and officers, and John Does and Richard Roes. The petition was filed in connection with the oil leak which is being attributed to a portion of FPIC's white oil pipeline located in Bangkal, Makati City.

The petition was brought by the West Tower Condominium Corporation purportedly on behalf of its unit owners and in representation of the inhabitants of Barangay Bangkal, Makati City. The petitioners sought the issuance of a Writ of Kalikasan to protect the constitutional rights of the Filipino people to a balanced and healthful ecology, and prayed that the respondents permanently cease and desist from committing acts of negligence in the performance of their functions as a common carrier; continue to check the structural integrity of the entire 117-km white oil pipeline and replace the same; make periodic reports on findings with regard to the said pipeline and their replacement of the same; be prohibited from opening the white oil pipeline and allowing its use until the same has been thoroughly checked and replaced; rehabilitate and restore the environment, especially Barangay Bangkal and West Tower Condominium, at least to what it was before the signs of the leak became manifest; open a special trust fund to answer for similar contingencies in the future; and be temporarily restrained from operating the said pipeline until final resolution of the case.

On November 19, 2010, the SC issued a Writ of Kalikasan with Temporary Environmental Protection Order (TEPO) directing the respondents to: (i) make a verified return of the Writ within a non-extendible period of ten days from receipt thereof; (ii) cease and desist from operating the pipeline until further orders from the court; (iii) check the structural integrity of the whole span of the pipeline, and in the process apply and implement sufficient measures to prevent and avert any untoward incident that may result from any leak in the pipeline; and (iv) make a report thereon within 60 days from receipt thereof.

The Parent Company and its impleaded directors and officers filed a verified Return in November 2010, and a Compliance in January 2011, explaining that the Parent Company is not the owner and operator of the pipeline, and is not involved in the management, day-to-day operations, maintenance and repair of the pipeline. For this reason, neither the Parent Company nor any of its directors and officers has the capability, control, power or responsibility to do anything in connection with the pipeline, including to cease and desist from operating the same.

For the purpose of expediting the proceedings and the resolution of all pending incidents, the SC reiterated its order to remand the case to the Court of Appeals to conduct subsequent hearings within a period of 60 days, and after trial, to render a report to be submitted to the SC. The SC also clarified that the black oil pipeline is not included in the Writ with TEPO.

On December 21, 2012, the former 11th Division of the Court of Appeals rendered its Report and Recommendation in which the following recommendations were made to the SC: (i) that certain persons/organizations be allowed to be formally impleaded as petitioners subject to the



submission of the appropriate amended petition; (ii) that FPIC be ordered to submit a certification from the DOE that the white oil pipeline is safe for commercial operation; (iii) that the petitioners' prayer for the creation of a special trust fund to answer for similar contingencies in the future be denied for lack of sufficient basis; (iv) that respondent Company not be held solidarily liable under the TEPO; and (v) that without prejudice to the outcome of the civil and criminal cases filed against respondents, the individual directors and officers of FPIC and the Parent Company not be held liable in their individual capacities.

Petitioners filed a Motion for Partial Reconsideration in January 2013, in which they prayed, among others, that the Department of Science and Technology (DOST), specifically its Metal Industry Research and Development Center, be tasked to chair the monitoring of FPIC's compliance with the directives of the court and issue the certification required to prove that the pipeline is safe to operate before commercial operation is resumed; that stakeholders be consulted before a certification is issued; that a trust fund be created to answer for future contingencies; and that the Company and the directors and officers of the Parent Company and FPIC also be held liable under the Writ of Kalikasan and the TEPO.

In a Compliance dated January 25, 2013, FPIC submitted to the SC a Certification signed by then DOE Secretary Carlos Jericho L. Petilla stating that the black oil pipeline is safe for commercial operation.

On July 30, 2013, the SC resolved to adopt the recommendations of the CA in its December 2012 resolution. Specifically, the SC ordered FPIC to secure a certification from the DOE that the white oil pipeline is safe to resume commercial operations, as well as consider FPIC's adoption of an appropriate leak detection system used in monitoring the entire pipeline's mass input versus mass output and the necessity of replacing pipes with existing patches and sleeves. On October 25, 2013 the DOE issued a certification that the white oil pipeline is safe to return to commercial operations. FPIC submitted the DOE certification to the SC on October 29, 2013. On June 16, 2015, the SC issued another resolution recognizing the powers of the DOE to oversee the operation of the pipelines. The resolution also stated that the DOE is fully authorized by law to issue an order for the return to commercial operations of the pipeline following integrity tests. Petitioners have filed several motions for the SC to reconsider this resolution. As of March 15, 2017, the final resolution of the Writ remains pending with the SC.

West Tower Condominium Corporation, et al. vs.
First Philippine Industrial Corporation, et al.
Civil Case No. 11-256, Regional Trial Court, Makati Branch 58

On March 24, 2011, a civil case for damages was filed by the West Tower Condominium Corporation and some residents of the West Tower Condominium against FPIC, the FPIC directors and officers, the Parent Company, Pilipinas Shell Petroleum Corporation, and Chevron Philippines, Inc. before the Makati City RTC. In their complaint, the Plaintiffs alleged that FPIC, its directors and officers, and the Company violated Republic Act (R.A.) No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), R.A. 8749 (Philippine Clean Air Act of 1999) and Its Implementing Rules and Regulations, and R.A. 9275 (Philippine Clean Water Act of 2004). The complaint sought payment by the Defendants of actual damages comprising incurred rentals for alternative dwellings, incurred additional transportation and gasoline expenses and deprived rental income; recompense for diminished or lost property values to enable the buying of new homes; incurred expenses in dealing with the emergency; moral damages; exemplary damages; a medical fund; and attorney's fees.



First Gen filed its Answer in May 2011, in which it was argued that the case is not an environmental case under the Rules of Procedure for Environmental Cases, but an ordinary civil case for damages under the Rules of Court for which the appropriate filing fees should be paid before the court can acquire jurisdiction thereof. In an Order dated August 22, 2011, Makati City RTC (Branch 158) Judge Eugene Paras ruled that the complaint is an ordinary civil action for damages and that the Plaintiff should pay the appropriate filing fees in accordance with the Rules of Court within 10 days from receipt of the Order. The other individual plaintiffs were ordered dropped as parties in the case. The Plaintiffs filed a Motion to Inhibit Judge Paras as well as a Motion for Reconsideration of the Order. In an Order dated October 17, 2011, the court reiterated that it has no jurisdiction over the case and ordered the referral of the case to the Executive Judge for re-raffle.

In an Order dated December 1, 2011, Judge Elpidio Calis of the Makati City RTC (Branch 133) declared that the records of the case have been transferred to his court. In an Order dated March 29, 2012, Judge Calis denied the plaintiffs' Motion for Reconsideration for lack of merit, and ordered the plaintiffs to pay the appropriate filing fees within ten (10) days from receipt of the Order, with a warning that non-compliance will constrain the court to dismiss the case for lack of jurisdiction. Instead of paying the filing fees, the plaintiffs filed a Petition for Certiorari with the CA to nullify the order of Branch 133.

In a resolution dated June 30, 2014, the CA denied the petition of West Tower and affirmed the trial court's recognition of the case as being an ordinary action for damages. The CA, however, also ruled that the individual residents who joined West Tower in the civil case need not file separate cases, but instead can be joined as parties in the present case. West Tower and FPIC each filed a motion for partial reconsideration, with West Tower arguing that the case is an ordinary action for damages, and FPIC assailing the ruling that the individual residents can be joined as parties in the present case. Both motions were denied in a CA resolution dated December 11, 2014. Both parties subsequently filed separate Petitions for Certiorari with the SC assailing the CA's resolution. As of March 15, 2017, the case remains pending.

West Tower Condominium Corporation vs. Leonides Garde, et al.
NPS No. XV-05-INQ-11J- 02709
Office of the City Prosecutor
Makati City

This is a criminal complaint for negligence under Article 365 of the Revised Penal Code against FPIC directors and some of its officers, as well as directors of the Parent Company, Pilipinas Shell Petroleum Corporation and Chevron Philippines, Inc.

On December 14, 2011, a Counter-Affidavit with Verified Manifestation was filed by Francis Giles B. Puno, Director, President and Chief Operating Officer of First Gen and one of the Respondents. The other Respondent-Directors of the Parent Company verified the Verified Manifestation and adopted the factual allegations and defenses in the Counter-Affidavit of Respondent Puno.

Makati City Prosecutor Feliciano Aspi *motu proprio* (on his own) inhibited himself from the case on the ground that he had previously worked for the counsel of the Parent Company. Complainant then filed with the Department of Justice (DOJ) a petition for change of venue, which petition was granted by way of Department Order No. 63 dated January 18, 2012, which designated Manila Senior Assistant City Prosecutor Raymunda Apolo as special investigating prosecutor for the case.



In an Order dated February 3, 2012, Makati City Prosecutor Aspi ordered the consolidation of the case with another case entitled Anthony M. Mabasa et al. vs. Roberto B. Dimayuga et al. for violation of Article 183 of the Revised Penal Code.

On February 17, 2012, Respondent-Directors of the Company filed a Motion for Reconsideration of the Order dated January 18, 2012 which granted Complainant's petition for a change of venue. As of March 15, 2017, the case remains pending with the DOJ.

Kevin M. Candee vs. First Gen Corporation and Francis Giles B. Puno
NLRC NCR Case No. 11-13474-15
NCR Regional Arbitration Office
Quezon City

This is a complaint for illegal dismissal and damages filed by Complainant Kevin M. Candee against Respondents First Gen and its President, Francis Giles T. Puno. Mr. Candee claims that Respondents illegally dismissed him from his employment by serving upon him a notice of termination for violations of his Contract of Employment, without giving him a chance to explain his side. He sought reinstatement and payment of backwages and damages. First Gen's position is that Mr. Candee was dismissed from his employment for valid cause and in observance of due process. First Gen is seeking the dismissal of the complaint and has asked that Mr. Candee be held liable to pay damages and attorney's fees. Both parties filed their respective Position Papers, and replies thereto are due in April 2016.

In a Decision dated August 26, 2016 the Labor Arbiter dismissed the complaint on the ground that Mr. Candee failed to execute the same under oath in accordance with the Rules of Procedure of the National Labor Relations Commission, and for his failure to personally appear during the mandatory conferences that were held prior to the submission of position papers in this case.

Mr. Candee appealed the decision of the Labor Arbiter, which appeal was denied in a Resolution dated November 29, 2016. The NLRC has held that the Labor Arbiter's Decision is now final and executory.

21. Events After the Financial Reporting Date

Parent Company

On January 12, 2017, the Parent Company purchased from the open market 1,800,000 Series "G" redeemable preferred stocks at a market price of ₱113.00 per share and 400,000 Series "F" redeemable preferred stocks at a market price of ₱108.00 per share. Total payments for the buyback of Series "G" and Series "F" redeemable preferred stocks amounted to \$4.1 million (₱203.7 million) and \$0.9 million (₱43.3 million), respectively.



22. Supplementary Information Required Under Revenue Regulations No. 15-2010

The Parent Company reported and paid the following types of taxes as of and for the year ended December 31, 2016:

VAT

The Parent Company's sales are subject to output VAT. The applicable VAT rate is 12.0%.

- a. Net Sales/Receipts and Output VAT declared in the Parent Company's VAT returns

	Net Sales/ Receipts	Output VAT
	<i>(Amounts in Philippine Peso)</i>	
Taxable Sales:		
Sale of services	₱1,434,724,706	₱172,166,965
Others	603,975	72,477
	₱1,435,328,681	₱172,239,442

Sale of services pertains to gross receipts/collections on revenues from consultancy services and project development fee to affiliates (i.e., lodged under the account "Consultancy fee" and "Other income (charges)" in the parent company statement of income).

The Parent Company has no VAT exempt and/or VAT zero-rated sales/receipts for the year 2016.

- b. Input VAT credits claimed in the Parent Company's VAT returns

	Amounts in Philippine Peso
Balance the beginning of year	₱796,363
Current year's domestic purchases/payments for:	
Services lodged under other accounts	13,387,615
Capital goods subject to amortization	933,458
Capital goods not subject to amortization	299,581
Goods other than resale or manufacture	231,595
Total input VAT available applied against output VAT	₱15,648,612

As of December 31, 2016, the Parent Company's output VAT payable and input VAT credits amounted to ₱4,009,412 and ₱1,561,056, respectively.

Documentary Stamp Tax (DST)

The DST paid/ accrued for the year on the following transactions:

Transactions	DST
Advances to (from) related parties	₱13,370,477
Insurance	434,906
Others	120
	₱13,805,503



Taxes and License Fees

Taxes and license fees include DST, business taxes and permits, real property taxes, and fringe benefit taxes recorded in the "Taxes and licenses" account under the parent company statement of income for the year ended December 31, 2016:

	Amounts in Philippine Peso
Taxes and licenses lodged under operating expenses:	
Fringe benefit tax	P14,850,295
Documentary stamp tax	13,805,503
Business taxes and permits	2,685,296
PSE fees	2,000,000
Real property tax	24,153
SEC fees	9,760
Others	101,234
	P33,476,241

Withholding Taxes

The details of the Parent Company's withholding taxes paid or accrued are as follows:

	Amounts in Philippine Peso
Withholding taxes on compensation	P122,575,402
Expanded withholding taxes	82,572,829
Final withholding taxes	295,319,814
Withholding value-added tax	273,175
	P500,741,220

Others

The Parent Company has no locally produced or imported excisable item, landed cost of imports, custom duties and tariff fees paid or accrued for the year ended December 31, 2016.

The Parent Company has no tax cases or litigation and/or prosecution in courts or bodies outside the BIR as of and during the year ended December 31, 2016.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Board of Directors and Stockholders
First Gen Corporation
6th Floor, Rockwell Business Center Tower 3
Ortigas Avenue, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of First Gen Corporation as at and for the years ended December 31, 2016 and 2015 and have issued our report thereon dated March 15, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of all effective standards and interpretations as of December 31, 2016 is the responsibility of the Parent Company's management. This schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Joanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-1 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001988-103-2017
January 31, 2017, valid until January 30, 2020
PTR No. 5908703, January 3, 2017, Makati City

March 15, 2017



FIRST GEN CORPORATION

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS DECEMBER 31, 2016

List of Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations Committee (PIC) Q&A's effective as of December 31, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 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			✓
	Amendments to PFRS 1: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Early Adopted		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Early Adopted		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*	Not Early Adopted		
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4*			✓
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	✓		

*Standards and interpretations which will become effective subsequent to December 31, 2016.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 7	Amendments to PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments			✓
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Applying the Consolidation Exception	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Disclosure of Interest in Other Entities – Clarification of the Scope of the Standard*	Not Early Adopted		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*	Not Early Adopted		
PFRS 16	Leases*	Not Early Adopted		

*Standards and interpretations which will become effective subsequent to December 31, 2016.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income			✓
	Amendments to PAS 1: Disclosure Initiatives			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*	Not Early Adopted		
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	✓		
	Amendments to PAS 12: Deferred Tax - Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*	Not Early Adopted		
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	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		

*Standards and interpretations which will become effective subsequent to December 31, 2016.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*	Not Early Adopted		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓

*Standards and interpretations which will become effective subsequent to December 31, 2016.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 39	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Transfers of Investment Property*	Not Early Adopted		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
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			✓
	Amendments to Philippine Interpretation IFRIC-9: 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	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate*	Not Early Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓

*Standards and interpretations which will become effective subsequent to December 31, 2016.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*	Not Early Adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

*Standards and interpretations which will become effective subsequent to December 31, 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 year ended December 31, 2016.



EXHIBIT “C”

SRC Rule 68, as Amended
(2011)
{Schedules}

FIRST GEN CORPORATION AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

December 31, 2016

Page No.

Consolidated Financial Statements

Statement of Management's Responsibility for Consolidated Financial Statements	
Report of Independent Public Accountants	
Consolidated Statements of Financial Position as of December 31, 2016 and 2015	
Consolidated Statements of Income	
for the years ended December 31, 2016, 2015 and 2014	
Consolidated Statements of Comprehensive Income	
for the years ended December 31, 2016, 2015 and 2014	
Consolidated Statements of Changes in Equity	
for the years ended December 31, 2016, 2015 and 2014	
Consolidated Statements of Cash Flows	
for the years ended December 31, 2016, 2015 and 2014	
Notes to Consolidated Financial Statements	

Supplementary Schedules

Report of Independent Public Accountants on Supplementary Schedules	1
A. Financial Assets	2
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	*
C. Amounts Receivable from Related Parties which are Eliminated during Consolidation of Financial Statements	3
D. Intangible Assets - Other Assets	4
E. Long-term Debt	5
F. Indebtedness to Related Parties (Long-term Loans from Related Companies)	*
G. Guarantees of Securities of Other Issuers	*
H. Capital Stock	6
I. Reconciliation of Retained Earnings for Dividend Declaration	7
Map of Relationships of the Companies with the Group	8
Supplementary Schedule of All Effective Standards and Interpretations under PFRS	12

* These schedules, which are required by SRC Rule 68.1, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or in the related notes thereto.

Receivables from certain officers and employees were made in the ordinary course of business.

The Company is not a financial guarantor of obligations of any unconsolidated entity.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
First Gen Corporation
6th Floor, Rockwell Business Center Tower 3
Ortigas Avenue, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of First Gen Corporation and Subsidiaries as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A and have issued our report thereon dated March 15, 2017. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001988-103-2017,

January 31, 2017, valid until January 30, 2020

PTR No. 5908703, January 3, 2017, Makati City

March 15, 2017



FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule A. Financial Assets

December 31, 2016

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

Financial Assets	Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Loans and receivables					
Cash and cash equivalents	N/A	N/A	\$ 497,980	N/A	\$ 7,896
Trade receivables - net of allowance for impairment losses	N/A	N/A	336,518	N/A	-
Due from related parties	N/A	N/A	1,592	N/A	-
Other receivables	N/A	N/A	6,372	N/A	-
Long-term receivables - net of allowance for impairment losses	N/A	N/A	570	N/A	-
Special deposits and funds	N/A	N/A	2,695	N/A	-
Short-term investments	N/A	N/A	5,873	N/A	-
Debt service reserve account	Various	N/A	20,665	N/A	199
Other current assets	N/A	N/A	726	N/A	-
Available-for-Sale (AFS) financial assets					
Quoted equity securities	Various	Various	655	655	-
Quoted government debt securities	Various	Various	1,894	1,894	-
Corporate bonds	Various	Various	671	671	-
Unquoted securities	BDO Unibank Inc.	P300.0 million	6,094	6,094	-
Investments in proprietary club membership shares	N/A	N/A	1,014	N/A	-
Financial Assets at FVPL	Security Bank	N/A	20,485	20,485	-
Financial Assets at FVPL	BDO Unibank Inc.	N/A	2,049	2,049	188
			\$ 905,853		\$ 8,283

FIRST GEN CORPORATION AND SUBSIDIARIES
Schedule C. Amounts Receivable from Related Parties which are Eliminated during Consolidation of Financial Statements
December 31, 2016
(Amounts in U.S. Dollars and in Thousands)

Name of Subsidiary/ Counterparty	Beginning Balance	Additions	Collections	Reclassifications/ Revaluations	Amounts Written Off	Ending Balance		Amount Eliminated
						Current	Non-Current	
Subsidiaries:								
FGEN LNG Corporation	\$634	\$19	\$0	(\$4)	\$-	\$649	\$-	\$649
First Gen Eco Solutions Holdings, Inc.	89	9	-	(5)	-	93	-	93
First Gas Holdings Corporation	9,554	-	-	-	-	9,554	-	9,554
Prime Meridian Powergen Corporation	79	-	-	(4)	-	75	-	75
Northern Terracotta Power Corp.	10,935	-	(5,451)	(292)	-	5,192	-	5,192
First Gen Mindanao Hydro Power Corporation	2,541	183	-	(143)	-	2,581	-	2,581
First Gen Luzon Power Corp.	1,113	-	(97)	(57)	-	959	-	959
First Prime Energy Corporation	1,767	323	-	(114)	-	1,976	-	1,976
AlliedGen Power Corporation	381	-	-	(20)	-	361	-	361
Blue Vulcan Holdings Corp.	348	-	-	(8)	-	340	-	340
First Gen Visayas Hydro Power Corporation	198	-	-	(11)	-	187	-	187
Goldsilk Holdings Corporation	1,145	461	-	(89)	-	1,517	-	1,517
First Gen Premier Energy Corp.	195	34	-	(12)	-	217	-	217
First NatGas Power Corp.	199	3	(31)	(9)	-	162	-	162
FG Land Corporation	1,887	1	-	(101)	-	1,787	-	1,787
First Gas Power Corporation	90	10	(4)	1	-	97	-	97
FGen Cabadbaran Hydro Corporation	88	-	-	(5)	-	83	-	83
FGen Puyo Hydro Corporation	729	546	-	(69)	-	1,206	-	1,206
FG Bukidnon Power Corp.	51	29	-	(27)	-	53	-	53
FGen Bubunawan Hydro Corporation	753	4,075	-	(228)	-	4,600	-	4,600
FGEN LNG Holdings Corporation	67	22	-	(4)	-	85	-	85
FGen Northern Mindanao Holdings, Inc.	21	-	-	(1)	-	20	-	20
First Gen Energy Solutions Inc.	428	23	(426)	(19)	-	6	-	6
First Gen Visayas Energy Inc.	13	2	-	(1)	-	14	-	14
FGEN Power Ventures Inc.	383	101	-	(17)	-	467	-	467
First Gen Ecopower Solutions, Inc.	190	-	-	(10)	-	180	-	180
FG Mindanao Renewables Corp.	4	1	-	-	-	5	-	5
FGen Tumalaong Hydro Corporation	6	19	-	(1)	-	24	-	24
FGen Tagoloan Hydro Corporation	362	2	-	-	-	364	-	364
First Gen Meridian Holdings Inc.	23	711	-	(51)	-	683	-	683
First Gen Renewables, Inc.	1	-	-	(1)	-	-	-	-
FGen Cascanan Hydro Power Corp	2	-	-	-	-	2	-	2
FGen Reliable Energy Holdings, Inc.	1	1	-	-	-	2	-	2
FGen Vibrant Blue Sky Holdings, Inc.	1	-	-	-	-	1	-	1
FGen Aqua Power Holdings, Inc.	1	-	-	-	-	1	-	1
FGEN Power Holdings, Inc.	1	-	-	-	-	1	-	1
FGEN Prime Holdings, Inc.	1	1	-	-	-	2	-	2
FGEN Liquefied Natural Gas Holdings, Inc.	1	2	-	-	-	3	-	3
FGen Power Solutions, Inc.	1	1	-	-	-	2	-	2
FGen Fuel Line Systems, Inc.	1	77	-	-	-	78	-	78
First Gen Hydro Power Corporation	-	114	-	(342)	-	(228)	-	(228)
FGen Natural Gas Supply, Inc.	-	42	-	(40)	-	2	-	2
FGen Power Operations, Inc.	-	1	-	1	-	2	-	2
Red Vulcan Holdings Corporation	10,317	2	-	-	-	10,319	-	10,319
Prime Terracotta Holdings Corporation	751	1	-	-	-	752	-	752
	\$45,352	\$6,816	(\$6,009)	(\$1,683)	\$-	\$44,476	\$-	\$44,476

FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule D. Intangible Assets - Other Assets

December 31, 2016

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

Description	Beginning Balance	Additions At Cost	Deductions		Other Changes- Additions (Deductions)*	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts		
A) Goodwill and Intangible assets						
Goodwill	\$1,026,264	\$-	\$-	\$-	(\$54,207)	\$972,057
Concession rights for contracts acquired - net of amortization	63,427	-	(12,402)	-	(2,786)	48,239
Water rights - net of amortization	32,448	-	(2,034)	-	(1,637)	28,777
Pipeline rights - net of amortization	5,273	-	(602)	-	-	4,671
Rights to Use Transmission Line	1,152	-	(120)	-	-	1,032
Other intangible assets - net of amortization	2,356	93	(1,586)	-	(52)	811
	\$1,130,920	\$93	(\$16,744)	\$0	(\$58,682)	\$1,055,587
B) Other Assets						
Input value added tax - net of allowance for impairment	\$88,036	\$-	(\$1,070)	(\$3,354)	(\$1,315)	\$82,297
Exploration and evaluation assets	65,312	749	-	-	(3,531)	62,530
Tax credit certificates	56,423	21,736	(23,931)	3,079	(3,230)	54,077
Prepaid major spare parts	69,541	26,424	-	(30,459)	-	65,506
Deferred debt issuance costs	7,207	377	(935)	(6,649)	-	-
AFS financial assets	4,355	6,344	-	124	(495)	10,328
Derivative assets	6,879	-	-	(3,507)	-	3,372
Special deposits and funds	2,489	206	-	-	-	2,695
Prepaid expenses	11,360	2,199	-	-	-	13,559
Long-term receivables - net of allowance for impairment losses	727	220	(377)	-	-	570
Retirement assets	3,224	-	(916)	289	-	2,597
Others	37,216	9,055	-	-	-	46,271
	\$352,769	\$67,310	(\$27,229)	(\$40,477)	(\$8,571)	\$343,802

* Pertains to foreign exchange translations of Intangible and Other assets of First Gen subsidiaries that uses the Philippine Peso as its functional currency to U.S. dollar.

FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule E. Long-term Debt

December 31, 2016

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

Name of Issuer and Type of Obligation	Total Loans - net	Amount Shown as Current - net	Amount Shown as Long-term - net	Remarks
Parent Company				
\$300M Senior Unsecured Notes	\$297,353	\$-	\$297,353	
\$200M Term Loan	192,790	5,787	187,003	
FGP Corp. Term Loan Facility	321,717	33,456	288,261	
First Gas Power Corporation				
Covered Facility with nine foreign banks	202,389	21,805	180,584	
Uncovered Facility with nine foreign banks	17,622	17,622	-	
FNPC KfW Facility	200,072	16,005	184,067	
Energy Development Corporation				
EDC \$300M Notes	298,427	-	298,427	
International Finance Corporation Loan	89,021	11,704	77,317	
Peso Fixed Rate Note Facility	126,839	4,672	122,167	
Refinanced Syndicated Term Loan	87,357	87,357	-	
Peso Fixed Rate Bonds	139,049	-	139,049	
\$80M Term Loan	72,249	-	72,249	
₱291.2 M Term Loan	5,816	-	5,816	
₱1.5B Term Loan	30,019	587	29,432	
₱1.0B Term Loan	19,965	-	19,965	
Bac-Man Geothermal Inc.				
₱5.0B Term Loan	87,728	11,841	75,887	
EDC Burgos Wind Power Corporation				
\$37.5M Commercial Debt Facility	34,032	1,377	32,655	
\$150.0M ECA Debt Facility	134,969	5,366	129,603	
₱5.6B Commercial Debt Facility	103,593	4,304	99,289	
Green Core Geothermal Inc.				
₱8.5B Term Loan	139,157	20,227	118,930	
Red Vulcan Staple Financing	41,664	41,664	-	
FG Hydro PNB Loan	36,304	5,500	30,804	
	\$2,678,132	\$289,274	\$2,388,858	

Note: Balances shown are already net of the unamortized portion of debt issuance costs as of December 31, 2016 in compliance with PAS 32.
"Financial Instruments: Presentation." Please refer to Note 14 of the consolidated financial statements for additional information.

FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule H. Capital Stock

December 31, 2016

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Redeemable preferred stock Series "B"	1,000,000,000	1,000,000,000	-	1,000,000,000	-	-
Redeemable preferred stock Series "E"	1,500,000,000	468,553,892	-	468,553,892	-	-
Redeemable preferred stock Series "F" *	100,000,000	63,624,990	-	16,745,930	-	46,879,060
Redeemable preferred stock Series "G" **	135,000,000	128,723,720	-	50,296,450	105,000	78,322,270
Common stock **	5,000,000,000	3,599,780,657	-	2,363,827,259	37,833,207	1,198,120,191

Note: Please refer to Note 16 of the consolidated financial statements for additional information regarding the movements in Capital stock.

* Total number of redeemable preferred stock Series "F" issued and outstanding is net of preferred stocks held in treasury totalling to 36,375,010 as of December 31, 2016.

** Total number of redeemable preferred stock Series "G" issued and outstanding is net of preferred stocks held in treasury totalling to 5,026,280 as of December 31, 2016.

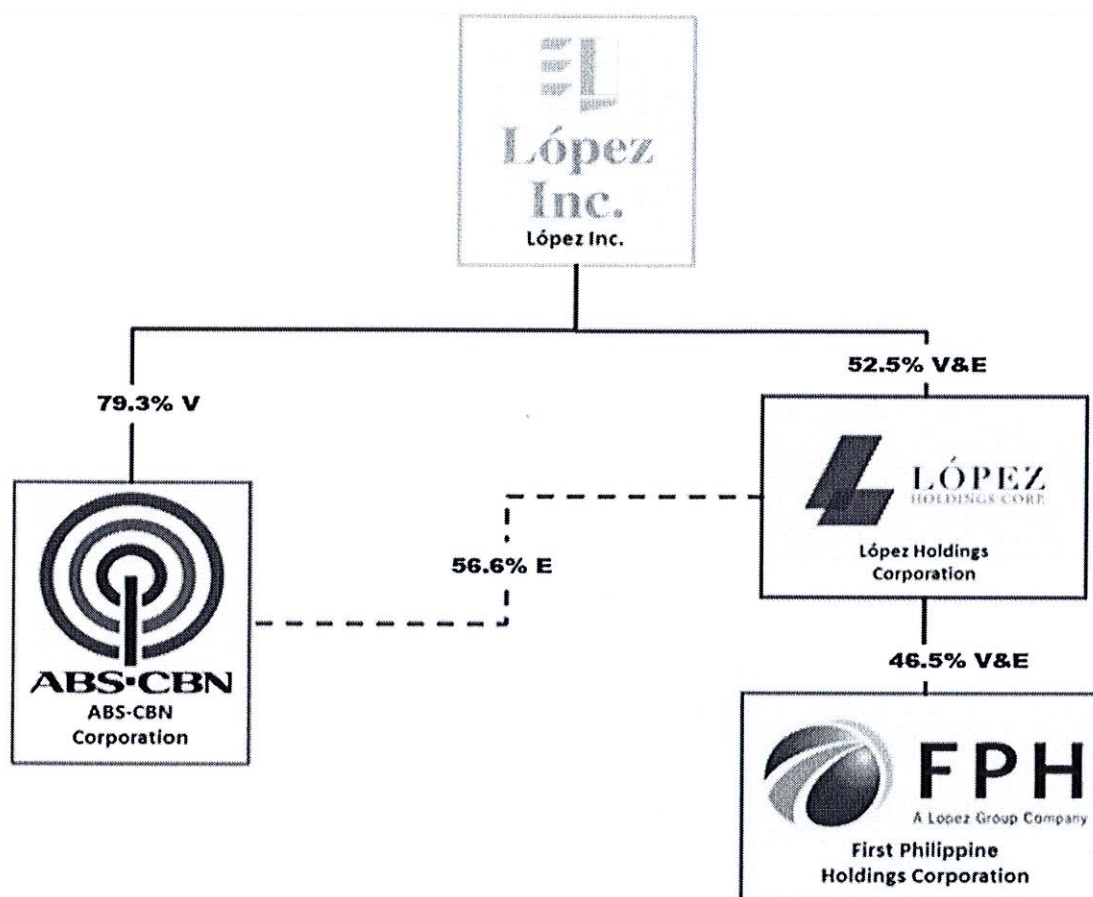
*** Total number of common stocks issued and outstanding is net of common stocks held in treasury totalling to 61,162,900 as of December 31, 2016.

FIRST GEN CORPORATION**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS****AVAILABLE FOR DIVIDEND DECLARATION****DECEMBER 31, 2016****(Amounts in U.S. Dollars and in Thousands)**

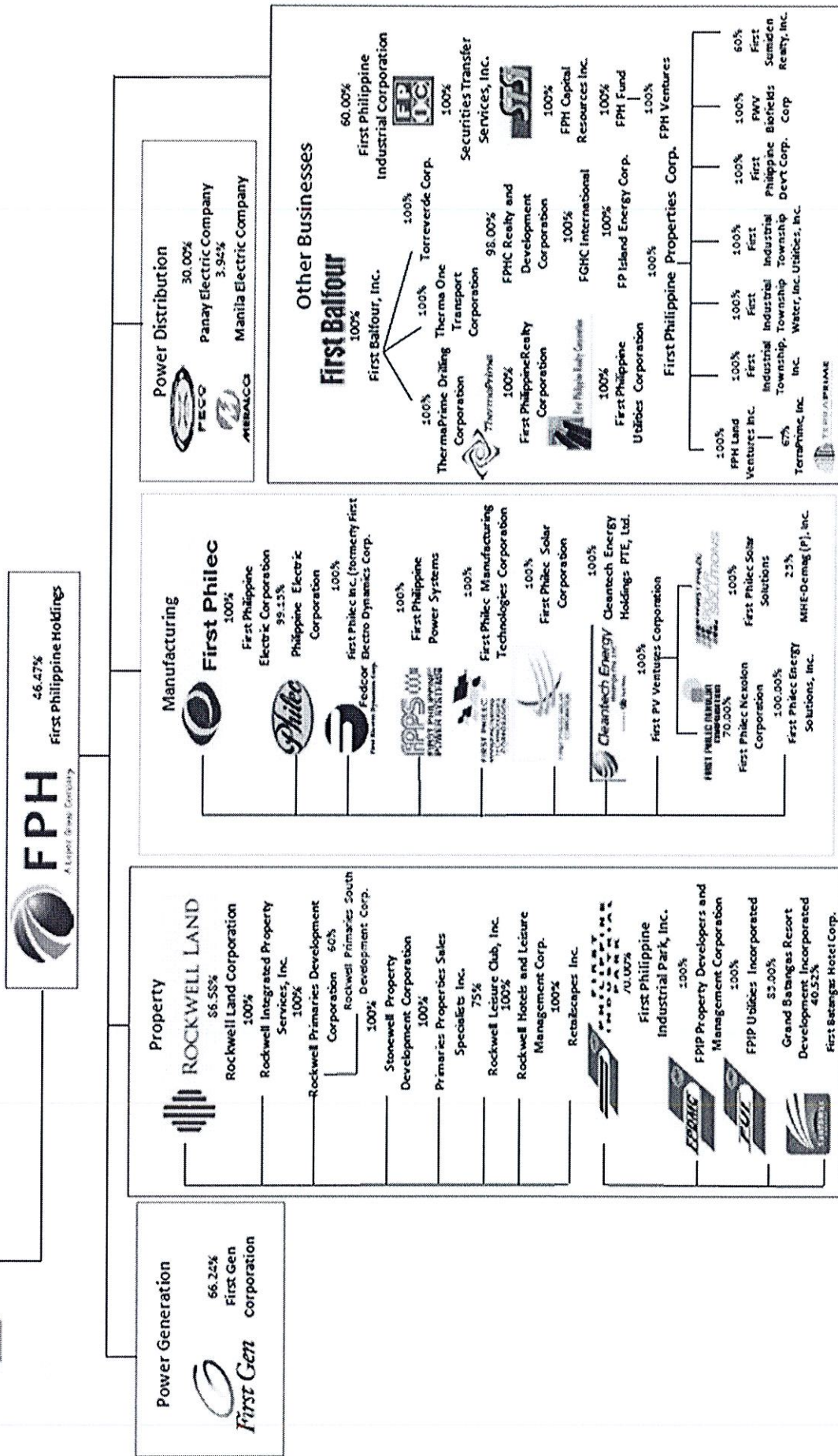
Unappropriated retained earnings, beginning		\$788,218
Add (less) adjustments:		
Non-actual/ unrealized income (net of tax) from previous periods	(\$50,172)	
Treasury shares	(113,209)	(163,381)
Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning		624,837
Net income during the period closed to retained earnings	87,312	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	—	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	—	
Unrealized actuarial gain	204	
Fair value adjustment (mark-to-market gains)	—	
Fair value adjustment of investment property resulting to gain	—	
Deferred tax asset that reduced the amount of income tax expense	—	
Adjustment due to deviation from PFRS/GAAP-gain	—	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—	
Subtotal	204	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	—	
Adjustment due to deviation from PFRS/GAAP - loss	—	
Loss on fair value adjustment of investment property (after tax)	—	
Subtotal	—	
Net income actual/realized during the year		87,108
Add (less):		
Dividends declaration during the period	(57,862)	
Appropriations of retained earnings during the period	—	
Reversals of appropriations	—	
Effects of prior period adjustments	—	
Treasury shares	(12,190)	
		(70,052)
TOTAL RETAINED EARNINGS, AS ADJUSTED TO AVAILABLE FOR DIVIDEND DECLARATION, END		\$641,893



MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE LOPEZ GROUP
AS OF DECEMBER 31, 2016



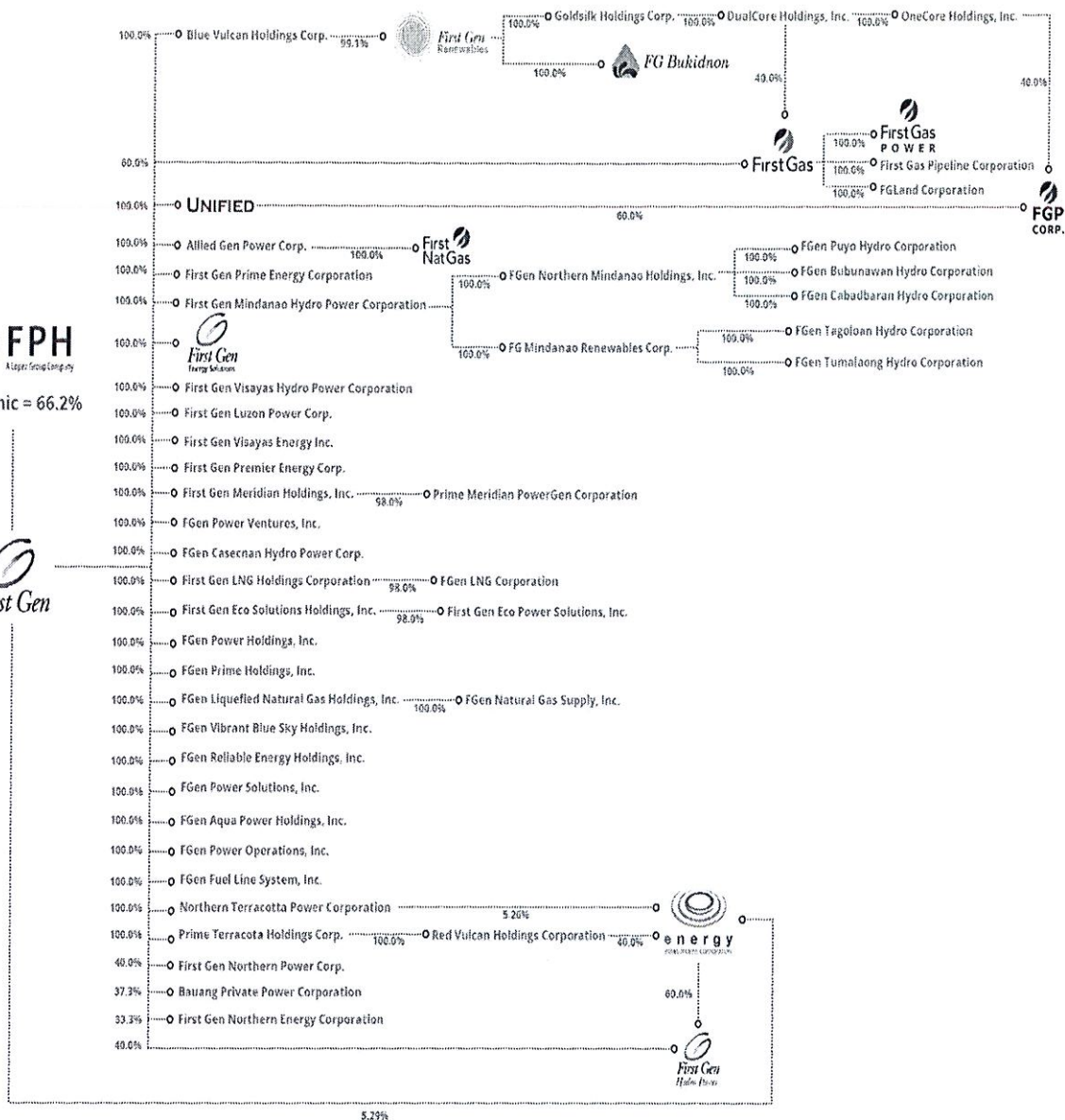
Legend:
E = Economic
V = Voting



FPH's Corporate Structure as of December 31, 2016



Economic = 66.2%



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 December 31, 2016

FIRST GEN CORPORATION AND SUSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 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	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9*	Not Early Adopted		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
	Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of PFRS 9*	Not Early Adopted		
	Amendment to PFRS 9, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, 12 and PAS 27: Consolidation for investment entities			✓
	Amendments regarding the sale or contribution of assets between investor and its associate or joint venture			✓
	Amendments regarding the application of the consolidation exception			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments regarding the accounting for acquisitions of an interest in a joint operation			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments regarding the application of the consolidation exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments resulting from the disclosure initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments regarding the clarification of acceptable methods of depreciation and amortization	Not Early Adopted		
	Amendments bringing bearer plants into the scope of PAS 16			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 19 (Amended)	Amendments to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service*	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture*	Not Early Adopted		
	Amendments regarding the application of the consolidation exception*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Financial Instruments Assets and Liability Offsetting	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Impairment of assets Recoverable amount disclosures	Not Early Adopted		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments regarding the clarification of acceptable methods of depreciation and amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Hedge Accounting	✓		
	Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in PAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when PFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception*	✓		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies	✓		
IFRIC 8	Scope of PFRS 2	✓		
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
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			✓

The standards and interpretations marked with an asterisk () refer to those standards and interpretations that are effective after 31 December 2016.*

The standards and interpretations that are labeled as "Not Applicable" are already effective as at 31 December 2016 but will never be relevant/applicable to the Company or are currently not relevant to the Company because it has currently no related transactions.



EXHIBIT “D”

Audit Committee Report for the Year 2016



REPORT OF THE AUDIT COMMITTEE
OF
FIRST GEN CORPORATION
(For the year ended December 31, 2016)

The Audit Committee's roles and responsibilities are defined in First Gen Corporation's (First Gen) Manual on Corporate Governance and Audit Committee Charter. The Audit Committee assists the Board of Directors of the company in fulfilling its oversight responsibility relating to the following matters: (a) financial statements; (b) financial reporting processes and internal control systems; (c) audit plan, scope and performance of independent auditors; and (d) performance of internal audit functions.

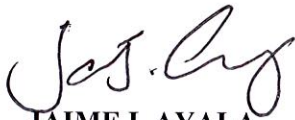
In this regard, the Audit Committee of First Gen confirms that:

1. The Chairman of the Audit Committee is an Independent Director.
2. The Audit Committee conducted three (3) meetings in 2016.
3. The Audit Committee reviewed and discussed, together with management, the interim quarterly reports and financial statements; and with management and the company's independent auditors SyCip Gorres Velayo & Co. (SGV), the year-end audited consolidated financial statements. These activities were performed in the context of:
 - Management being primarily responsible for the financial statements and financial reporting process; and
 - SGV being responsible for expressing an opinion on the conformity of First Gen's consolidated financial statements with Philippine Financial Reporting Standards.
4. The Audit Committee discussed and approved the overall scope of the engagement of SGV, and the Internal Audit Group's annual plan.
5. The Audit Committee discussed the results of the audit conducted by SGV and assessed the company's internal controls and quality of financial reporting process. Further, the committee reviewed the reports of the company's internal auditors which address internal control and compliance issues, and ensure that management is taking appropriate corrective action in a timely manner.
6. For the year ended December 31, 2016, SGV was engaged to perform the following non-audit related services:
 - Issuance of agreed-upon procedures (AUP) report for the increase in authorized capital stock of various subsidiaries;
 - Issuance of AUP report for the conversion of advances/deposits for future stock subscriptions into equity;
 - Conduct of transfer pricing studies; and
 - Conduct of various seminars.
7. The Audit Committee discussed the report on regulatory compliance and found the requirements to have been complied with.

Based on the reviews and discussions undertaken and subject to the limitations on the Audit Committee's roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors of First Gen that the audited consolidated financial statements for the years ended December 31, 2016 and 2015 be included in the Annual Report for the year ended December 31, 2016, which report will be filed with the Philippine Stock Exchange, Inc. (PSE) and the Securities and Exchange Commission (SEC).

The Audit Committee further recommends to the Board of Directors of First Gen the re-appointment of SGV as the company's independent auditors for 2017 – 2018. This recommendation is made based on the review of the performance and qualifications of SGV.

March 15, 2017.



JAIME I. AYALA
Independent Director
Chairman



TONY TAN CAKTIONG
Independent Director
Member



PETER D. GARRUCHO JR.
Member



CIELITO F. HABITO
Independent Director
Member