

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended : **December 31, 2015**
2. SEC Identification Number : **A1998-18260**
3. BIR Tax Identification No. **202-464-633**
4. Exact name of issuer as specified in its charter **FIRST GEN CORPORATION**
5. **PHILIPPINES**
Province, Country or other jurisdiction of
incorporation or organization
6. SEC Use Only)
Industry Classification Code:
7. **6th Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City 1604**
Address of principal office Postal Code
8. Issuer's telephone number, including area code: **(632) 449-6400**
9. Former name, former address, and former fiscal year, if changed since last report. **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class

**Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding
(as of December 31, 2015)**

Common Stock
Bonds

3,660,943,557 shares
None

11. Are any or all of these securities listed on a Stock Exchange.
Yes [☒] No [☐]

If yes, state the name of such stock exchange and the classes of securities listed therein:

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

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [☒] No [☐]

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

Yes [☒] No [☐]

13. Aggregate Market Value of Voting Stock held by Non-Affiliates: **₱27.03 billion***

* As of close of trading on December 29, 2015 (last trading day of 2015).

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EXHIBIT “A” MANAGEMENT REPORT

EXHIBIT “B” AUDITED CONSOLIDATED FINANCIAL STATEMENTS, AND AUDITED PARENT COMPANY FINANCIAL STATEMENTS STAMPED RECEIVED BY THE BIR

EXHIBIT “C” SRC RULE 68, AS AMENDED (2011) [SCHEDULES]

EXHIBIT “D” AUDIT COMMITTEE REPORT FOR THE YEAR 2015

EXHIBIT “E” ANNUAL CORPORATE GOVERNANCE REPORT FOR THE YEAR 2015

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

First Gen Corporation (First Gen or the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1998. First Gen and its subsidiaries (collectively referred to as “First Gen Group”) are involved in the power generation business. On February 10, 2006, the 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 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 Company likewise completed the Stock Rights Offering (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 Company issued by way of private placement 100,000,000 Series “F” Perpetual Preferred Shares at a total issue price of ₱10 billion. The Series “F” Perpetual Preferred Shares are listed and traded on the PSE, and are cumulative, non-voting, non-participating, non-convertible and peso-denominated. Total proceeds from the issuance of Series “F” Perpetual Preferred Shares amounted to ₱10.0 billion (\$235.7 million), net of transaction costs amounting to ₱53.0 million (\$1.2 million).

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

On January 20, 2015, the 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 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 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 Company’s issued and outstanding common stock.

As of December 31, 2015, FPH directly and indirectly owns 66.2% of the common stocks of First Gen and 100% of First Gen’s voting preferred stocks. FPH is 46.50%-owned by Lopez Holdings Corporation (Lopez Holdings), a publicly-listed Philippine based entity, as at December 31, 2015. 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.

First Gen is the largest clean and renewable Independent Power Producer (IPP) in the Philippines, with installed capacity of 2,957 MW as of December 31, 2015. All of the Company’s power generation plants are operational and are majority-owned and controlled by the Company through its subsidiaries. Since 2005, First Gen’s consolidated financial statements has been presented in U.S. Dollars (US\$) being First Gen Group’s functional and presentation currency under PFRS. First Gen’s consolidated net income amounted to US\$245.3 million for the year ended December 31, 2015, on revenues of US\$1.84 billion. Net income attributable to equity holders of the Parent amounted to US\$167.3 million.

Following is the list of the companies on which the Company has control as of December 31, 2015 and 2014:

	<u>Percentage of Voting Interest</u>	
	2015	2014
First Gen Renewables, Inc. (FGRI) ¹⁴	100	100
Unified Holdings Corporation (Unified)	100	100
AlliedGen Power Corp. (AlliedGen)	100	100
First Gen Luzon Power Corp. (FG Luzon)	100	100
First Gen Visayas Hydro Power Corporation (FG Visayas)	100	100
First Gen Mindanao Hydro Power Corporation (FG Mindanao)	100	100
First Gen Ecopower Solutions, Inc. (FG Ecopower) ¹	100	100
First Gen Energy Solutions Inc. (FGES)	100	100
First Gen Premier Energy Corp. (FG Premier)	100	100
First Gen Prime Energy Corporation (FG Prime)	100	100
First Gen Visayas Energy, Inc. (FG Visayas Energy)	100	100
FG Bukidnon Power Corporation (FG Bukidnon) ²	100	100
Northern Terracotta Power Corp. (Northern Terracotta)	100	100
Blue Vulcan Holdings Corporation (Blue Vulcan) ¹⁴	100	100
Prime Meridian Powergen Corporation (Prime Meridian) ³	100	100
Bluespark ^{5, 11}	—	—
Goldsilks Holdings Corporation ^{7, 14}	100	100
Dualcore Holdings Inc. ^{7, 14}	100	100
Onecore Holdings Inc. ^{7, 14}	100	100
FG Mindanao Renewables Corp. (FMRC) ⁸	100	100
FGen Northern Mindanao Holdings, Inc. (FNMHI) ⁸	100	100
FGen Tagoloan Hydro Corporation (FG Tagoloan) ⁹	100	100
FGen Tumalaong Hydro Corporation (FG Tumalaong) ⁹	100	100
FGen Puyo Hydro Corporation (FG Puyo) ¹⁰	100	100
FGen Bubunawan Hydro Corporation (FG Bubunawan) ¹⁰	100	100
FGen Cabadbaran Hydro Corporation (FG Cabadbaran) ¹⁰	100	100
FGHC ¹⁴	100	100
FGP ^{4, 14}	100	100
FNPC ⁵	100	100
First Gas Power Corporation (FGPC) ^{6, 14}	100	100
First Gas Pipeline Corporation (FG Pipeline) ^{6, 14}	100	100
FGLand Corporation (FG Land) ^{6, 14}	100	100
FGEN LNG Corporation (FGEN LNG) ¹¹	100	100
First Gen LNG Holdings Corporation (LNG Holdings)	100	100
First Gen Meridian Holdings, Inc. (FGEN Meridian)	100	100
FGen Power Ventures, Inc. (FGEN Power Ventures)	100	100
FGen Casecan Hydro Power Corp. (FGEN Casecan)	100	100
FGen Power Holdings, Inc. (Power Holdings)	100	100
FGen Prime Holdings, Inc. (Prime Holdings)	100	100
FGen Eco Solutions Holdings, Inc. (FGESHI)	100	100
FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings)	100	100
FGen Reliable Energy Holdings, Inc. (FG Reliable Energy)	100	100
FGen Power Solutions, Inc. (FG Power Solutions)	100	100
FGen Vibrant Blue Sky Holdings, Inc. (FGVBSHI)	100	100
FGen Aqua Power Holdings, Inc. (FG Aqua Power)	100	100
FGen Natural Gas Supply, Inc. (FGen NatGas Supply) ¹⁵	100	—
FGen Power Operations, Inc. (FPOI) ¹⁶	100	—
FGen Fuel Line Systems, Inc. (FGen Fuel Line) ¹⁷	100	—
Prime Terracotta ¹³	100	73
First Gen Hydro Power Corporation (FG Hydro) ^{12, 13}	40	40
FGen Northern Power Corp. (FGEN Northern Power) ¹⁸	—	100

¹Through FGESHI

²Through FGRI

³Through FGEN Meridian

⁴Through Unified

⁵Through AlliedGen

⁶Through FGHC

⁷Through Blue Vulcan

⁸Through FG Mindanao

⁹Through FMRC

¹⁰Through FNMHI

¹¹Through LNG Holdings

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

¹³On June 18, 2015, the 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, 2015, the Company’s direct voting interest in Prime Terracota increased from 73.4% to 100.0% and its effective voting interest in EDC likewise increased from 50.9% to 67.0% through Prime Terracota.

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

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 ₱1.00 per share. As result of the subscription, Conal now owns 60% economic and voting interest in FGEN Northern Power while the Company’s interest was reduced from 100% to 40%. As a result, the Company lost control of FGen Northern Power but retained significant influence.

Below are descriptions of the different companies under First Gen:

- On May 30, 2012, First Gen, through its wholly-owned subsidiary Blue Vulcan Holdings Corporation (Blue Vulcan), successfully acquired from BG Asia Pacific Holdings Pte. Limited (BGAPH) (a member of the BG Group) the entire outstanding capital stock of Bluespark Management Limited (Bluespark) [formerly Lisbon Star Management Limited (LSML)]. Bluespark’s wholly-owned subsidiaries, Goldsilk Holdings Corp. (Goldsilk) [formerly Lisbon Star Philippines Holdings, Inc.], Dualcore Holdings Inc. (Dualcore) [formerly BG Consolidated Holdings (Philippines), Inc.] and Onecore Holdings Inc. (Onecore) [formerly BG Philippines Holdings, Inc.], owned 40.0% of the outstanding capital stock of FGHC, FGP, and First NatGas Power Corporation (collectively referred to as the “First Gas Group”). Following the acquisition of Bluespark, First Gen now beneficially owns 100.0% of the First Gas Group through its intermediate holding companies. Following the acquisition of the non-controlling stake, LSML was subsequently renamed Bluespark Management Limited, Inc.
- First Gas Holdings Corporation (FGHC) was incorporated on February 3, 1995 as a holding company for the development of gas-fired power plants and other non-power gas related businesses. The company was 60.0% owned by First Gen and 40.0% owned by Dualcore prior to the acquisition of the non-controlling stake of BG in the natural gas projects in May 2012. As a result of the transaction, First Gen now effectively owns 100.0% of FGHC. FGHC wholly owns FGPC, the project company of the 1,000 MW Santa Rita Power Plant.
 - FGPC is the project company of the Santa Rita Power Plant. The company was incorporated on November 24, 1994 to develop the 1,000 MW gas fired cycle power plant located in Santa Rita, Batangas City. The company started full commercial operations on August 17, 2000. FGPC generates electricity for Meralco under a 25-year Power Purchase Agreement (PPA). In order to fulfill its responsibility to operate and maintain the power plant, FGPC has an existing agreement with Siemens Power Operations, Inc. (SPOI), a 100% subsidiary of Siemens AG, to act as the Operator under an Operations & Maintenance Agreement. Net income and revenues from sale of electricity for the year ended December 31, 2015 amounted to US\$83.1 million and US\$715.6 million, respectively.
- Unified Holdings Corporation (UHC) was incorporated on March 30, 1999 as the holding company of First Gen’s 60.0% equity share in FGP Corp. (FGP), the project company of the 500 MW San Lorenzo Power Plant. First Gen owns 100% of UHC.
 - FGP is the project company of the San Lorenzo Power Plant. The company was established on July 23, 1997 to develop a 500 MW gas-fired combined cycle power plant in Santa Rita, Batangas, adjacent to the 1000 MW Santa Rita Power Plant. FGP was owned 60.0% by UHC and 40.0% by BG Philippines Holdings, Inc. The company started full commercial operations on October 1, 2002. Most of the economic and structural features that made the Santa Rita project attractive were replicated in the San Lorenzo project to preserve the innovative risk-mitigating structure. All major project agreements were substantially similar to those used in the Santa Rita project. Also, the economic and commercial advantages of being located adjacent to the Santa Rita project were optimized. The project’s strategic location allows it to share common facilities such as the tank farm and jetty facilities thus reducing the need to duplicate various operational facilities. Cost reductions associated with the operations and maintenance of power plant were also achieved

through the pooling of operations and maintenance (O&M) personnel and other expenses. Net income and revenues from sale of electricity for the year ended December 31, 2015 amounted to US\$55.3 million and US\$360.9 million, respectively.

- First Gen Renewables, Inc. (FGRI), formerly known as First Philippine Energy Corporation, was established on November 29, 1978. It is tasked to develop prospects in the renewable energy market. FGRI is transforming itself from a mere supplier of products and systems to a service provider in the countryside. FGRI is presently engaged in discussions with electric cooperatives for the possible supply of energy in various provinces. On June 17, 2014, the Philippine SEC approved the Plan and Articles of Merger between FGRI and Bluespark that was executed on April 29, 2014. As a result of the merger, FGRI becomes the surviving corporation and is now 99.1% effectively owned by Blue Vulcan, while the remaining 0.9% is still owned by First Gen. FGRI now effectively owns 40.0% voting and economic interest in FGHC and subsidiaries, and FGP. Prior to the merger, FGRI was a wholly-owned subsidiary of First Gen.
- FG Bukidnon Power Corporation (FG Bukidnon), a wholly-owned subsidiary of FGRI, was incorporated on February 9, 2005. Upon conveyance of First Gen in October 2005, FG Bukidnon took over the operations and maintenance of the FG Bukidnon Hydroelectric Power Plant (FGBHPP). FG Bukidnon's net income and revenues from sale of electricity for the year ended December 31, 2015 amounted to ₱4.6 million and ₱35.1million, respectively.

Commissioned and constructed by National Power Corporation (NPC) in 1957, FGBHPP is located in Damilag, Manolo Fortich, Bukidnon in Mindanao (Southern Philippines), 36 kilometers southeast of Cagayan de Oro City. The run-of-river plant consists of two 800-kW turbine generators that use water from the Agusan River to generate electricity. It is connected to the local distribution grid of the Cagayan Electric Power & Light Company, Inc. (CEPALCO) via the distribution line of the National Grid Corporation of the Philippines (NGCP).

- Prime Terracota Holdings Corp. (Prime Terracota) was incorporated on October 17, 2007 as the holding company of Red Vulcan Holdings Corporation (Red Vulcan). Red Vulcan was incorporated on October 5, 2007 as the holding company for First Gen's then 60% voting equity stake in Energy Development Corporation (EDC). EDC is involved in geothermal steam production and power generation business, and drilling and consultancy services.

On November 22, 2007, First Gen, through Red Vulcan, was declared the winning bidder for Philippine National Oil Company and EDC Retirement Fund's remaining shares in EDC, which then consisted of 6.0 billion common shares and 7.5 billion preferred shares. Such common shares represented a 40.0% economic interest in EDC while the combined common and preferred shares represented 60.0% of the voting rights in EDC. EDC is the Philippines' largest producer of geothermal energy, operating 11 geothermal power plants in 5 geothermal service contract areas. EDC is principally involved in the production of geothermal steam for sale to subsidiaries, and the generation and sale of electricity through EDC-owned geothermal power plants to NPC and various off-takers. EDC's consolidated net income and revenues as of December 31, 2015 amounted to ₱7.9 billion and ₱34.4 billion, respectively, with net income attributable to equity holders of the parent company of ₱7.6 billion.

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

On May 20, 2014, First Gen purchased 31.0 million Series “B” voting preferred shares of Prime Terracota owned by LIRF. Subsequently, on June 18, 2015, First Gen again purchased 16.0 million and 13.0 million Series “B” voting preferred shares of Prime Terracota owned by QRC and LIRF, respectively. As of December 31, 2015, First Gen’s direct voting interest in Prime Terracota increased from 73.4% to 100.0%, and its effective voting interest in EDC likewise increased from 50.9% to 67.0% through Prime Terracota.

- First Gen Hydro Power Corporation (FG Hydro) was incorporated on March 13, 2006 as a wholly-owned subsidiary of First Gen. On September 8, 2006, FG Hydro emerged as the winning bidder for the 100 MW Pantabangan and the 12 MW Masiway Hydroelectric Power Plants (PMHEPP) that was conducted by the Power Sector Assets and Liabilities Management Corporation (PSALM). The 112 MW PMHEPP was transferred to FG Hydro on November 18, 2006, representing the first major generating assets of NPC to be successfully transferred to the private sector by PSALM. Subsequently, First Gen’s board of directors approved the sale of 60% of FG Hydro to EDC. As a result of the divestment, First Gen’s direct voting interest in FG Hydro was reduced to 40%. FG Hydro’s net income and revenues from the sale of electricity for the year ended December 31, 2015 amounted to ₱543.3 million and ₱1.9 billion, respectively.
 - The 100 MW Pantabangan power plant commenced operations in 1977 and consists of two 50 MW generating units. The 12 MW Masiway power plant commenced operations in 1981 and consists of one 12 MW operating unit. Both facilities are located in Pantabangan, Nueva Ecija Province in Central Luzon, 180 kilometers north of Metro Manila. Following FG Hydro’s completion of its rehabilitation and upgrade project in December 2010, plant capacity of the Pantabangan plant was increased by 20 MW. With this upgrade, the new plant capacity of PMHEPP is now 132 MW. FG Hydro likewise rehabilitated the Masiway plant to address equipment obsolescence specifically on the excitation, protection and generator systems as well as the main step-up transformer. Formal take-over of the refurbished Masiway plant has been delayed and is expected to take place in the first half of 2016.
- AlliedGen Power Corp. (AGPC) was incorporated and registered with the SEC on February 14, 2005. AGPC wholly-owns FNPC, the project company of the 414 MW San Gabriel combined-cycle natural gas-fired power plant (San Gabriel), which is being constructed adjacent to the existing natural gas-fired power plants in Batangas City. AGPC is a wholly-owned subsidiary of First Gen.
- Prime Meridian Powergen Corporation (PMPC) was incorporated and registered with the SEC on August 8, 2011. The company is a wholly-owned subsidiary of First Gen. PMPC will be the operating company of the 97 MW Avion Open Cycle natural gas-fired power plant (Avion) that is likewise being constructed in Batangas City.

Business of Issuer

1. FIRST GEN CORPORATION

First Gen is engaged in the business of power generation through the following operating companies:

- (i) FGPC which operates the 1,000 MW Santa Rita natural gas-fired power plant;
- (ii) FGP which operates the 500 MW San Lorenzo natural gas-fired power plant;
- (iii) FG Bukidnon, via FGRI, which operates the 1.6 MW FG Bukidnon mini-hydroelectric power plant;
- (iv) EDC, with an aggregate installed capacity of approximately 1,323 MW of geothermal, wind and solar power; and,
- (v) FG Hydro which operates the 132 MW Pantabangan-Masiway hydroelectric power plants.

First Gen’s indirect 40.0% economic interest in EDC is held through Prime Terracota and Red Vulcan, and a 40.0% economic interest in FG Hydro. As of December 31, 2015, the Company also directly and indirectly owns 1.98 billion common shares in EDC, of which 986.34 million common shares are held through its wholly-owned subsidiary, Northern Terracotta Power Corporation (Northern Terracotta). The 1.98 billion common shares are equivalent to a 10.55% direct economic interest in EDC.

The Philippine power industry is dominated by NPC, a government-owned and operated company. The generation sector can be broken down into the following main groups: (i) NPC-owned and operated generation facilities; (ii) NPC IPPs, which include plants operated by IPPs, as well as IPP-owned and

operated plants, each of which supplies electricity to NPC; and (iii) IPP-owned and operated plants that supply electricity to customers other than NPC.

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

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

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

3. FGP CORP. (San Lorenzo Power Plant)

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

FGP operates under the same business environment as other power generating companies in the country.

4. FIRST GEN HYDRO POWER CORPORATION (Pantabangan-Masiway Power Plants)

The commercial operations of FG Hydro commenced in November 2006 upon the transfer to it of PMHEPP's operations and maintenance. FG Hydro earns substantially all of its revenue from various privately-owned distribution utilities (DUs) under the Power Supply Agreement (PSAs). Generated electricity in excess of the contracted levels is sold to the Wholesale Electricity Spot Market (WESM). WESM and the various electric companies are committed to pay for the energy generated by the PMHEPP facilities.

Under the current regulatory regime, the generation rate charged by FG Hydro to WESM is not regulated but determined in accordance with the WESM Price Determination Methodology (PDM) approved by the Energy Regulatory Commission (ERC) and are complete pass-through charges to WESM. Likewise, the generation rate charged by FG Hydro to various electric companies is not subject to regulation and are complete pass-through charges to various electric companies.

5. ENERGY DEVELOPMENT CORPORATION (EDC)

EDC holds service contracts with the Department of Energy (DOE) corresponding to 14 geothermal contract areas, each granting EDC exclusive rights to explore, develop, and utilize the corresponding resources in the relevant contract area. EDC conducts commercial operations in the following four of its fourteen (14) geothermal contract areas:

- Tongonan, Kananga, Leyte - EDC operates three geothermal steamfield projects in Leyte, which deliver steam to the Tongonan geothermal power plant, owned by EDC's subsidiary Green Core Geothermal Inc. (GCGI), and the four EDC-owned Unified Leyte geothermal power plants.
- Southern Negros, Valencia, Negros Oriental - EDC operates two geothermal steamfield projects in Southern Negros, which deliver steam to the two GCGI-owned Palinpinon geothermal power plants and EDC-owned Nasulo geothermal power plant.
- Bacon-Manito, Albay and Sorsogon - EDC operates two geothermal steamfield projects, which deliver steam to two geothermal power plants in Albay and Sorsogon, owned by EDC's subsidiary Bac-Man Geothermal Inc. (BGI).

- Mt. Apo, Kidapawan, Cotabato - EDC operates one geothermal steamfield project, which delivers steam to two EDC-owned geothermal power plants on Mt. Apo.

Aside from its geothermal business, EDC also operates hydroelectric power plant through FG Hydro, a 60%-owned subsidiary of EDC. FG Hydro generates revenue from the sale of electricity generated by its 132 MW PMHEPP located in Nueva Ecija.

In November 2014, EDC Burgos Wind Power Corporation (EBWPC), a wholly-owned subsidiary of EDC, started to generate electricity from its 150-MW Burgos Wind Project located in Ilocos Norte, which was sold to the WESM until April 2015. The ERC granted on April 13, 2015 the Feed-In Tariff (FIT) Certificate of Compliance (FIT COC) for the Burgos Wind Project - Phases I and II, which specifies that the project 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. All electricity generated after the receipt of FIT COC are sold to the National Transmission Corporation (TransCo).

As to its solar projects, EDC operates the 4-MW Burgos Solar power plant located in Burgos, Ilocos Norte which started operating on March 5, 2015, and was granted by the ERC a FIT COC on April 6, 2015. The FIT 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. The solar power plant is geographically situated in Barangays Saoit, Poblacion, and Nagsurot, is located 1.6 km from the Pan Pacific highway of Ilocos. Meanwhile, its Bago Solar Power Project was granted a Certificate of Confirmation of Commerciality on March 5, 2015.

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:

	DOE Certificate of Registration No.
1. Tongonan Geothermal Power Plant	GOC 2012-04-038
2. Palinpinon Geothermal Power Plant	GOC 2012-04-037
3. Bacon-Manito Geothermal Power Plant	GOC 2012-04-039

- Steam Sales Agreement (SSA) 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 SSA 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

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

For the BacMan steam supply, 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.

- PPAs of EDC
EDC sells electricity to NPC pursuant to the following PPAs:
 - 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.
 - 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 and will end in March 2022.
 - 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 and will end in June 2024.
 - 49.0 MW Nasulo
EDC's Nasulo power plant has an existing PSA with San Miguel Energy Corporation (SMEC) for 2.6 MW. The PSA provides, among others, that SMEC shall pay EDC a base price per kilowatt-hour of electricity delivered subject to inflation adjustments. The PSA is for a period of 10 years, which commenced on November 26, 2014 and will end on December 25, 2024.

Green Core Geothermal Inc. (GCGI)

With GCGI's takeover of Palinpinon and Tongonan Power Plants effective October 23, 2009, Schedule X of the Asset Purchase Agreement (APA) with PSALM provides for the assignment of 12 NPC PSAs to GCGI. As of December 31, 2015, the following Transition Supply Contract (TSC's) remained:

Customers	Contract Expiration
<u>Negros</u>	
Dynasty Management Development Corp. (DMDC)	March 25, 2016
<u>Panay</u>	
Philippine Foremost Milling Corp. (PFMC)	March 25, 2016

As of December 31, 2015, GCGI has a total of 22 PSAs as follows:

Customers	Contract Start	Contract Expiration
<u>Leyte</u>		
Leyte II Electric Cooperative, Inc. (LEYECO II)*	Dec. 26, 2010	Dec. 25, 2040
LEYECO II*	Dec. 26, 2011	Dec. 25, 2040
Leyte III Electric Cooperative, Inc. (LEYECO III)*	Dec. 26, 2011	Dec. 25, 2040
Leyte IV Electric Cooperative, Inc. (LEYECO IV)*	Dec. 26, 2012	Dec. 25, 2017
Philippine Phosphate Fertilizer Corporation (PHILPHOS)	Dec. 26, 2011	Dec. 25, 2016
<u>Cebu</u>		
Visayan Electric Company, Inc. (VECO)*	Dec. 26, 2010	Dec. 25, 2024
VECO*	Dec. 26, 2011	Dec. 25, 2016
Balamban Enerzone Corporation (BEZ)	Dec. 26, 2010	Dec. 25, 2025
Mactan Enerzone Corporation (MEZ)	Sept. 26, 2015	Dec. 25, 2025
<u>Negros</u>		
Central Negros Electric Cooperative, Inc. (CENECO)*	Dec. 26, 2011	Dec. 25, 2040

Customers	Contract Start	Contract Expiration
Negros Oriental I Electric Cooperative, Inc. (NORECO I)*	Dec. 26, 2010	Dec. 25, 2030
Negros Oriental II Electric Cooperative, Inc. (NORECO II)*	Dec. 26, 2010	Dec. 25, 2035
Northern Negros Electric Cooperative, Inc. (NONECO)**	Dec. 26, 2010	June 25, 2040
Dumaguete Coconut Mills, Inc. (DUCOM)	Oct. 26, 2010	Dec. 25, 2040
Bohol		
Bohol II Electric Cooperative, Inc. (BOHECO II)*	Jan. 26, 2013	Dec. 25, 2040
Panay		
Aklan Electric Cooperative, Inc. (AKELCO)*	March 26, 2010	Dec. 25, 2040
Antique Electric Cooperative, Inc. (ANTECO)	Dec. 26, 2014	Dec. 25, 2040
Capiz Electric Cooperative, Inc. (CAPELCO)*	Jan. 27, 2010	Dec. 25, 2040
Iloilo I Electric Cooperative, Inc. (ILECO I)*	March 26, 2010	Dec. 25, 2040
Iloilo II Electric Cooperative, Inc. (ILECO II)*	Dec. 26, 2010	Dec. 25, 2030
Iloilo III Electric Cooperative, Inc. (ILECO III)*	Dec. 26, 2012	Dec. 25, 2030
Guimaras Electric Cooperative, Inc. (GUIMELCO)*	Dec. 26, 2012	Dec. 25, 2040

*with Provisional Authority from the ERC as of December 31, 2015

**NONECO was formerly known as V.M.C. Rural Electric Service Cooperative, Inc. (VRESCO)

Coordination with ERC is on-going to secure the Final Authority for the filed applications for the approval of the PSAs with distribution utility customers. 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. On the other hand, GCGI's PSA with FGES for the 2 MW supply to Alturas Group of Companies (AGC) was assigned to ULGEI effective December 26, 2015 with amended provisions.

BacMan Geothermal Inc. (BGI)

With BGI's takeover of BMGPP from NPC effective September 2010, BGI entered into several PSAs with various companies and electric cooperative. As of December 31, 2015, following are the outstanding PSAs of BGI:

Customers	Contract Start	Contract Expiration
Meralco*	Nov. 25, 2014	Dec. 25, 2019
Camarines Sur II Electric Cooperative, Inc. (CASURECO II)	Jan. 26, 2013	Jan. 25, 2018
FGES (TCPI)	June 26, 2013	Jan. 25, 2016
First Philippine Industrial Corporation (FPIC)	Jan. 16, 2013	Dec. 25, 2018

*Contract effectivity is subject to certain conditions

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.

Two (2) PSAs with FG Hydro expired on June 25, 2015 and December 25, 2015.

Unified Leyte Geothermal Energy Inc. (ULGEI)

ULGEI was incorporated on June 23, 2010. ULGEI, a wholly-owned subsidiary of EDC, had been declared as one of the seven Highest Ranking Bidders for the maximum allowable 40 MW per bidder in the Selection and Appointment of the Independent Power Producer Administrators (IPPA) for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPPs), and thereafter, as the Highest Ranking Bidder to administer the Bulk Energy of the ULGPPs, which is the capacity in excess of the 240 MW allotted for the Strips of Energy. The bidding was conducted by the PSALM on November 7, 2013, one day before Super Typhoon Yolanda made landfall and severely affected the facilities of EDC, NGCP and various distribution utilities in Central Visayas. Consequently, ULGEI has written to PSALM that it cannot accept the award of the winning bids as the physical and economic conditions underlying the bidding process and the IPPA Administration Agreements required to be executed pursuant thereto have been dramatically altered by the severe and widespread destruction caused by Super Typhoon Yolanda in the Eastern and Western Visayas regions.

In February 2014, PSALM had written ULGEI informing of the following:

1. ULGEI was selected as the Winning Bidder for 40 MW Strips of Energy of the ULGPP at the bidded rate/price; and,
2. PSALM accepted ULGEI's decision not to accept the award as Winning Bidder for the Bulk Energy of the ULGPP, subject to subsequent determination/evaluation of the forfeiture of ULGEI's Bid Security and ULGEI's qualification to participate further in the rebidding process for said Bulk Energy.

In December 2014, the IPPA Contract for the strips of energy was turned over to ULGEI, and in 2015, ULGEI entered into a PSA with the following customers:

Customers	Contract Start	Contract Expiration
Visayan Electric Company	Upon ERC approval	Dec. 25, 2021
Camarines Sur IV Electric Cooperative, Inc.	Aug. 26, 2015	Dec. 25, 2015
Bohol Light Company, Inc.	Aug. 26, 2015	Aug. 25, 2021
SMEC	Sept. 17, 2015	Nov. 15, 2015
FGES	Dec. 26, 2015	Dec. 25, 2023

6. **FIRST GEN ENERGY SOLUTIONS, INC. (FGES)**

FGES was incorporated and registered with the SEC on November 24, 2006. FGES markets, supplies, delivers, purchases and sells electricity. In addition, it provides value-added services relevant to its core business.

On May 9, 2011, the ERC approved the renewal of FGES' Retail Electricity Supplier's (RES) License effective for a period of five years. On May 22, 2012, the ERC likewise granted the renewal of FGES' Wholesale Aggregator's (WA) license effective for a period of five years. With the commencement of the Retail Competition and Open Access (RCOA) on June 26, 2013, FGES' RES business started its commercial operations on the same date with a total contracted energy of 8 megawatts (MW) from two contestable customers, namely: Alturas Group of Companies (AGC) and Taiheyo Cement Philippines Inc. (TCPI).

7. **FG BUKIDNON POWER CORPORATION (FG BUKIDNON)**

FG Bukidnon was incorporated on February 9, 2005. Upon conveyance of the Company in October 2005, FG Bukidnon took over the operations and maintenance of the 1.6 MW FGBHPP. 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.

Description of Registrant

Principal products or services.

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

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

Company	Principal products/services	Market	Effective Contribution to Consolidated Revenues* of First Gen
FGPC	- Power generation	MERALCO	US\$715.6 million
FGP	- Power generation	MERALCO	US\$360.9 million
FG Bukidnon	- Power generation	CEPALCO	US\$0.77 million (or ₱35.1 million)
FG Hydro	- Power generation	WESM / NGCP/ various cooperatives	US\$41.6 million (or ₱1,884.4 million)
EDC	EDC holds service contracts with the DOE corresponding to 14 geothermal contract areas EDC, through its subsidiary, EBWPC, operates the 150 MW wind project in Burgos, Ilocos Norte. EDC also owns and operates the 4.16 MW Burgos Solar power plant.	NPC (for power generation & steam sales), WESM, NGCP, electric cooperatives and industrial customers pursuant to the PPAs and Power Supply Agreements (PSAs)	US\$709.0 million**
FGES	- Retail energy supply	Contestable customers [i.e. Alturas Group of Companies (AGC) and Taiheiyō Cement Philippines Inc. (TCPI)]	US\$8.4 million

* Pertains to revenues from sale of electricity only.

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

Note: The Philippine-peso balances of FG Bukidnon, FG Hydro and EDC were translated to U.S. Dollar using the weighted average rate of ₱45.30:US\$1.00 for the year 2015.

EDC has evolved into being the country's premier pure renewable energy player, possessing interests in geothermal, wind, hydro, and solar power. For geothermal energy, its expertise spans the entire geothermal value chain, i.e., from geothermal energy exploration and development, reservoir engineering and management, engineering design and construction, environmental management and energy research and development. Its wind energy expertise covers project research & development and wind data assessment. With FG Hydro, EDC has not only acquired expertise in hydropower operation and maintenance, but also the capability to sell power on a merchant basis.

Distribution Methods.

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

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

FG Bukidnon's FGBHPP is connected to the local CEPALCO distribution grid via the distribution line of NGCP. FG Bukidnon sells all electricity output from its mini-hydro plant to CEPALCO through a PSA effective until March 2025. The PSA was approved by the ERC on November 16, 2009.

FG Hydro's PMHEPP injects electricity into the Luzon grid to service the consumption of its customers which include WESM and PSA clients. The power is delivered to the distribution systems of these customers through the Pantabangan and Cabanatuan substations which are owned, operated and maintained by NGCP.

EDC's geothermal power plants sell electricity to electric cooperatives and industrial customers in the Visayas region, and are transmitted to customers (i.e. distribution utilities, electric cooperatives or bulk power customers) by NGCP through its high voltage backbone system.

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

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

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

FGHC, through its subsidiary FG Pipeline, has an Environmental Compliance Certificate (ECC) for the Batangas to Manila pipeline project and has undertaken substantial pre-engineering works and design and commenced preparatory works for right-of-way acquisition activities, among others.

Gas projects.

- **FNPC**
On December 16, 2013, FNPC, the project company of the San Gabriel project, signed several project agreements for the development of an approximately 450 MW (nominal) net capacity combined-cycle gas-fired power plant to be located in Santa Rita, Batangas City and adjacent to the existing Santa Rita and San Lorenzo plants. The San Gabriel project, which is intended to serve the mid-merit and, potentially, the base load requirements of the Luzon Grid, is expected to be in commercial operations in June 2016. As of March 16, 2016, the construction of the San Gabriel plant is substantially complete and the plant is midway through testing and commissioning period.
- **PMPC**
On August 1, 2014, PMPC, a wholly-owned subsidiary of the Company, signed an Engineering, Procurement and Supply (Offshore) Contract with Istroenergo Group A.S. (IEG) and an Onshore Engineering, Procurement and Construction Contract with Energy Project Completion Ltd. (EPCo), a Philippine Branch Office of IEG, (collectively referred to as "EPC contracts"), for PMPC's 97 MW Avion Open Cycle Natural Gas-Fired Power Plant (Avion Plant). IEG is an engineering contractor from Slovakia experienced in the construction of aeroderivative gas turbine power plants. The Avion Plant will use General Electric's LM6000 PC Sprint aeroderivative gas turbines and have the capability to burn natural gas or liquid fuel. It is being constructed adjacent to the 1,000 MW Santa Rita and 500 MW San Lorenzo natural gas-fired power plants in Batangas City.

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

Execution of Completion Works Agreement (CWA) with MTU-BB

On March 16, 2016, PMPC executed a Completion Works Agreement ("CWA") with MTU-BB Maintenance Berlin-Brandenburg GmbH ("MTU BB") for the completion of remaining commissioning works for the Avion Plant. MTU BB is a subsidiary of publicly-listed MTU Aero Engines AG, and is one of the leading maintenance providers for GE's LM series of aero derivative industrial gas turbines worldwide – including the LM6000 gas turbines that will be used in the Avion Plant.

As of March 16, 2016, the commissioning of the Avion Plant is on-going.

Geothermal Projects.

- EDC

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 BacMan 3 geothermal power plant in Brgys. Capuy, Bucalbucan, Rizal and Bulabog, Sorsogon City, Sorsogon Province.

Hydro Projects.

- *FG Mindanao*

On October 23, 2009, FG Mindanao signed five Hydropower Service Contracts (HSC) 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. Consequently, on October 27, 2014, BOI approved the assignment of Puyo and Bubunawan hydropower projects and issued the corresponding Certificates of Registration under FGen Puyo and FGen Bubunawan, respectively.

- *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. As of December 31, 2015, both FG Prime and FG Premier are still waiting for the DOE approval regarding their respective requests.

- *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.

Wind Projects.

- *FGRI*

First Gen continued its efforts in developing renewable energy projects particularly in wind power through its wholly-owned subsidiary FGRI, which carries on the evaluation of potential wind development site in the Philippines.

In July 2012, the Certificates of Registration were issued by the DOE to FGRI as RE Developer of Wind Energy Resources located in the Municipality of Burgos, Ilocos Norte. FGRI is currently undertaking wind measurements in this area.

Conducting wind measurements is one of the initial activities needed to assess the wind resource. It will be followed by wind data analysis to further confirm the viability of wind power project.

- *EDC*

On March 5, 2015, EDC has successfully commissioned its 4.16 MW Burgos Solar Power Plant, which is in the same vicinity of the EBWPC’s wind farm. On April 17, 2015, EDC received the FIT COC for its Burgos Solar Power Plant granted by the ERC on April 6, 2015. The FIT COC specifies that the solar plant, having a total capacity of 4.16 MW is entitled to the FIT rate of ₱9.68/kWh, subject to adjustments as may be approved by the ERC, from March 5, 2015 to March 4, 2035.

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

Retail Electricity Supply.

In May 2013, FGES entered into a Retail Supply Contract (RSCs) with contestable customers namely, Alturas Group of Companies and Taiheiy Cement Philippines Inc. for the monthly supply of electric energy equivalent to 2 MW and 6 MW, respectively, from June 26, 2013 to January 25, 2016. Under the RSCs, the basic energy charges for each billing period are inclusive of the generation charge and retail supply charge.

Competition.

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

The successful privatization of NPC assets and NPC-IPP contracts in Luzon and Visayas, coupled with the integration of the two Grids under the WESM, and the initial commercial operations of the Retail Competition and Open Access (RCOA) in June 2013, introduced new players and opened competition in the power industry. Multinationals that currently operate in the Philippines and that could potentially compete against First Gen Group include KEPCO Power Corporation, CalEnergy International Services, Inc., Marubeni Energy Corporation, and AES Corporation. Aboitiz group and San Miguel group are First

Gen's two closest competitors. For wind power, its closest competitor is North Luzon Renewable Energy Corporation, which operates the Caparispisan Wind Farm in Pagudpud, Ilocos Norte.

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

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

However, it is worth noting that all the existing power generating companies under First Gen have secured long standing PPAs and PSAs with its customers.

Company	Nature of the Contract											
FGPC / FGP Corp.	Meralco is the sole off-taker of power output of FGPC and FGP Corp. under a 25-year PPA.											
FG Bukidnon	On January 9, 2008, FG Bukidnon and CEPALCO 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 the ERC approval, which was in November 2009, 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.											
EDC	EDC has existing PPAs with NPC for a period of 25 years of commercial operations and may be extended upon the request of EDC by notice of not less than 12 months prior to the end of contract period, under terms and conditions as may be agreed upon by the parties. EDC’s subsidiaries namely, GCGI and BGI have respective customers with long-term PSAs which will expire between 2016 and 2040.											
FG Hydro	FG Hydro had contracts which were originally transferred by NPC to FG Hydro as part of the acquisition of PMHEPP for the supply of electric energy with several customers within the vicinity of Nueva Ecija. All these contracts expired as of December 31, 2010. In 2010, upon renegotiation with the customers and due process as stipulated by the ERC, the expired contracts were renewed except for the contract with PAMES. FG Hydro shall generate and deliver to these customers the contracted energy on a monthly basis. FG Hydro is bound to service these customers for the remainder of the stipulated terms, the range of which falls between December 2008 to December 2020. Upon expiration, these contracts may be renewed upon renegotiation with the customers and due process as stipulated by the ERC. As of December 31, 2015, there are 4 remaining long-term PSAs being serviced by FG Hydro. Details of the existing contracts are as follows: <table><tr><th>Related Contract</th><th>Expiry Date</th><th>Other Development</th></tr><tr><td>Nueva Ecija II Electric Cooperative, Inc., Area 1 (NEECO II -Area 1)</td><td>August 25, 2018</td><td>The ERC granted a provisional approval on the PSA between FG Hydro and NEECO II-Area 1 on October 7, 2013 with a pending final resolution of the application for the approval thereof.</td></tr><tr><td>Nueva Ecija II Electric Cooperative, Inc., Area 2 (NEECO II –Area 2)</td><td>December 25, 2016</td><td>The ERC granted a provisional approval on the PSA between FG Hydro and NEECO II-Area 2 on August 2, 2010 with a pending final resolution of the application for the approval thereof.</td></tr></table>			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 on the PSA between FG Hydro and NEECO II-Area 1 on October 7, 2013 with a pending final resolution of the application for the approval thereof.	Nueva Ecija II Electric Cooperative, Inc., Area 2 (NEECO II –Area 2)	December 25, 2016	The ERC granted a provisional approval on the PSA between FG Hydro and NEECO II-Area 2 on August 2, 2010 with a pending final resolution of the application for the approval thereof.
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 on the PSA between FG Hydro and NEECO II-Area 1 on October 7, 2013 with a pending final resolution of the application for the approval thereof.										
Nueva Ecija II Electric Cooperative, Inc., Area 2 (NEECO II –Area 2)	December 25, 2016	The ERC granted a provisional approval on the PSA between FG Hydro and NEECO II-Area 2 on August 2, 2010 with a pending final resolution of the application for the approval thereof.										

	Edong Cold Storage and Ice Plant (ECOSIP)	December 25, 2020	A new agreement was signed by FG Hydro and ECOSIP in November 2010 for the supply of power in the succeeding 10 years.
	National Irrigation Administration (NIA)-Upper Pampanga River Integrated Irrigation System	October 25, 2020	FG Hydro and NIA-UPRIIS signed a new agreement in October 2010 for the supply of power in the succeeding 10 years.
	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 a PSA with BGI in December 2014 for the delivery of electricity to two of FG Hydro's customers. The PSA commenced on December 26, 2014 and ended on June 25 and December 25, 2015.

The following table sets out the DOE's breakdown of total installed capacity as of 2014.

	Installed Capacity	
Energy Source	MW	%
Coal	5,708	32%
Oil	3,476	19%
Geothermal	1,918	11%
Hydro	3,543	20%
Natural Gas	2,862	16%
New RE	437	2%
Total	17,944	100%

	Power Generation by Source	
Energy Source	GWh	%
Oil	5,708	7%
Hydro	9,137	12%
Geothermal	10,308	13%
Coal	33,054	43%
New RE	364	1%
Natural Gas	18,690	24%
Total	77,261	100%

Raw Materials and Suppliers.

Company	Sources of raw materials	Supplier of raw materials
FGPC/FGP	- natural gas/ liquid fuel	Malampaya consortium composed of Shell Philippine Exploration, B.V., Chevron Malampaya, LLC and PNOC Exploration Corporation
FG Bukidnon	- water	The plant is a run-of-river facility
FG Hydro	- water	Water release generally determined by NIA
EDC	- steam	Developed by EDC by virtue of PD No. 1442. However, as stated above, the GSCs of EDC (previously governed by P.D. No. 1442) were replaced by GRESCs effective October 23, 2009.
	- solar	EDC operates the 4.16 MW Burgos Solar Power Plant, which is located within the vicinity of EBWPC, using solar energy.
EBWPC	- wind	Established and operated by EDC through its subsidiary

		EBWPC under DOE Certificate of Registration No. WESC 2009-09-004. The wind farm consists of 50 wind turbine generator units of the Class 1 V90-3.0 MW wind turbine generator to be supplied by Vestas Wind Systems.
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Dependence on one or a few major customers and identity of any such major customers

There is dependence on customer by virtue of the respective PPAs of FGPC and FGP with Meralco, and of EDC with NPC.

In the case of EDC, close to 36.8% of EDC's electricity revenues are derived from existing long-term PPAs with NPC.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements.

Patent

The Intellectual Property Office granted EDC a patent for its invention "Continuous On-line Steam Purity Monitoring System". Details of the patent are as follows:

INVENTION	WHERE REGISTERED	STATUS	INVENTOR	Registration No.	Filing Date and Effectivity of Filing
CONTINUOUS ON-LINE STEAM PURITY MONITORING SYSTEM	PHILIPPINES	GRANTED	RAMONITO P. SOLIS, ADRIANO C. CABEL, JR., GODOFREDO B. BARROCA, MANUEL S. OGENA	1-2007-000448	October 31, 2007 TWENTY (20) YEARS FROM DATE OF FILING

Trademarks

All trademarks used by First Gen Group in its principal products or services have been filed in the Intellectual Property Office and are registered in the name of First Gen.

Franchise

First Gas

Natural gas pipeline. In January 2001, R. A. No. 8997 was enacted, granting FGHC, where First Gen now beneficially owns 100% effective May 31, 2012, a 25-year legislative franchise to construct, install, own, operate and maintain pipeline systems for the transportation and distribution of natural gas throughout Luzon. The franchise is the only specific legislative franchise granted by the Philippine Congress for Luzon and is an important part of First Gen's strategy to enter the downstream natural gas transmission and distribution business.

Concessions

a) FG Mindanao

On October 23, 2009, FG Mindanao also signed 5 HSCs with the DOE in connection with the following projects: Puyo River Hydropower Project in Jabonga, Agusan del Norte; Cabadbaran River Hydropower Project in Cabadbaran, Agusan del Norte; Bubunawan River Hydropower Project in Baungon and Libona, Bukidnon; Tumalaong River Hydropower Project in Baungon, Bukidnon; and Tagoloan River Hydropower Project in Impasugong and Sumilao, Bukidnon.

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. Consequently, on October 27, 2014, BOI approved the assignment of Puyo and Bubunawan hydropower projects and issued the corresponding Certificates of Registration under FGen Puyo and FGen Bubunawan, respectively.

b) FG Luzon

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 BRMPP.

On March 29, 2012, the Project was awarded an HSC under the DOE Certificate of Registration No. HSC 2012-01-194.

c) EDC

By virtue of Presidential Decree (P.D.) No. 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 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. 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 currently holds four (4) GRESCs as an RE Developer for the following geothermal projects where EDC's geothermal steamfields are located:

- Tongonan Geothermal Project (expiring in 2031)
- Southern Negros Geothermal Project (expiring in 2031)
- Bacon-Manito Geothermal Project (expiring in 2031)
- Mt. Apo Geothermal Project (expiring in 2042)

These contract areas are located on four islands of the Philippines, namely Luzon, Leyte, Negros and Mindanao. The following table provides a summary of EDC's geothermal projects, grouped by the contract areas in which they are located:

Geothermal Renewable Energy Service Contract (GRESC) Areas

Geothermal Renewable Energy Service Contract (GRES-C) Areas							
Contract Area	Expiration of GRES-C	Project	Installed Capacity (in MWe)	Product	Expiration of Offtake Agreement	Minimum Take-or-pay Capacity ¹ (in GWh/year)	Plant Owner
Tongonan Geothermal Project	2031	Tongonan	112.5	Steam and Electricity	2009 (SSA) ² 2031 (GRSC) 2040 (PSAs)	3,850.0 ¹	GCGI ⁵
		Upper Mahiao	125.0	Steam and Electricity	2022 (PPA) ⁴		EDC
		Malitbog	232.5	Steam and Electricity	2022 (PPA) ⁴		EDC
		Mahanagdong	180.0	Steam and Electricity	2022 (PPA) ⁴		EDC
		Optimization	50.9	Steam and Electricity	2022 (PPA) ⁴		EDC
Southern Negros Geothermal Project	2031	Palinpinon I	112.5	Steam and Electricity	2008 (SSA) ² 2031 (GRSC) 2040 (PSAs)		GCGI ⁵
		Palinpinon II	60.0	Steam and Electricity	2009 (SSA) ² 2031 (GRSC) 2040 (PSAs)		GCGI ⁵
		Nasulo	49.4	Steam and Electricity	2024 (PSA)		EDC
Bacon-Manito Geothermal Project	2031	Bac-Man I	120.0	Steam and Electricity	2018 (SSA)	722.7	BGI ⁶
		Bac-Man II	20.0	Steam and Electricity	2019/ (SSA) 2019 (PSAs)	131.4	BGI ⁶
Mt. Apo Geothermal Project ³	2042 ³	Mindanao I	52.0	Steam and Electricity	2022 (PPA)	390.0	EDC
		Mindanao II	54.0	Steam and Electricity	2024 (PPA)	398.0	EDC
Total			1,168.8			5,492.1	

¹ Refers to 1-year period, ending in July 2016. UL PPA Nominated Energy varies from year to year.

² The SSA that govern the sale of steam for use at the NPC-owned Palinpinon I power plant expired in December 2008 but was extended to a date when these plants were sold or privatized, pursuant to the privatization process under the EPIRA. The GRSC for Tongonan and Palinpinon I & Palinpinon II commenced upon take-over of the plants by GCGI.

³ Includes a 25-year extension period to GRESC.

⁴ Unified Leyte PPA

⁵ On October 23, 2009, the Palinpinon and Tongonan geothermal power plants were turned over to GCGI, which won the PSALM's auction of the said plants on September 2, 2009.

⁶ On September 3, 2010, the Bac-Man 1 and Bac-Man II geothermal power plants were turned over to BGI, which won the PSALM's auction of the said plants on May 5, 2010.

On May 8, 2012, EDC, through its subsidiaries GCGI and BGI, secured three (3) 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

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

d. Wind Energy Service Contract (WESC) of EDC

On September 14, 2009, EDC entered into a WESC 2009-09-004 with the DOE granting EDC the right to explore and develop the Burgos Wind Project for a period of 25 years from effective date. The pre-development stage under the WESC shall be two years which can be extended for another one year if EDC does not default in its exploration or work commitments and provides a work program for the extension period upon confirmation by the DOE. The WESC also provides that upon submission of the declaration of commercial viability, as confirmed by the DOE, the WESC shall remain in force for the balance of the 25-year period for the development / commercial stage. The DOE shall approve the extension of the WESC for another 25 years under the same terms and conditions, provided that EDC is not in default in any material obligations under the WESC, and has submitted a written notice to the DOE for the extension of the contract not later than one (1) year prior to the expiration of the 25-year period. The WESC provides that all materials, equipment, plants and other installations erected or placed on the contract area by EDC shall remain the property of EDC throughout the term of the contract and after its termination.

On May 26, 2010, the board of directors 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, 2015, EBWPC holds eleven (11) WESC's with the DOE. Each WESC has a contract period of 25 years and will expire between 2034 and 2039. 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)

In terms of the solar projects, EDC holds five (5) SESC's with the DOE. Each SESC has a contract period of 25 years and will expire between 2039 and 2040. The WESC's cover the following projects:

Projects	DOE Certificates of Registration
1) 4 MW Burgos, Ilocos Norte	SESC 2014-07-088 (expiring in 2039)
2) Murcia, Negros Occidental	SESC 2015-03-113 (expiring in 2040)
3) President Roxas, North Cotabato	SESC 2015-03-114 (expiring in 2040)
4) Matalam, North Cotabato	SESC 2015-03-119 (expiring in 2040 and renewable for another 25 years)
5) Bogo, Cebu	SESC 2015-06-234 (expiring in 2040 and renewable for another 25 years)

Government Approvals. FGPC and FGP have each procured accreditation from the Energy Industry Accreditation Board (EIAB) for its operation as a private sector generation facility.

Pursuant to R.A. No. 9136, the EPIRA and its Implementing Rules and Regulations (IRR), FGPC, FGP and FG Bukidnon have filed their applications for the issuance of a Certificate of Compliance (COC) for the operations of their respective power plants.

FGP, FGPC, FG Hydro and FG Bukidnon successfully renewed their relevant Certificates of Compliance (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 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. Such COCs are valid for a period of 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 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.

The following have been issued to FGPC/FGP/FG Hydro/FNPC/PMPC:

Gov't. Agency	Documents Issued
BOI	Certificate of Registration
DENR	Environment Compliance Certificate
DENR	Permit to Operate Water and Air Pollution Installation

Government Regulations.

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.

Wholesale Electricity Spot Market

WESM Luzon has already been commercially operating for almost 9 years since its commencement on June 26, 2006. Annual average Luzon spot prices ranged from approximately ₱4.34/kWh, ₱4.66/kWh, and ₱3.58/kWh for 2013, 2014, and 2015 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 ₱3.01/kWh, ₱3.64/kWh, and ₱3.42/kWh for 2013, 2014, and 2015 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, 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 1st phase only end users with an average monthly peak demand of 1 MW for the 12 months immediately preceding the start of RCOA, shall have a choice of power supplier, as a contestable customer. Later, in the 2nd phase, the peak demand threshold will be lowered to 0.75 MW, and will continue to be periodically lowered until the household demand level is reached.

In a joint statement issued by the DOE and ERC, dated September 27, 2012, 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.

Last November 2015, the ERC issued drafts of revised RCOA Rules. This revision, if implemented, shall reduce the level of Mandatory Contestability from 1,000 kW to 750 kW by June 26, 2016. On the same date, the draft revised RCOA Rules also intends to remove Local RES licenses and RES licenses of DU affiliates.

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 are:

1. Senate Bill (SB) No. 2167: An Act Amending Section 47 of R.A. No. 9136, Otherwise Known As the EPIRA
2. SB No. 2059: An Act Amending R.A. No. 9136, Otherwise Known As the EPIRA
3. House Bill (HB) No. 4822: An Act Amending R.A. No. 9136 or the EPIRA and Providing for Needed Additional Reforms in the Energy Sector for the Protection of Electricity Consumers Against Market Power Abuse and Unwarranted Power Rates Increases, And For Other Purposes
4. HB No. 4479: An Act Amending Certain Provisions of R.A. No. 9136 Otherwise Known as an Act Ordaining Reforms in the EPIRA and for Other Purposes.
5. HB No. 3958: An Act Amending R.A. No. 9136, Otherwise Known as the EPIRA and for Other Purposes
6. Joint Resolution Authorizing The President Of The Philippines, His Excellency Benigno S. Aquino III, To Effectively Address The Projected Electricity Imbalance In The Luzon Grid From March 1, 2015 To July 31, 2015, And Providing The Terms And Conditions Therefore

The aforementioned bills passed their respective first readings and are currently being deliberated in the committees.

First Gen Group cannot provide any assurance whether these proposed amendments will be enacted in their current form, or at all, or when any amendment to the EPIRA will be enacted. Proposed amendments to the EPIRA, including the above bills, as well as other legislation or regulation could have a material impact on the First Gen Group's business, financial position and financial performance.

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, Income Tax Holiday (ITH) for the 1st 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 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. Feed-in Tariff (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 Rates ¹ (₱/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

Environmental Laws.

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.

EDC’s geothermal steam field and power generation operations are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations include but are not limited to the Clean Air Act (R.A. No. 8749), Clean Water Act (R.A. No. 9275), Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990 (R.A. No. 6969), Ecological Solid Waste Management Act (R.A. No. 9003), DOE’s Renewable Energy Safety Health and Environment Rules and Regulations (RESHERR) (2012), and the Department of Labor and Employment’s (DOLE) Occupational Safety and Health Standard, as amended. Such legislations address, among other things, air and ambient noise emissions, wastewater discharges, and solid wastes management, as well as the generation, handling, storage, transportation, treatment, and disposal of toxic and hazardous materials and wastes. They also regulate workplace conditions within power plant facilities and employee exposure to hazardous work environment. In particular, the Occupational Safety and Health Standards were formulated to safeguard workers’ social and economic well-being, as well as their physical safety and health. In addition, EDC also complies with other laws and standards, such as the Revised Forestry Code of the Philippines, (P.D. No. 705), the National Integrated and Protected Areas System Act (R.A. No. 7586), Geothermal Reservation Law (Executive Order No. 223), Wildlife Resources Conservation and Protection Act, Indigenous Peoples Rights Act (R.A. No. 8371), Climate Change Act (R.A. No. 9729) and the IFC/World Bank environmental and social safeguards.

Company	Cost of compliance with Environmental Laws
FGPC	US\$0.06 million
FGP	US\$0.02 million
EDC	₱142.5 million

Employees.

Company	Number of regular employees	Union Members	CBA Expiration
First Gen	74	None	NA
Executive(Expatriate)	7		
Executive (Fixed Term)	1		
Vice President and up	13		
Assistant Vice President	9		
Senior Manager	9		
Manager	6		
Assistant Manager	13		
Supervisor	8		
Assistant	8		
Staff	0		
FGHC	15	None	NA
Vice President	2		
Assistant Vice President	2		
Senior Manager	0		
Manager	2		
Assistant Manager	2		
Supervisor	5		
Assistant	2		
Staff	0		
FGPC	114	None	NA
Executive (Fixed Term)	1		
Vice-President and up	7		
Assistant Vice-President	10		
Senior Manager	11		
Manager	14		
Assistant Manager	17		
Supervisor	16		
Assistant	30		
Staff	8		
FGP Corp.	74	None	NA
Vice President and up	6		
Assistant Vice President	7		
Senior Manager	4		
Manager	8		
Assistant Manager	8		
Supervisor	23		
Assistant	14		
Staff	4		
FGBPC	13	None	NA
Assistant Manager	1		
Supervisor	2		
Assistant	5		
Staff	5		
FGRI	3		
Supervisor	2		
Staff	1		

Company	Number of regular employees	Union Members	CBA Expiration
FGMHPC	4		
Assistant Vice-President	0		
Senior Manager	0		
Manager	1		
Assistant Manager	0		
Supervisor	0		
Assistant	2		
Staff	1		
FGHPC	59		
Assistant Vice President	1		
Senior Manager	2		
Manager	3		
Assistant Manager	9		
Supervisor	20		
Assistant	10		
Staff	14		
FGES	11		
Assistant Vice President	2		
Manager	3		
Assistant Manager	1		
Supervisor	2		
Assistant	3		
Staff	0		
PMPC	23	None	NA
Manager	1		
Assistant Manager	1		
Supervisor	6		
Assistant	15		
Staff	0		
FNPC	10	None	NA
Supervisor	1		
Assistant	7		
Staff	2		
EDC	2,259*		
President	1		
EVP, Senior VP, VP & AVP	37		
Sr. Manager, Manager	114		
Asst. Mgr., Sr. Supervisor	108		
Supervisor, P/T	1,347	413	
Staff	652	573	

* This includes the employees of GCGI (composed of 163 employees), BGI (composed of 81 employees) and EBWPC (composed of 11 employees) as of December 31, 2015.

EDC has 12 labor unions, each representing a specific collective bargaining unit allowed by law. They are distributed in the different locations as follows:

No.	Union Name		Site	No. of members
1	PEGEA	PNOC-Energy Group of Employees' Association	HO	45
2	UPE	United Power Employees' Union	LGBU	36
3	SNGPF RF	PNOC-EDC SNGPF Rank and File Union	NIGBU	116
4	TWU	Tongonan Worker's Union- National Federation of Labor Unions	LGBU	45

No.	Union Name		Site	No. of members
5	LAGPEU	Leyte “A” Geothermal Project Employees' Union	LGBU	211
6	DSM-ADLO	Demokratikong Samahang Manggagawa ng PNOC-BGPF/Association of Democratic Labor Organization (DSM – ADLO)	BGBU	62
7	MAWU	Mt. Apo Worker's Union/ Association of Labor Unions	MAGBU	60
8	BAPTEU	Bacman Geothermal Production Field Professional and Technical Employees Union	BGBU	40
9	MAPTEU	Mt. Apo Professional and Technical Employees' Union	MAGBU	54
10	LEGSPTEU	Leyte Geothermal Supervisory, Professional and Technical Employees Union	LGBU	189
11	PESSA	PNOC EDC Southern Negros Geothermal Project, Supervisory Association – Association of Professional, Supervisory, Office and Technical employees' Union -Trade Union	NIGBU	71
12	EBSEU	EDC-BGPF Supervisory Employees' Union	BGBU	16
TOTAL				945

These unions enter into regular collective bargaining agreements (CBAs) with EDC as regards to number of working hours, compensation, employee benefits, and other employee entitlements as provided under Philippine labor laws. In March 2015, EDC and four (4) Supervisory / Professional / Technical Unions held Unified CBA negotiations that culminated in the conclusion of four (4) CBAs in just one (1) meeting.

Management believes that its current relationship with its employees is generally good. Although EDC had been involved in arbitrations with its labor unions, it has not experienced in the last fourteen (14) years any strikes, lock-outs or work stoppages as a result of labor disagreements.

FACTORS AFFECTING THE COMPANY’S RESULTS OF OPERATIONS

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

Impact of Coal

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

While the rest of the world is using the least amount of coal ever to make electricity, cheap coal has established itself as the Philippines’ favorite power plant fuel with 65% to 70% of announced incoming capacities up to 2025 coming from coal plants. With electric power industry policy and decision makers seemingly oblivious to the fact that the heavy reliance on imported fossil fuel such as coal exposes the Philippines to wild international fuel price fluctuations and huge environmental costs, the country is moving towards a coal future which impacts on the company’s competitive position considering coal’s low variable cost and high minimum stable load requirements. With increased competition putting a downward pressure on bilateral contract prices from coal plants, coal is relatively cheap compared to geothermal without considering environmental costs. However, if externalities are valued and internalized, coal is more expensive even at prevailing coal prices.

Exacerbating the current bias towards coal-fired capacities is the prevailing regulatory paradigm of “one-size-fits-all” cost based evaluation methodology given the government’s main objective of lowering electricity costs. Security of supply, in terms of shielding the public from the price volatility of imported fossil prices and in terms of being sensitive to growing environmental concerns over the use of “dirty fuels”, is a secondary objective at best.

Exchange Rate Fluctuations

The functional and presentation currency of some of the Company's subsidiaries is the Philippine Peso. However, its payments for debt service and major materials and services are denominated substantially in U.S. Dollar. Foreign exchange rate fluctuations affect the cost of borrowings, as well as the Philippine Peso value of such in their respective financial statements. EDC, in particular, recorded unrealized foreign exchange losses amounting to ₱1,365.5 million and ₱102.5 million in 2015 and 2014, respectively. The unit prices for majority of the SSAs and PPAs of EDC are indexed to the U.S. Dollar vis-a-vis the Philippine Peso.

Major Risks.

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 and liquidity risk. The board of directors reviews and approves policies for managing each of these risks as summarized below.

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 (IRS) 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 IRS agreements to cover interest payments up to 24.3% of its Term Loan Facility. Under the swap agreements, FGPC and FGP agreed to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed-upon notional principal amounts.

EDC's subsidiary, EBWPC, entered into four (4) IRS agreements in the last quarter of 2014 with aggregate notional amount of US\$150 million. This is to partially hedge the interest rate risks on its ECA and Commercial Debt facilities (Foreign Facility) that is benchmarked against US LIBOR. As it is EBWPC's intention to reprice the interest rate on the Foreign facility semi-annually, EBWPC utilizes IRS with semi-annual interest payments and receipts.

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

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 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.

Foreign Currency Risk with Respect to U.S. Dollar. In the case of entities within First Gen Group with functional currency of Philippine Peso, 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 ₱47.06 to US\$1.00 as at December 31, 2015.

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

Credit Risk

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 on-going 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 the carrying amount.

With respect to credit risk arising from the other financial assets of First Gen Group, which comprise of cash and cash equivalents, excluding cash on hand, trade and other receivables, financial assets at FVPL, 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.

Concentration of Credit Risk

The 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 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.

Liquidity Risk

First Gen Group's exposure to liquidity risk refers to the lack of funding needed to finance its growth and capital expenditures, service its maturing loan obligations in a timely fashion, and meet its working capital requirements. To manage this exposure, First Gen Group maintains its internally generated funds and

prudently manages the proceeds obtained from fund-raising in the debt and equity markets. On a regular basis, First Gen Group's Treasury department monitors the available cash balances by preparing cash position reports. First Gen Group maintains a level of cash and cash equivalents deemed sufficient to finance the operations.

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

Item 2. Properties

Property, plant and equipment consists of land, power plant complex, buildings and improvements, machinery and other equipment in various locations:

First Gas Holdings Corporation / First Gas Power Corporation

FGHC's wholly-owned subsidiary, FGPC, operates the 1,000 MW Santa Rita Power Plant located in Santa Rita, Batangas City. The power plant consists of 4 units where each unit is composed of a gas turbine, a steam turbine, and a generator connected to a common shaft and the corresponding heat recovery steam generator. The plant site occupies a total land area of 33 hectares. Buildings and structures consists of a power island, switchyard, control room and administration building, circulating water pump building, circulating water intake and outfall structure, tank farm, liquid fuel unloading jetty, water treatment plant, liquid fuel forwarding and treatment building, gas receiving station and other support structures. The power plant also includes a transmission line, which interconnects the Santa Rita power plant to the Calaca substation.

The property, plant and equipment, with a net book value of US\$241.7 million as of December 31, 2015 has been pledged as security for long-term debt. FGPC has entered into a Mortgage, Assignment and Pledge Agreement whereby a first priority lien on most of FGPC's real and other properties, including revenues from operations of the power plant, has been executed in favor of the lenders. In addition, FGPC's shares of stock were pledged as part of the security to lenders.

Unified Holdings Corporation / FGP Corp.

UHC's 60%-owned subsidiary, FGP, operates the 500 MW San Lorenzo Power Plant located in Santa Rita, Batangas City. The power plant consists of 2 units where each unit is composed of a gas turbine, a steam turbine, and a generator connected to a common shaft and the corresponding heat recovery steam generator. The plant site occupies a total land area of 24 hectares. Buildings and structures consists of a power island, which consists of 1 block with a capacity of 500 MW. It also shares some of the facilities being used by the Santa Rita plant (e.g. control room and administration building, transmission line, circulating water pump building, tank farm, liquid fuel unloading jetty, water treatment plant, gas receiving station, among others). The net book value of FGP's property, plant and equipment amounted to US\$168.1 million as of December 31, 2015. 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.

FG Bukidnon Power Corp.

The FGBHPP is located at Damilag, Manolo Fortich, Bukidnon, approximately 36 kms. southeast of Cagayan de Oro City and 4 kms. from the pineapple plantations of Del Monte Philippines in Mindanao. The run-off-river plant consists of 2 generating units each rated at 1,000 kVA, 0.8 pf. Power is generated by 2 identical Francis horizontal shaft reaction turbines and generators with an effective head of 121.5 meters running at 900 rpm and 2.4 kV generated voltage. The plant generates power through the use of

water from Agusan River. The water from the dam passes through a waterway open canal 5,545 meter along with a bottom width of 1 meter. The water is then conveyed through the thrash rack located at the intake structure of the reservoir with a total storage capacity of 40,000 m³, covering 2.83 ha. The water flows to the penstock and is directed to 2 pipes leading to each generating unit.

As of December 31, 2015, the net book value of FGBHPP's property, plant and equipment amounted to ₱69.6 million.

Energy Development Corporation

EDC is the registered owner of land located in various parts of the Philippines. As of December 31, 2015, these lands were valued by CB Richard Ellis Philippines for EDC at around ₱1.2 billion. EDC's landholdings include real estate properties in Bonifacio Global City in Taguig with a total area of 5,794.5 square meters, Baguio City with an area of 2,558 sq.m. and numerous parcels of land used for its geothermal operations in the cities of Ormoc, Bago, and Sorsogon, and in the municipalities of Kananga, Leyte, Valencia, Negros Oriental and Manito, Albay with an aggregate area of 204 hectares.

In Northern Luzon, lots affected by the EDC Burgos Wind Project in the municipalities of Burgos, Bacarra, Pasuquin and Laoag were either leased by EDC or expropriated accordingly and are currently being used for its wind and solar farm area and other facilities. The following table sets out certain information regarding EDC's landholdings:

Location / Project	Parcels of Land	Area (hectares)	Under Expropriation	Leased	Acquired	
					w/ title to EDC	Title for Consolidation
Fort Bonifacio	4	0.58	None	None	4	0
Baguio	1	0.26	None	None	1	None
Bacon-Manito Geothermal Project	32	24.31	None	None	13	20
Northern Negros Geothermal Project	151	105.16	19	119	12	1
Southern Negros Geothermal Project	60	100.88	3	12	None	46
Leyte Geothermal Project	92	199.09	11	9	23	49
Burgos Wind Project	2,146	899.25	1,648	498	None	None
Mindanao Geothermal Project	1	3.9	0	0	0	1
Total	2,487	1,333.43	1,681	638	53	117

None of the properties owned by EDC is subject to any mortgage, lien, encumbrance, or limitation on ownership and usage.

For lots whose titles are still in the name of the registered/previous owners, EDC engaged the services of local lawyers in Ormoc City and Dumaguete City for the judicial titling applications with the Regional Trial Courts of Ormoc City, Leyte and Valencia, Negros Oriental.

For its leased properties, majority of EDC's lease agreements cover properties located in its Burgos Wind power plant, and commonly have a lease term of 25 years. In general, the leased properties in the Burgos Wind power plant will be used for the wind farm area, other facilities, and sailover areas. The lease payments for the long term leases are usually paid in full to cover the duration of the contract.

Other geothermal sites that have existing lease agreements generally have a mid-term lease and are used for warehouses, access roads and drilling pads where the need to use the property is immediate, temporary, but renewable. Lease payments are usually paid in full for the whole duration of the contract at the start of the lease term. Transmission line lease agreements are perpetual in nature and are always paid in full.

The following table provides details on EDC's leased properties:

Location/Project	Parcels of land	Structures	Duration of lease	Payment Terms	Lease Amount (in Php millions)	Renewal options
Northern Negros Geothermal Project	119	Dedicated point-to-point limited facilities	Perpetual	One time	0.27	NA
Southern Negros Geothermal Project	12	Pipelines, Drilling Pads and Access Roads	5 years	Annual	0.30	Renewable
Leyte Geothermal Project	9	Drilling Pads, Parking Area	25 years	One Time	1.37	First option to buy
Mindanao Geothermal Project	1	Warehouse	5 years	One Time	0.04	Renewable
Metro Manila	2	Warehouse / Laboratory	7 years	Annual	8.10	Renewable, with first option to buy
Burgos Wind Project	144	Wind farm area / Dedicated point-to-point limited facilities	25 years	One Time	363.41	Renewable, with first option to buy
Total	287				373.49	

First Gen Hydro Power Corporation

The 120 MW Pantabangan Hydroelectric Power Plant (PHEP) is located at the foot of the Pantabangan dam and consists of two generators, each capable of generating full load power of 60.40 MW. Each generator is coupled to a vertical shaft Francis Turbine that converts the kinetic energy of the water from the dam at a design head of 75 meters.

The electric power output of PHEP is delivered to the Luzon Grid through a 13.8kV/230kV Ring Bus Switchyard, composed of two 75 MVA transformers.

Located some 7 kms. downstream of PHEP is the 12 MW Masiway Hydroelectric Power Plant (MHEP). It uses a Kaplan turbine to convert the energy of the low head but high flow release of water from the Masiway re-regulating dam. The power output of MHEP is delivered to the Grid through a switchyard mainly composed of a 15 MVA transformer, switching and protective equipment all owned by FG Hydro. In 2015, FG Hydro replaced the excitation, protection and governor system as well as the main step-up transformer of MHEP.

For both PHEP and MHEP, the power components owned and operated by FG Hydro are the power houses and generating equipment plus auxiliary systems, warehouses, lay down and areas associated with the powerhouses. In addition, FG Hydro also owns the steel penstock and main step-up transformers at PHEP. For MHEP, the intake and trash rack machine as well as the main step-up transformer that includes the 69 KV switchyard equipment are owned by FG Hydro. The transmission facilities including the switchyard at PHEP are owned by NGCP.

The volume of water release from the Pantabangan reservoir is based on the Irrigation Diversion Requirement of NIA. NIA operates and maintains the non-power components which include the watershed, spillway, intake structures of PHEP, and Pantabangan and Masiway reservoirs.

As of December 31, 2015, the net book value of property, plant and equipment amounted to ₱3,706.6 million.

Green Core Geothermal, Inc.

Located in Valencia, Negros Oriental, the Palinpinon geothermal power plant consists of two power stations, Palinpinon I and II, which are approximately five kilometers apart. Commissioned in 1983, Palinpinon I comprises three 37.5-MW steam turbines for a total rated capacity of 112.5 MW. Palinpinon II, on the other hand, consists of three modular power plants: Nasuji, Okoy 5 and Sogongon. The 20-MW Nasuji was commissioned in 1993, while the 20-MW Okoy 5 went on stream in 1994. Started in 1995, Sogongon consists of the 20-MW Sogongon 1 and 20-MW Sogongon 2. Situated in Sitio Sambaloran, Barangay Lim-ao, Kananga, Leyte province in Eastern Visayas, the Tongonan geothermal power plant consists of three 37.5-MW units, which went into commercial operations in 1983. Both plants use steam supplied by EDC.

Bac-Man Geothermal, Inc.

Located in Bacon, Sorsogon City and Manito, Albay in the Bicol region, the Bac-Man plant package consists of two steam plant complexes. The Bac-Man I geothermal facility comprises two (2) 55 MW turbines, which were both commissioned in 1993. Bac-Man II, on the other hand, consists of two (2) 20 MW units namely, Cawayan located in Barangay Basud and Botong in Osiao, Sorsogon City. The Cawayan unit was commissioned in 1994 and the Botong unit in 1998. EDC supplies steam to these plants.

EDC Burgos Wind Power Corporation

Located in the municipality of Burgos, Ilocos Norte, EBWPC hosts the 150MW Burgos Wind Project. The wind farm is comprised of 50 units of wind turbine generators spread across over 680 hectares and spans across the three barangays of Saoit, Nagsurot and Poblacion. Each wind turbine is designed with a 3.0MW capacity, totaling to 150MW. Aside from the turbines, located also within the power plant compound is a substation which serves as the dispatch point of the electricity. A 43-km transmission line connects the Burgos substation to the Laoag substation owned by the National Grid Corporation of the Philippines, injecting the electricity into the Luzon grid.

The power plant started commercial operations in November 2014 and is operating under the feed-in-tariff regime.

Unified Leyte Geothermal Energy, Inc.

Current operation involves managing and/or trading of 40 MW Strip of Energy from ULGPP under the IPPA contract with NPC.

Item 3. Legal Proceedings

- **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 Supreme Court (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 16, 2016, FGPC's legal counsel has not received the foregoing or any other resolution from the SC and the case remains pending.

Real Property Tax

In June 2003, FGPC received various Notices of Assessment and Tax Bills from the Provincial Government of Batangas, through the Office of the Provincial Assessor, imposing an annual RPT on steel towers, cable/transmission lines and accessories (the T-Line) amounting to \$0.2 million (₱12 million) per year. FGPC, claiming exemption from said RPT, appealed the assessment to the Provincial Local Board of Assessment Appeals (LBAA) and filed a Petition in August 2003 praying (1) that the Notices of Assessment and Tax Bills issued by the Provincial Assessor be recalled and revoked; and (2) that the Provincial Assessor drop from the Assessment Roll the 230 kV transmission lines from Sta. Rita to Calaca in accordance with Section 206 of the Local Government Code (LGC). FGPC argued that the T-Line does not constitute real property for RPT purposes, and even assuming that the T-Line is regarded as real property, FGPC is still not liable for RPT as it is NPC/TransCo, a government-owned and controlled corporation (GOCC) engaged in the generation and/or transmission of electric power, which has actual, direct and exclusive use of the T-Line. Pursuant to Section 234 (c) of the LGC, a GOCC engaged in the generation and/or transmission of electric power and which has actual, direct and exclusive use thereof, is exempt from RPT.

FGPC sought, and was granted, a preliminary injunction by the Regional Trial Court (Branch 7) of Batangas City (RTC) to enjoin the Provincial Treasurer of Batangas City from collecting the RPT pending the decision of the LBAA. Despite the injunction, the LBAA issued an Order requiring FGPC to pay the RPT within 15 days from receipt of the Order. FGPC filed an appeal before the Central Board of Assessment Appeals (CBAA) assailing the validity of the LBAA order. The CBAA in December 2006 set aside the LBAA Order and remanded the case to the LBAA. The LBAA was directed to proceed with the case on the merits without requiring FGPC to first pay the RPT on the questioned assessment. The LBAA case remains pending.

On May 23, 2007, the Province filed with the Court of Appeals (CA) a Petition for Review of the CBAA Resolution. The CA dismissed the petition in June 2007; however, it issued another Resolution in August 2007 reinstating the petition filed by the Province. In a decision dated March 8, 2010, the CA dismissed the petition for lack of jurisdiction.

In connection with the prohibition case pending before the RTC which issued the preliminary injunction, the Province filed a Motion to Dismiss in May 2011 which was denied by the RTC in an Order dated November 2011. However, FGPC was directed to amend its petition to include the Provincial Assessor as a party respondent. The Province filed a Motion for Reconsideration of this Order, which was denied by the RTC. On November 21, 2012, FGPC filed its Compliance with Amended Petition to implead the Provincial Assessor of Batangas. Pre-trial is set to continue in April 2016.

- **BPPC Real Property and Franchise Taxes**

On July 26, 2010, BPPC turned over the Bauang Plant to NPC/PSALM following the expiration of the 15-year Cooperation Period covering the project. Prior to the turnover, there were cases filed against BPPC involving the assessment of RPT and franchise tax by the local government.

Real Property Tax (RPT)

While BPPC had recognized a “Provision for real property taxes” in accordance with PAS 37, such provision for RPT and the related receivable from NPC were duly reversed as of December 31, 2010 on the ground that the transfer of the Bauang Plant constitutes full and complete satisfaction of all RPT claims against NPC/PSALM and BPPC.

Franchise Tax

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

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

- **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 Company, their respective boards of directors and officers, and John Does and Richard Roes. The petition was filed in connection with the oil leak which is being attributed to a portion of FPIC's white oil pipeline located in Bangkal, Makati City. The oil leak was found in the basement of the West Tower Condominium.

The petition was brought by the West Tower Condominium Corporation purportedly on behalf of its unit owners and in representation of the inhabitants of Barangay Bangkal, Makati City. The petitioners sought the issuance of a Writ of Kalikasan to protect the constitutional rights of the Filipino people to a balanced and healthful ecology, and prayed that the respondents permanently cease and desist from committing acts of negligence in the performance of their functions as a common carrier; continue to check the structural integrity of the entire 117-km white oil pipeline and replace the same; make periodic reports on findings with regard to the said pipeline and their replacement of the same; be prohibited from opening the white oil pipeline and allowing its use until the same has been thoroughly checked and replaced; rehabilitate and restore the environment, especially Barangay Bangkal and West Tower Condominium, at least to what it was before the signs of the leak became manifest; open a special trust fund to answer for similar contingencies in the future; and be temporarily restrained from operating the said pipeline until final resolution of the case.

On November 19, 2010, the SC issued a Writ of Kalikasan with Temporary Environmental Protection Order (TEPO) directing the respondents to: (i) make a verified return of the Writ within a non-extendible period of ten days from receipt thereof; (ii) cease and desist from operating the pipeline until further orders from the court; (iii) check the structural integrity of the whole span of the pipeline, and in the process apply and implement sufficient measures to prevent and avert any untoward incident that may result from any leak in the pipeline; and (iv) make a report thereon within 60 days from receipt thereof.

The 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 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 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 December 31, 2015, 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 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 No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 8749 (Philippine Clean Air Act of 1999) and Its Implementing Rules and Regulations, and RA 9275 (Philippine Clean Water Act of 2004). The complaint sought payment by the Defendants of actual damages comprising incurred rentals for alternative dwellings, incurred additional transportation and gasoline expenses and deprived rental income; recompense for diminished or lost property values to enable the buying of new homes; incurred expenses in dealing with the emergency; moral damages; exemplary damages; a medical fund; and attorney's fees.

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 December 31, 2015, 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 Company, Pilipinas Shell Petroleum Corporation and Chevron Philippines, Inc.

On December 14, 2011, a Counter-Affidavit with Verified Manifestation was filed by Francis Giles B. Puno, Director, President and Chief Operating Officer of the Company and one of the Respondents. The other Respondent-Directors of the 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 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 December 31, 2015, the case remains pending.

Bayan Muna Representatives, et al. vs. ERC and Meralco (G.R. No. 210245)

NASECORE, et al. vs. Meralco, ERC and DOE (G.R. No. 210255)

Meralco vs. Philippine Electricity Market Corporation (PEMC), et al (G.R. No. 210502)

Supreme Court

Manila

In these cases the Supreme Court (SC) issued separate Temporary Restraining Orders (TROs) restraining Meralco from increasing the generation charge rate it charges to its consumers during the November 2013 billing period, and similarly restraining PEMC and other generation companies, including certain subsidiaries of First Gen, namely, FGPC, FGP, FG Hydro, BGI, and BEDC, from demanding and collecting from Meralco the deferred amounts representing the costs raised by the latter. The TROs will remain effective until April 22, 2014, unless renewed or lifted ahead of such date.

On February 26, 2014, FGPC, FGP, FG Hydro, BGI and BEDC filed with the SC a Memorandum with Motion to Lift TRO. It is First Gen Group's position that its right to the payment of the generation charges owed by Meralco is neither dependent nor conditional upon Meralco's right to collect the same from its consumers. In the case of FGPC and FGP, Meralco's obligation to pay is contractual and thus governed by the terms and conditions of their respective PPAs. Ultimately, Meralco is bound to comply with its contractual obligations to FGPC and FGP, whether via the pass-through mechanism or some other means. On April 22, 2014, the subject TRO was extended indefinitely and until further orders from the SC.

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 First Gen 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 is seeking 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.

- **EDC**

- Expropriation Proceedings

- Several expropriation proceedings filed by the Republic of the Philippines, through the DOE, and PNOC to acquire lands needed by the Company for its power plants and projects are still pending before various Philippine courts, in particular, with respect to the land requirements of the Leyte Geothermal Production Field, the Southern Negros Geothermal Production Field, Northern Negros Geothermal Project and the Burgos Wind Project. By 2015, around 1,386 such cases had been filed of which 229 still remain pending in courts as of December 31, 2015. To date, neither the authority to expropriate land for the Company's use nor the Company's possession of the lands expropriated has been questioned in the pending proceedings. The common issue in these cases is the amount of compensation to be paid to the owners of expropriated lands.

- Tax Cases

- *Real Property Taxes*

- From 2009 to 2015, EDC paid under protest (and for refund) real property taxes ("RPT") in excess of the preferential RPT rate of 1.5% under Section 15 (c) of R.A. No. 9513 or the Renewable Energy Act of 2008 ("RE Law") in the total amount of ₱249.16 million. This includes RPT payment under protest to (and for refund from): (i) the City of Ormoc in the total amount of ₱142.81 million; (ii) Province of Leyte in the total amount of ₱68.75 million; (iii) City of Kidapawan in the total amount of ₱16.44 million; and (iv) the City of Bago in the total amount of ₱16.12 million; (v) Province of Negros Occidental in the total amount of ₱0.91 million and (vi) Province of Negros Oriental in the total amount of ₱4.13 million. The foregoing protests have been appealed to the respective Local Board of Assessment Appeals ("LBAA") having jurisdiction over the said cities and provinces and these appeals are still pending with the LBAA as of December 31, 2015.

As of December 31, 2015, EDC's subsidiaries, BGI, GCGI, and EBWPC have also paid under protest (and for refund) RPT payments mainly for being in excess of the 1.5% preferential RPT rate under the RE Law totaling ₱103.98 million. Of this amount, BGI has RPT paid under protest to (and for refund from): (i) the City of Sorsogon in the total amount of ₱3.92 million and to the Province of Albay in the total amount of ₱15.37 million; while GCGI has paid RPT under protest to (and for refund from): (i) the Province of Leyte in the total amount of ₱19.29 million; and (ii) the Province of Negros Oriental in the total amount of ₱47.17 million, and c) EBWPC has paid RPT under protest to (and refund from) the City of Laoag in the total amount of ₱0.4 million. These protests have been appealed to the respective LBAA having jurisdiction over the said city and provinces and these appeals are still pending with the LBAA as of December 31, 2015, except for the ₱17.82 million appeal by GCGI in the Province of Negros Oriental; and for the ₱0.4 million appeal by EBWPC which are now pending with the Central Board of Assessment Appeals (CBAA).

EDC and GCGI also have several appeals pending with the LBAA in relation to assessments or claims for exemption of certain real properties, including machineries and equipment for pollution control or environmental protection, which are exempt from RPT; while there is one appeal pending with the CBAA on the certain real properties located in Province of Negros Oriental. For EDC, assessments or claims for exemption on certain real properties located in the Province of

Leyte and the Cities of Sorsogon and Kidapawan were appealed and are still pending with the LBAA as of December 31, 2015. On the other hand, GCGI's Palinpinon I power plant assets located in Valencia, Negros Oriental, were issued an assessment which have been appealed to and is now pending before the LBAA as of December 31, 2015.

- *Franchise Taxes*

The Province of Leyte assessed EDC an aggregate of ₱310.6 million in franchise taxes in respect of the operations from 2000-2004, 2006 and 2007 of its geothermal power plants in the Province. EDC seasonably filed the corresponding appeals before the Regional Trial Court (RTC) of Tacloban City, Leyte, for the annulment of the assessments. The said cases have been docketed as Consolidated Civil Cases No. 2006-07-77, 2006-05-49, 2006-05-48 and 2007-08-03, and 2008-05-537 captioned PNOC EDC vs. province of Leyte, et. al (the "Consolidated Cases").

In December 2008, EDC received a Consolidated Notice of Assessment and Demand for Payment from the Province of Leyte, demanding from EDC the payment of franchise tax in the amount of ₱443.7 million. This assessment cancelled previous assessments since the new assessment covers the period starting 1998 until 2006. The matter is currently under appeal before the RTC of Tacloban City, Leyte, docketed as Civil Case No. 2009-04-46, captioned EDC vs. Province of Leyte, et al.

In relation to the Consolidated Cases, there is a pending case in the Supreme Court docketed as SC G.R. No. 203124 regarding EDC's motion for the issuance of a Writ of Preliminary Injunction restraining the Province from levying and collecting franchises taxes from EDC. EDC believes that it is not liable for franchise tax since it is not a holder of any legislative franchise, local or national, nor is one required for its operations or business.

- *Input Value Added Tax*

On April 24, 2009 and December 29, 2009, EDC filed Petitions for Review with the Court of Tax Appeals ("CTA") with respect to its un-acted claim from the Bureau of Internal Revenue for tax credit on input value added tax relating to EDC's zero-rated sales for 2007 and 2008, respectively. The aggregate claim amounts to ₱298.28 million. These cases entitled Energy Development Corporation (Formerly PNOC Energy Development Corporation) vs. Commissioner of Internal Revenue and have been docketed as CTA Case No. 7926 and 8019, respectively. EDC believes that its sales are zero-rated pursuant to the provisions of EPIRA and the provisions of the National Internal Revenue Code, as amended. The 2007 and 2008 input VAT claims have been appealed up to the Supreme Court where it is still pending as of December 31, 2015.

Civil Cases

As of December 31, 2015, there are 20 civil cases to which EDC is a party. Although the aggregate monetary claims in these cases amount to approximately ₱14.3 million, EDC does not believe that an adverse result in any one case pose a material risk to EDC's operations.

Labor Cases

As of December 31, 2015, there were 9 pending labor cases against EDC, most of which deal with plaintiffs' claims of illegal dismissal and backwages. Although the aggregate monetary claims in these cases amount to approximately ₱35.25 million, EDC does not believe that any one case poses a material risk to EDC's operations.

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

Not Applicable.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

First Gen was incorporated in the Philippines on December 22, 1998. First Gen and its operating subsidiaries FGPC (Santa Rita power plant), FGP (San Lorenzo power plant), FG Bukidnon (Agusan power plant), FG Hydro (Pantabangan-Masiway power facility), and EDC and its subsidiaries are involved in

power generation. EDC is also involved in steam generation. All its subsidiaries are incorporated in the Philippines. First Gen's ownership interests in these operating companies are indirectly held through intermediate holding companies, with the exception of FG Hydro where First Gen also directly holds a 40% interest.

MARKET INFORMATION

First Gen's common shares were listed with the Philippine Stock Exchange, Inc. on February 10, 2006. The high and low stock prices for 2014, 2015, and the 1st quarter of 2016 (as of March 15, 2016) are indicated below:

	High	Low
2016		
1Q (as of March 15, 2016)	22.65	17.60
2015		
4Q	27.00	21.30
3Q	28.15	21.30
2Q	31.30	24.30
1Q	31.80	25.40
2014		
4Q	27.55	23.85
3Q	27.10	20.20
2Q	23.30	18.06
1Q	20.00	13.14

The closing price of First Gen's common shares as of March 15, 2016 was P21.50 per share.

As of March 15, 2016, First Gen's public float is at 32.67%, computed as follows:

$$\frac{\text{Total Shares Owned by the Public}}{\text{Total Issued and Outstanding Shares}} \times 100$$

$$\frac{1,196,045,624}{3,660,943,557} \times 100 = \mathbf{32.67\%}$$

As of March 15, 2016, there were 357 common stockholders of record and 3,660,943,557 common shares issued and outstanding.

Following are the top 20 stockholders of First Gen as of March 15, 2016:

Common Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	2,424,990,159	66.239485%
2	PCD NOMINEE CORPORATION (FILIPINO)	817,935,924	22.342216%
3	PCD NOMINEE CORPORATION (FOREIGN)	371,168,548	10.138603%
4	F. YAP SECURITIES, INC.	13,927,200	0.380427%
5	GARRUCHO JR., PETER D.	6,787,004	0.185389%
6	LOPEZ, FEDERICO R.	5,569,511	0.152133%
7	LOPEZ, OSCAR M.	4,375,520	0.119519%
8	CROSLO HOLDINGS CORPORATION	2,000,000	0.054631%
9	PUNO, FRANCIS GILES B.	1,800,001	0.049168%
10	TANTOCO, RICHARD B.	1,768,681	0.048312%
11	PACITA KING YAP &/OR PHILIP KING YAP	1,150,000	0.031413%
12	PUNO, FRANCIS GILES B., &/OR MA. PATRICIA D. PUNO	1,105,800	0.030205%
13	DE GUIA, ARTHUR A.	752,160	0.020546%

14	ARLENE YAP TAN &/OR PAUL KING YAP JR.	530,000	0.014477%
15	GO,REGINA PIA BANAL	500,000	0.013658%
16	BENJAMIN K. LIBORO &/OR LUISA BENGZON LIBORO	480,400	0.013122%
17	VASAY, NESTOR H.	450,000	0.012292%
18	LOPEZ, CONSUELO R.	310,050	0.008469%
19	TAN,LOZANO A.	300,000	0.008195%
20	LOPEZ, MONINA D.	264,738	0.007231%
TOTAL SHARES (TOP 20)		3,656,165,696	99.869491%
TOTAL SHARES (REST OF STOCKHOLDERS)		4,777,861	0.130509%
TOTAL ISSUED AND OUTSTANDING SHARES		3,660,943,557	100.000000%

Series “B” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	1,000,000,000	100.000000%
TOTAL ISSUED AND OUTSTANDING SHARES		1,000,000,000	100.000000%

Series “E” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	468,553,892	100.000000%
TOTAL ISSUED AND OUTSTANDING SHARES		468,553,892	100.000000%

Series “F” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	61,654,000	96.886933%
2	KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS.	1,000,000	1.571462%
3	EUGENIO LOPEZ FOUNDATION, INC.	500,000	0.785731%
4	CROSLO HOLDINGS CORPORATION	200,000	0.314292%
5	PERLA RAYOS DEL SOL CATAHAN &/OR ROBERTO BUENAVIDEZ CATAHAN	50,000	0.078573%
6	GERTES,JOVITO VICTORINO	30,000	0.047144%
7	WIENEKE,MARIANELA ALDEGUER	30,000	0.047144%
8	EMELITA DE LEON SABELLA &/OR RONALDO CUSTODIO SABELLA	20,000	0.031429%
9	LACHICA,DANILO COMELIO,&/OR MA. BERNARDITA FERNANDEZ LACHICA	20,000	0.031429%
10	LIBORO,BENJAMIN KALUAG	20,000	0.031429%
11	MABASA,ANTHONY MILITAR	20,000	0.031429%
12	PCD NOMINEE CORPORATION (FOREIGN)	11,000	0.017286%
13	BRIGIDA QUINTOS PAGDAGDAGAN &/OR RAMON TAGARDA PAGDAGDAGAN	10,000	0.015715%
14	FADRI,ARDEL LABRADOR	10,000	0.015715%
15	FADRI,MILAGROS DELA VEGA	10,000	0.015715%
16	LEONIDES ULIT GARDE &/OR MARIA SALUD DE SANTOS GARDE &/OR LIANA ALEXANDRA DE SANTOS GARDE	10,000	0.015715%
17	MACEDA,MA. LOURDES ELVIRA RUFINO,&/OR JOSEFINA PADILLA RUFINO	10,000	0.015715%
18	MARTINEZ,VICTORIA A.	10,000	0.015715%
19	RICARDO BATISTA YATCO &/OR CYNTHIA ACOSTA YATCO	10,000	0.015715%
20	RICARDO BATISTA YATCO &/OR GERARDO BATISTA YATCO	10,000	0.015715%
TOTAL ISSUED AND OUTSTANDING SHARES		63,635,000	100.000000%

Series “G” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	81,278,720	60.769136%
2	FIRST PHILIPPINE HOLDINGS CORPORATION	50,296,450	37.604822%
3	LOPEZ, INC.	500,000	0.373832%
4	FIRST PHILIPPINE HOLDINGS CORPORATION PENSION FUND	300,000	0.224299%
5	CROSLO HOLDINGS CORPORATION	200,000	0.149533%
6	EUGENIO LOPEZ FOUNDATION, INC.	200,000	0.149533%
7	PCD NOMINEE CORPORATION (FOREIGN)	164,430	0.122938%
8	CATAHAN,PERLA R.,&/OR ROBERTO B. CATAHAN	100,000	0.074766%
9	LOPEZ,OSCAR M.,&/OR CONSUELO R. LOPEZ	100,000	0.074766%
10	ALEXANDER TAN SOLIS &/OR GINA TAN SINFUEGO	50,000	0.037383%
11	DE LA PAZ,PANFILO P.	50,000	0.037383%
12	G. D. TAN & CO., INC.	40,000	0.029907%
13	CLEMENTE, III,ENRIQUE C.	30,000	0.022430%
14	MARIANELA A. WIENEKE &/OR JORGE NOEL Y. WIENEKE	30,000	0.022430%
15	LACSON,SYLVIA F.	27,000	0.020187%
16	LORAYES,ANGELES Z.	25,000	0.018692%
17	WIENEKE,MARIANELA ALDEGUER	25,000	0.018692%
18	TEH,ALFONSO SY	22,000	0.016449%
19	ESGUERRA,ALMIRA JAZMIN P.	20,000	0.014953%
20	FRAGANTE,MARGARITA B.	20,000	0.014953%
TOTAL SHARES (TOP 20)		133,478,600	99.797084%
TOTAL SHARES (REST OF STOCKHOLDERS)		271,400	0.202916%
TOTAL ISSUED AND OUTSTANDING SHARES		133,750,000	100.000000%

DIVIDENDS

First Gen has a dividend policy to declare, subject to certain conditions, an annual cash dividend on its common shares equivalent to 30% of the prior year’s recurring net income. Any such declaration of cash dividend is conditional upon the recommendation of the board of directors, after taking into consideration factors such as, but not limited to, debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves, and working capital. Further, the declaration of a cash dividend is subject to the preferential dividend rights of the voting preferred shares and perpetual preferred shares. This dividend policy may be revised by the board of directors for whatever reason it deems necessary, reasonable, or convenient.

On August 15, 2007, the board of directors declared a cash dividend in the amount of: (i) ₱2.50 per share on all outstanding common shares in favor of stockholders of record as of September 7, 2007, with payment date of September 14, 2007; and (ii) ₱0.05 per share on all outstanding preferred shares in favor of stockholders of record as of September 7, 2007, with payment date of September 13, 2007.

On March 30, 2009, the board of directors of First Gen approved the declaration of a 50% stock dividend on First Gen’s common shares to be taken from unissued common shares, and a 50% property dividend on First Gen’s preferred shares to be taken from treasury preferred shares.

The Philippine SEC approved on August 27, 2009 the issuance of \$8.4 million (₱405.0 million) common shares consisting of 405,000,000 common shares with a par value of ₱1.00 per share, to cover the stock dividends declared by the board of directors on March 30, 2009 and ratified by the company’s stockholders representing at least two-thirds (2/3) of the outstanding capital stock on May 13, 2009. Record and payment dates of the common stock dividends were set at September 11, 2009 and October 7, 2009, respectively. The Philippine SEC’s approval was pursuant to the Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock or Cash Dividends of Corporations whose securities are registered under the SRC or listed in the PSE.

On September 23, 2009, the Philippine SEC approved First Gen's declaration of a 50% property dividend consisting of 177,619,000 preferred shares, to be taken from treasury preferred shares and amounting to \$7.6 million (₱680.3 million), in favor of First Gen's preferred stockholder of record as of May 13, 2009.

On October 5, 2009, the board of directors of First Gen approved the declaration of a property dividend on First Gen's preferred shares to be taken from the remaining 467,143,000 treasury preferred shares, and a stock dividend of 375,000,000 million Series "E" preferred shares to be taken from First Gen's unrestricted retained earnings. The board of directors likewise approved the reduction in the dividend rate of Series "A" to "D" preferred shares from ₱0.05 to ₱0.02 per share. The above matters were approved by the stockholders during the special stockholders' meeting held on November 20, 2009, and by the Philippine SEC on November 26, 2009. The property dividends were taken from the remaining 467,143,000 preferred shares held in treasury amounting to \$20.0 million (₱1,787.1 million), and paid to First Gen's preferred stockholder of record as of November 20, 2009.

On December 7, 2009, the Philippine SEC approved First Gen's declaration of stock dividends consisting of 375,000,000 Series "E" preferred shares amounting to \$4.0 million (₱187.5 million) in favor of the preferred stockholder of record as of December 7, 2009.

On March 8, 2010 and May 12, 2010, First Gen's board of directors and stockholders, respectively, approved the declaration of a stock dividend on Series "E" preferred shares consisting of 93,553,892 shares to be taken from the company's unrestricted retained earnings. On June 2, 2010, First Gen submitted to the Philippine SEC a notice of declaration of stock dividend on Series "E" preferred stocks.

On January 26, 2011, the board of directors approved the declaration of cumulative cash dividends on the Series "B" preferred shares amounting to \$1.8 million (₱77.8 million) to be taken from the company's unrestricted retained earnings. The cash dividends have a record date of February 9, 2011 and a payment date of March 7, 2011. In the same meeting, the board of directors approved the dividend rate of Series "E" preferred shares at ₱0.01 per share.

On July 5, 2011, the board of directors of First Gen approved the declaration of cash dividends of ₱0.01 a share amounting to \$0.1 million (₱4.7million) to First Gen's Series "E" Preferred stockholders of record as of July 19, 2011 and the cash payment date of July 25, 2011.

On December 15, 2011, the board of directors of First Gen approved the declaration of cash dividends on its preferred shares as follows:

- For all outstanding Series "B" preferred shares, cash dividends of two centavos (₱0.02) a share with record date of January 6, 2012 and payment date of January 25, 2012;
- For all outstanding Series "E" preferred shares, cash dividends of one centavo (₱0.01) a share with record date of January 6, 2012 and payment date of January 25, 2012; and,
- For all outstanding Series "F" perpetual preferred shares, cash dividends of four pesos (₱4.00) a share with record date of January 6, 2012 and payment date of January 25, 2012. The Series "F" preferred shares have a coupon rate of 8% and are entitled to receive dividends on a semi-annual basis.

The total cash dividends on preferred shares declared above totaling to \$9.7 million (₱424.7 million) was paid on January 25, 2012.

On March 13, 2012, the Philippine SEC approved an increase in First Gen's authorized capital stock from ₱7,250.0 million to ₱8,600.0 million by way of the creation of 135 million Series "G" perpetual preferred shares with a par value of ₱10.00 per share. Of the increase of ₱1,350.0 million, the amount of ₱337,500,000.00 consisting of 33,750,000 Series "G" preferred shares, representing at least 25% of the increase, was subscribed and paid in full by FPH in support of First Gen's application to increase its authorized capital stock.

On May 18, 2012, First Gen issued and listed with the PSE 100 million Series "G" preferred shares which are cumulative, non-voting, non-participating, non-convertible and peso-denominated. The shares were issued via follow-on offering at an issue price of ₱100.00 each. Under the terms of the Deed Poll covering the said shares, the dividend rate of the Series "G" perpetual preferred shares is 7.7808% per annum, and is payable, as and when declared by the Company's board of directors, every January 25 and July 25.

Thereafter, on May 25, 2012, FPH made an additional investment in First Gen in the amount of ₱1,800 million by paying the difference between the issue price it previously paid or ₱10.00 per share, and the issue price for the publicly-offered shares of ₱100.00 per share, on 20 million of the 33,750,000 Series “G” preferred shares held by it. This additional investment enabled FPH’s 20 million Series “G” preferred shares to enjoy the same rights and benefits as the holders of the 100 million Series “G” preferred shares offered to the public, including the dividend rate of 7.7808% per annum.

On June 15, 2012, the board of directors of First Gen approved the declaration of cash dividends on its perpetual preferred shares as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series “F” preferred shares;
- ₱1.47 per share or 7.7808% per share per annum on the 100 million Series “G” preferred shares subject of the follow-on offering on May 18, 2012; and
- ₱1.45 per share on the 120 million Series “G” preferred shares owned by FPH, broken down as follows: (i) ₱1.32 per share or 7.7808% per share per annum on the 20 million Series “G” preferred shares topped-up by FPHC on May 25, 2012; and (ii) ₱0.13 per share or 3.27% per share per annum on the 33,750,000 Series “G” preferred shares paid for by FPH on February 27, 2012.

The above cash dividends have a record date of June 29, 2012 and a payment date of July 25, 2012.

On November 21, 2012, First Gen directors approved the declaration of 2013 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series “B” preferred shares;
- ₱0.01 per share on all outstanding Series “E” preferred shares;
- ₱4.00 per share on all outstanding Series “F” preferred shares;
- ₱3.8904 per share on 120 million Series “G” preferred shares, consisting of 100 million Series “G” shares issued by way of follow-on offering in May 2012 plus 20 million Series “G” shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 2, 2013 and a payment date of January 25, 2013.

On June 19, 2013, the board of directors approved the declaration of cash dividends on its perpetual preferred shares as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series “F” preferred shares;
- ₱3.8904 per share or 7.7808% per share per annum on the 120 million Series “G” preferred shares, consisting of 100 million Series “G” preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series “G” preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement

The above cash dividends have a record date of July 3, 2013 and a payment date of July 25, 2013.

On July 10, 2013, the board of directors approved the declaration of cash dividends on its issued and outstanding common shares at the rate of ₱0.50 per share. The cash dividends have a record date of July 25, 2013 and a payment date of August 19, 2013.

On November 21, 2013, the board of directors approved the declaration of 2014 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series “B” preferred shares;
- ₱0.01 per share on all outstanding Series “E” preferred shares;
- ₱4.00 per share on all outstanding Series “F” preferred shares;

- ₱3.8904 per share on 120 million Series “G” preferred shares, consisting of 100 million Series “G” preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series “G” preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 2, 2014 and a payment date of January 27, 2014.

On June 16, 2014, the board of directors approved the declaration of cash dividends on its preferred shares as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series “F” preferred shares;
- ₱3.8904 per share or 7.7808% per share per annum on the 120 million Series “G” preferred shares, consisting of 100 million Series “G” preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series “G” preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement.

The above cash dividends have a record date of July 1, 2014 and a payment date of July 25, 2014.

On October 1, 2014, the board of directors approved the declaration of cash dividends on its issued and outstanding common stocks at the rate of ₱0.35 a share with record date of October 16, 2014 and payment date of October 30, 2014.

On November 13, 2014, the board of directors approved the declaration of 2015 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series “B” preferred shares;
- ₱0.01 per share on all outstanding Series “E” preferred shares;
- ₱4.00 per share on all outstanding Series “F” preferred shares;
- ₱3.8904 per share on 120 million Series “G” preferred shares, consisting of 100 million Series “G” preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series “G” preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 5, 2015 and a payment date of January 26, 2015.

On June 15, 2015, the board of directors of First Gen approved the declaration of cash dividends on its issued and outstanding redeemable preferred stocks as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series “F” preferred shares;
- ₱3.8904 per share or 7.7808% per share per annum on the 120 million Series “G” preferred shares, consisting of 100 million Series “G” preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series “G” preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement

The above cash dividends have a record date of July 1, 2015 and a payment date of July 27, 2015.

On July 22, 2015, the board of directors approved the declaration of cash dividends on its issued and outstanding common stocks at the rate of ₱0.35 a share with record date of August 5, 2015 and payment date of August 20, 2015.

On November 26, 2015, the board of directors approved the declaration of 2016 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series “B” preferred shares;
- ₱0.01 per share on all outstanding Series “E” preferred shares;

- ₱4.00 per share on all outstanding Series “F” preferred shares;
- ₱3.8904 per share on 120 million Series “G” preferred shares, consisting of 100 million Series “G” preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series “G” preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of December 23, 2015 and a payment date of January 25, 2016.

SALE OF UNREGISTERED / EXEMPT SECURITIES

Executive Stock Option Plan. Under the Corporation’s ESOP which was approved by the board of directors 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. There is currently no ESOP in place.

Employee Stock Purchase Plan. In accordance with the provisions of the ESPP, the plan expired on April 14, 2015, or ten (10) years from the plan’s adoption date of April 15, 2005. No award or issuance of shares has been granted to any employee under the plan, and no ESPP is currently in place.

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

The Management Report is hereto attached as **Exhibit “A”**.

Item 7. Financial Statements

The Company’s audited consolidated financial statements for the years ended December 31, 2015 and 2014 are hereto attached as **Exhibit “B”**.

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

SyCip Gorres Velayo & Co. (SGV) has acted as the Corporation’s external auditors since its incorporation in December 1998. SGV is in compliance with Rule 68, paragraph 3(b)(iv) of the SRC which requires the rotation of the handling partner every 5 consecutive years. The engagement partner who conducted the audit for calendar year 2015 is Ms. Jhoanna Feliza C. Go. She replaced Mr. Ladislao Z. Avila, who was the handling partner for the calendar years 2013-2014.

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

First Gen’s amended articles of incorporation provide for 9 seats in the board of directors. The corporation is required to have at least 2 independent directors or such independent directors as shall constitute at least 20% of the members of such board, whichever is lesser, pursuant to the requirements of Section 38 of the Securities Regulation Code. The directors serve for a period of 1 year and until their successors shall have been duly elected and qualified.

In meetings held by the corporation’s board of directors and stockholders in August 2005, the corporation’s by-laws were amended to provide for the nomination and election of independent directors. The Philippine SEC approved the amended by-laws in December 2005.

The following members of the board of directors were elected by the stockholders during the Annual General Meeting held on May 13, 2015:

Director	Nationality	Position	Age	Year Position was Assumed
Oscar M. Lopez	Filipino	Chairman Emeritus	86	1998
Federico R. Lopez	Filipino	Chairman	54	1998
Francis Giles B. Puno	Filipino	Director	51	2005
Richard B. Tantoco	Filipino	Director	49	2005
Peter D. Garrucho Jr.	Filipino	Director	72	1998
Elpidio L. Ibañez	Filipino	Director	65	1998
Eugenio L. Lopez III	Filipino	Director	63	2009
Tony Tan Caktiong	Filipino	Independent Director	63	2005
Jaime I. Ayala	Filipino	Independent Director	54	2013

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

Federico R. Lopez, born August 5, 1961, Filipino, has been a member of the board since December 1998. He is Chairman and CEO of publicly-listed companies First Gen, FPH, and EDC. He is a director of ABS-CBN Corporation and Vice Chairman of Rockwell Land Corporation, both of which are listed companies. He is also the Treasurer of Lopez Holdings Corporation. Mr. Lopez is Chairman of the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management and the *Sikat* Solar Challenge Foundation. He is a member of the board of trustees of the World Wide Fund – Philippines, the Philippine Tropical Forest Conservation Foundation, and the Philippine Disaster Recovery Foundation. He is a member of the Asia Business Council, the ASEAN Business Club, and the World Presidents' Organization. He is also President of *Ang Misyong, Inc.* and a member of the International Advisory Board of the New York Philharmonic. Mr. Lopez is a graduate of the University of Pennsylvania with a Bachelor of Arts degree in Economics and International Relations (*cum laude*, 1983).

Francis Giles B. Puno, born September 1, 1964, Filipino, was first elected to the board in August 2005. He is President and COO of First Gen. In October 2015 he assumed the position of President and COO of FPH, where he previously held the posts of Executive Vice President, CFO and Treasurer. He sits in the boards of publicly-listed companies FPH, EDC, and Rockwell Land Corporation. Mr. Puno previously worked as Vice President with the Global Power and Environmental Group of The Chase Manhattan Bank based in Singapore. He has a master's degree in Management from the Kellogg Graduate School of Management of Northwestern University (1990) and a degree in Bachelor of Science in Business Management from Ateneo de Manila University (1985).

Richard B. Tantoco, born October 2, 1966, Filipino, has been a director of the Corporation since August 2005. He is a Director and Executive Vice President of the Corporation, Executive Vice President of FPH, and President and Chief Operating Officer of EDC. Each of First Gen, FPH and EDC is a publicly-listed company. Mr. Tantoco previously worked with the management consulting firm Booz, Allen and Hamilton, Inc. in New York and London. He has an MBA in Finance from the Wharton School of Business of the University of Pennsylvania (1993) and a Bachelor of Science degree in Business Management from Ateneo de Manila University where he graduated with honors (1988).

Peter D. Garrucho Jr., born May 4, 1944, Filipino, has been a member of the board since the company's incorporation in December 1998. He sits in the boards of listed companies FPH and EDC. Until his retirement in January 2008 as Managing Director for Energy of FPH, Mr. Garrucho held the positions of Vice Chairman and CEO of the company. Mr. Garrucho served in Government as Secretary of Tourism and Secretary for Trade & Industry during the administration of President Corazon C. Aquino. He was also Executive Secretary and the Presidential Advisor for Energy Affairs under President Fidel V. Ramos. Mr. Garrucho has an AB-BSBA degree from De La Salle University (1966) and a master's degree in Business Administration from Stanford University (1971).

Elpidio L. Ibañez, born September 30, 1950, Filipino, was first elected to the board of directors in December 1998. He is a member of the board of FPH, where he served as President and COO since 1994 until his retirement in September 2015. Mr. Ibañez obtained a master's degree in Business Administration from the University of the Philippines (1975) and a Bachelor of Arts degree major in Economics from Ateneo de Manila University (1972).

Eugenio L. Lopez III, born August 13, 1952, Filipino, was first elected to the board of directors in September 2009. He is a director of FPH and Rockwell Land Corporation, Vice Chairman of Lopez Holdings Corporation, and Chairman of ABS CBN Corporation, all of which are publicly-listed companies. He is Chairman Emeritus of ABS CBN Lingkod Kapamilya Foundation, Inc. (formerly ABS CBN Foundation, Inc.), Chairman of Sky Cable Corporation, and Chairman/President of Bayan Telecommunications. Mr. Lopez graduated with a Bachelor of Arts degree in Political Science from Bowdoin College (1974), and has a master's degree in Business Administration from Harvard Business School (1980).

Tony Tan Caktiong, born January 5, 1953, Filipino, has been an Independent Director of the company since April 2005. He is the Chairman of Jollibee Foods Corporation and Co-Chairman of DoubleDragon Properties Corp., both of which are publicly-listed companies. He is a director of listed company Philippine Long Distance Telephone Company, and is at the helm of Chowking, Greenwich, Red Ribbon Bakeshop, Mang Inasal in the Philippines, and Yonghe King and Hong Zhuang Yuan in China. He is a member of the board of trustees of the Asian Institute of Management Alumni Leadership Foundation, Inc., St. Luke's Medical Hospital, Philippine Business for Education, and the Temasek Foundation of Singapore. He is a Gawad Mabini awardee with the rank of Commander (Dakilang Kasugo), an Agora Awardee for Outstanding Marketing Achievement, Triple A Alumni Awardee of the Asian Institute of Management, TOYM Awardee for Entrepreneurship, and a recipient of the World Entrepreneur of the Year award in 2004. Mr. Caktiong has a Bachelor of Science degree in Chemical Engineering from the University of Santo Tomas (1975) and has management tutoring certifications from Harvard University, Asian Institute of Management, University of Michigan Business School, and Harvard Business School.

Jaime I. Ayala, born March 24, 1962, Filipino, was elected Independent Director of the company in May 2013. He is the Founder and CEO of Hybrid Social Solutions, a social enterprise focused on empowering rural villages through solar energy. He was recognized as 2013 Schwab Foundation Social Entrepreneur of the Year and 2012 Ernst & Young Entrepreneur of the Year Philippines. Mr. Ayala was President and CEO of publicly-listed Ayala Land, Inc. and Senior Managing Director of Ayala Corporation. Prior to joining Ayala Corporation, he was a director (global senior partner) at McKinsey & Company, where he played a number of global and regional leadership roles, including head of the firm's Asian Energy Practice, and President of McKinsey's Manila office. Mr. Ayala sits as a trustee in the Princeton University Board of Trustees, Stiftung Solarenergie - Solar Energy Foundation, and the Philippine Tropical Forest Conservation Foundation. Mr. Ayala earned his master's degree in Business Administration from Harvard Business School (1988) where he graduated with honors, and completed his undergraduate work at Princeton University (1984) where he graduated *magna cum laude* in Economics.

As of March 15, 2016, the Company's senior management is composed of the following:

Officer	Nationality	Position	Age	Year position was assumed
Federico R. Lopez	Filipino	Chairman and CEO	54	Chairman since 2010; CEO since 2008
Francis Giles B. Puno	Filipino	President and COO	51	June 2010
Ernesto B. Pantangco	Filipino	Executive Vice President	65	2010
Jonathan C. Russell	British	Executive Vice President	51	2010
Richard B. Tantoco	Filipino	Executive Vice President	49	2008
Renato A. Castillo	Filipino	Senior Vice President	61	2011
Ferdinand Edwin S. Co Seteng	Filipino	Senior Vice President	53	2012
Colin Fleming	British	Senior Vice President	54	2012
Victor B. Santos Jr.	Filipino	SVP	48	2010
Emmanuel P. Singson	Filipino	SVP, CFO, and Treasurer	50	CFO since 2011, SVP and Treasurer since 2010
Nestor H. Vasay	Filipino	Senior Vice President	62	2010
Julicer A. Alvis	Filipino	Vice President	40	2014
Ramon J. Araneta	Filipino	Vice President	55	2014
Erwin O. Avante	Filipino	Vice President	41	2009
Jerome H. Cainglet	Filipino	Vice President	47	2011

Dominador M. Camu Jr.	Filipino	Vice President	54	2014
Ramon A. Carandang	Filipino	Vice President for Corporate Communications	48	2015
Ma. Aurora E. Ceniza	Filipino	Vice President	53	2015
Reman A. Chua	Filipino	Vice President	45	2015
Teodorico R. Delfin	Filipino	Vice President	47	2013
Valerie Y. Dy Sun	Filipino	VP & Head of Investor Relations	39	Head of Investor Relations since 2011, Vice President since 2012
Anna Karina P. Gerochi	Filipino	Vice President	48	2012
Dennis P. Gonzales	Filipino	Vice President	45	2009
Rachel R. Hernandez	Filipino	VP, Corporate Secretary and Compliance Officer	49	Corporate Secretary since 2009, VP since 2013, Compliance Officer since 2015
Shirley C. Hombrebueno	Filipino	Vice President	46	2011
Raymundo N. Jarque Jr.	Filipino	Vice President	49	2015
Ariel Arman V. Lapus	Filipino	Vice President	46	2009
Rassen M. Lopez	Filipino	Vice President	46	2015
Jorge H. Lucas	Filipino	Vice President	59	2010
Aloysius L. Santos	Filipino	Vice President	54	2007
Carmina Z. Ubaña	Filipino	VP & Comptroller	39	2011
Daniel H. Valeriano Jr.	Filipino	Vice President	66	2001
Charlie R. Valerio	Filipino	VP & Chief Information Officer	49	2012
Conrado Ernesto C. Viejo	Filipino	Vice President	44	2015
Ma. Theresa M. Villanueva	Filipino	Head of Internal Audit	39	2013
Vincent C. Villegas	Filipino	Vice President	43	2009

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

Jonathan C. Russell, born September 23, 1964, British, is Executive Vice President of the Company. He also sits as a member of the board of EDC, a listed company. Mr. Russell has a Bachelor of Science degree in Chemical and Administrative Sciences (with Honours) (1987) and a Master of Business Administration in International Business and Export Management degree (with Distinction) (1989), both from City University Business School in London, England.

Renato A. Castillo, Filipino, born June 7, 1954, is a Senior Vice President of the Company. Mr. Castillo has a degree in Bachelor of Science in Commerce major in Accounting from De La Salle University (1974).

Ferdinand Edwin S. Co Seteng, born October 27, 1962, is a Senior Vice President of the Company and FPH. He is a director of publicly-listed companies FPH and Rockwell Land Corporation. Mr. Co Seteng is a B.S. Electrical Engineering graduate from the University of the Philippines (1985) and holds a Master of Business Administration degree (with distinction) from the Johnson Graduate School of Management of Cornell University (1988).

Colin Fleming, born October 2, 1961, British, is a Senior Vice President of the Company. Mr. Fleming holds a Bachelor of Science degree in Mechanical Engineering from the Institute of Technology, Dundee, United Kingdom (1986), and is a Chartered Engineer and a member of the European Federation of National Engineering Associations.

Victor B. Santos Jr., born September 7, 1967, Filipino, is Senior Vice President, Compliance Officer, and Corporate Information Officer of the Company. He is also a Senior Vice President of FPH, a listed company. Mr. Santos has a master's degree in Business Administration from Fordham University (1995) and a Bachelor of Science degree in Management of Financial Institutions from De La Salle University (1989).

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

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

Julicer A. Alvis, born June 16, 1975, Filipino, is a Vice President of the Company. He is a graduate of Bachelor of Science in Mechanical Engineering from the University of the Philippines (1997). Mr. Alvis placed 4th in the April 1998 Mechanical Engineering board examination.

Ramon J. Araneta, born August 13, 1960, Filipino, is a Vice-President of the Company. Mr. Araneta holds a degree in Bachelor of Arts Economics from Ateneo de Manila (1981).

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

Dominic M. Camu Jr., born July 12, 1961, Filipino, is a Vice President of the Company. He is also Senior Vice President of EDC. Mr. Camu graduated with a Bachelor of Science degree in Electrical Engineering from Mapua Institute of Technology (1983). He is a member of the Philippine Society of Institute of Integrated Electrical Engineers. He passed the board examinations for Electrical Engineer in 1984.

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

Ramon A. Carandang, born September 2, 1967, Filipino, is Vice President for Corporate Communications of the Company and FPH, and Vice President of EDC, all of which are listed companies. He has a Bachelor of Arts degree in Management Economics from Ateneo de Manila University (1989).

Ma. Aurora E. Ceniza, born December 24, 1962, Filipino, is a Vice President of the Company. She holds an Economics degree from UP Diliman (1983), a joint program for MS in Energy Management and Policy from the University of Pennsylvania, and an M.S. Politique Et Gestion De l'Energie At École Nationale Supérieure Du Pétrole - Institut Francais Du Petrole (IFP), France (1991).

Reman A. Chua, born October 9, 1970, Filipino, is a Vice President of the Company and EDC, both of which are listed companies. He has a Bachelor of Arts degree in Economics from the Ateneo de Manila University (1991) and a Master in Business Management from the Asian Institute of Management (2002).

Teodorico R. Delfin, born September 19, 1968, is a Vice President of the Company and is the Corporate Secretary of publicly-listed EDC. Mr. Delfin holds a Bachelor of Arts in Political Science degree (1989) and Bachelor of Laws degree (1997), both from the University of the Philippines.

Valerie Y. Dy Sun, born December 23, 1976, is Vice President and Head of Investor Relations of the Company. She has a Bachelor of Arts degree in Management Economics from Ateneo de Manila University (1998) where she graduated with honors, and a master's degree in Business Management from the Asian Institute of Management, dean's list (2002).

Anna Karina P. Gerochi, born August 2, 1967, Filipino, is a Vice President of the Company and FPH, both of which are listed companies. She has a Bachelor of Arts in Mathematics degree (1988) and a Master of Engineering in Operations Research and Industrial Engineering degree (1989), both from Cornell University, and an Executive MBA degree from the Asian Institute of Management, with distinction (2006).

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

Rachel R. Hernandez, born April 24, 1967, Filipino, is Vice President, Corporate Secretary, and Compliance Officer of the Company. She obtained her Bachelor of Arts degree in Philosophy (1986) and Bachelor of Laws degree (1992) from the University of the Philippines, and is licensed to practice law in the Philippines and New York.

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

Raymundo N. Jarque Jr., born September 26, 1966, Filipino, is a Vice President of the Company and EDC, both of which are listed companies. He has a Bachelor of Science degree in Mechanical Engineering from the University of the Philippines (1989) and an Executive MBA from the Asian Institute of Management (2000).

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

Rassen M. Lopez, born August 9, 1969, Filipino, is a Vice President of the Company and EDC, both of which are listed companies. Mr. Lopez holds degrees in Bachelor of Science in Industrial Engineering (1992), Bachelor of Laws (2008), and Master of Science in Finance (2003), all from the University of the Philippines.

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

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

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

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

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

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

Vincent Martin C. Villegas, born October 5, 1972, Filipino, is a Vice President of the Company. He has a master's degree in Business Management from the Asian Institute of Management (1998) and an AB in Management Economics from Ateneo de Manila University (1993).

(2) Significant Employees

The Corporation considers the collective efforts of all its employees as instrumental to the overall success of the Corporation's performance.

(3) Family Relationships

Federico R. Lopez is the son of Oscar M. Lopez, and is a 1st cousin of Eugenio L. Lopez III. Ernesto B. Pantangco is the cousin of the wife of Oscar M. Lopez; and the wives of Federico R. Lopez and Francis Giles B. Puno are sisters.

(4) Involvement in Certain Legal Proceedings

To the best of the Corporation's knowledge, as of the date of this report, there has been no occurrence during the past 5 years of any of the following events which are material to an evaluation of the ability or integrity of any director, nominee for election as director, or executive officer of the Corporation:

- a. Any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, or executive officer of the Corporation, was a general partner or executive officer either at the time of the bankruptcy or within 2 years prior to that time;
- b. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign (excluding traffic violations and other minor offenses), save for the criminal complaint discussed in Item 3 (Legal Proceedings) entitled West Tower Condominium Corporation vs. Leonides Garde, *et al.*;
- c. Any order, judgment or decree not subsequently reversed, suspended or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of a director, person nominated to become a director, or executive officer, in any type of business, securities, commodities or banking activities; or
- d. Any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, that any director, person nominated to become a director, or executive officer, has violated a securities or commodities law.

Item 10. Executive Compensation

- a) Certain officers of the Company, including the top 5 members of senior management listed in the table below, are seconded from FPH and some of the First Gen's subsidiaries and affiliates, and receive their salaries from FPH or the relevant investee company of the corporation, as the case may be.

Name and Position	Year	Salary (in PHP)	Bonus/Other Income (in PHP)
Federico R. Lopez Chairman and CEO			
Francis Giles B. Puno President and COO			
Richard B. Tantoco Executive Vice President			
Jonathan Russell Executive Vice President			
Victor B. Santos Jr. SVP and Compliance Officer			
CEO and the 4 most highly compensated officers named above	2014	160,029,000	265,764,455
	2015	170,602,657	195,911,307

	2016 (est)	176,777,040	135,532,768
Aggregate compensation paid to all officers and directors as a group unnamed	2014	320,450,944	379,188,484
	2015	361,041,556	358,867,935
	2016 (est)	370,407,904	266,861,037

b) Standard Arrangements

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

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

The company does not have any compensatory plan or arrangement that results or will result from the resignation, retirement, or any other termination of an executive officer's employment with the Company or its subsidiaries, or from a change in control of the Company, or a change in an executive officer's responsibilities following a change in control, except for such rights as may have already vested under the Company's Retirement Plan.

d) Warrants and Options Outstanding

Executive Stock Option Plan (ESOP)

Under the Corporation's ESOP which was approved by the board of directors in July 2002, there was 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. There is currently no ESOP in place.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record & Beneficial Owners

The equity securities of the Corporation consist of common and preferred shares. The common shares, as well as Series "B" and "E" preferred shares, are voting; the Series "F" and "G" preferred shares are non-voting.

As of March 15, 2016, the Company knows of no one who is directly or indirectly the record or beneficial owner of more than 5% of the corporation's capital stock except as set forth below:

COMMON SHARES:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Common Shares
Common	FPH 6 th Floor Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City FPH is the parent of the Corporation.	FPH is the record and beneficial owner of the shares indicated. ¹	Filipino	2,424,990,159	66.24%
Common	PCD Nominee Corp. 37 th Floor Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City	Various	Filipino Foreign	817,935,924 371,168,548	22.34% 10.14%

¹ The following have been appointed proxies of FPH to represent it and vote its shares during the annual general meeting: Federico R. Lopez or, his absence, Francis Giles B. Puno or Emmanuel P. Singson

	Owner of more than 5% under PCD Nominee Corp.				
Common	Deutsche Bank Manila-Clients A/C 26 th Floor Ayala Tower One Ayala Triangle Makati City ²	Various	Foreign	204,526,741	5.59%

PREFERRED SHARES:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Voting Preferred Shares
Voting Preferred Shares (Series B and E)	FPH	FPH is the record and beneficial owner of the shares.	Filipino	1,468,553,892	100.00%
Non-Voting Preferred Shares (Series F)	PCD Nominee Corp. (Filipino)	Various	Filipino	61,654,000* <i>*This is inclusive of the 16,745,930 shares of FPH.</i>	31.24%

	Owner of more than 5% under PCD Nominee Corp.				
Non-Voting Preferred Shares (Series F)	BDO Securities Corporation 27 th Floor Tower I & Exchange Plaza Ayala Ave., Makati City	Various	Filipino Foreign	25,075,530 10,000	12.71%
Non-Voting Preferred Shares (Series F)	RCBC Securities, Inc. Unit 1008 Tower I & Exchange Plaza Ayala Ave., Makati City	Various	Filipino Foreign	10,000,000 1,000	5.07%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Non-Voting Preferred Shares
Non-Voting Preferred Shares (Series G)	FPH	FPH is the record and beneficial owner of the shares.	Filipino	50,296,450	25.48%
Non-Voting Preferred Shares (Series G)	PCD Nominee Corp. (Filipino)	Various	Filipino	81,278,720	41.18%

	Owner of more than 5% under PCD Nominee Corp.				
Non-Voting Preferred Shares (Series G)	BDO Securities Corporation 27 th Floor Tower I & Exchange Plaza Ayala Ave., Makati City	Various	Filipino Foreign	39,438,820 114,100	20.04%

² Deutsche Bank Manila – Clients A/C is a participant of the Philippine Central Depository, Inc. (PCD). None of its clients holds more than 5% of First Gen's capital stock.

(2) Security Ownership of Management as of March 15, 2016:

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

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percentage to Common Shares
Common	Oscar M. Lopez	Direct - 4,375,520	Indirect - 310,050	Filipino	0.1280%
Common	Federico R. Lopez	Direct - 5,569,397	Indirect - 264,738	Filipino	0.1594%
Common	Francis Giles B. Puno	Direct - 8,090,930		Filipino	0.2210%
Common	Richard B. Tantoco	Direct - 4,504,620		Filipino	0.1230%
Common	Peter D. Garrucho Jr.	Direct - 6,887,004		Filipino	0.1881%
Common	Elpidio L. Ibañez	Direct - 1,900,000		Filipino	0.0519%
Common	Eugenio L. Lopez III	Direct - 150		Filipino	0.0000%
Common	Tony Tan Caktiong	Direct - 165		Filipino	0.0000%
Common	Jaime I. Ayala		1	Filipino	0.0000%
Common	Ernesto B. Pantangco	Direct - 2,316,866		Filipino	0.0633%
Common	Jonathan C. Russell	Direct - 1,484,538		British	0.0406%
Common	Renato A. Castillo	0		Filipino	0.0000%
Common	Victor B. Santos Jr.	0		Filipino	0.0000%
Common	Emmanuel P. Singson	Direct - 605,000		Filipino	0.0165%
Common	Nestor H. Vasay	Direct - 525,000		Filipino	0.0143%
Common	Ferdinand Edwin S. Co Seteng	0		Filipino	0.0000%
Common	Colin Fleming	Direct - 33,300		British	0.0009%
Common	Julicer A. Alvis	0		Filipino	0.0000%
Common	Ramon J. Araneta	Direct - 60,028		Filipino	0.0016%
Common	Erwin O. Avante	Direct - 273,875		Filipino	0.0075%
Common	Jerome H. Cainglet	Direct - 294,416		Filipino	0.0080%
Common	Dominador M. Camu Jr.	0		Filipino	0.0000%
Common	Ramon A. Carandang	0		Filipino	0.0000%
Common	Ma. Aurora E. Ceniza	0		Filipino	0.0000%
Common	Reman A. Chua	Direct - 4,500		Filipino	0.0001%
Common	Teodorico R. Delfin	0		Filipino	0.0000%
Common	Valerie Y. Dy Sun	0		Filipino	0.0000%
Common	Ana Karina P. Gerochi	0		Filipino	0.0000%
Common	Dennis P. Gonzales	Direct - 465,000		Filipino	0.0127%
Common	Rachel R. Hernandez	Direct - 8,299		Filipino	0.0002%
Common	Shirley C. Hombrebueno	Direct - 410,749		Filipino	0.0112%
Common	Raymundo N. Jarque Jr.	Direct - 42,948		Filipino	0.0012%
Common	Ariel Arman V. Lapus	0		Filipino	0.0000%
Common	Rassen M. Lopez	0		Filipino	0.0000%
Common	Jorge H. Lucas	Direct - 169,729		Filipino	0.0046%
Common	Aloysius L. Santos	0		Filipino	0.0000%
Common	Carmina Z. Ubaña	Direct - 10,268		Filipino	0.0003%
Common	Daniel H. Valeriano Jr.	Direct - 1,300,000		Filipino	0.0355%
Common	Charlie R. Valerio	0		Filipino	0.0000%
Common	Conrado Ernesto C. Viejo	0		Filipino	0.0000%
Common	Ma. Theresa M. Villanueva	0		Filipino	0.0000%
Common	Vincent C. Villegas	Direct - 269		Filipino	0.0000%

As of March 15, 2016, the aggregate amount of common shares registered in the names of the directors and officers of the Corporation is 39,907,360.

(3) Voting Trust Holders of 5% or more

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

(4) Changes in Control

There are no existing provisions in the Corporation's amended articles of incorporation or amended by-laws which will delay, defer, or in any manner prevent a change in control of the Corporation. However, FPH is the sole holder of the Corporation's Series "B" and "E" voting preferred shares. Under the Corporation's amended articles of incorporation, the voting preferred shares can only be transferred to Philippine citizens or corporations at least 60% of the outstanding equity capital is beneficially owned by Philippine citizens and which, in either case, are not in competition with FPH or any of its affiliates.

Item 12. Certain Relationships and Related Transactions

To the best of the Corporation's knowledge, there has been no material transaction during the past 2 years, nor is there any material transaction presently proposed, to which the Corporation was or is to be a party, in which any of its directors, executive officers, nominees for election as directors, or any individual owning, directly or indirectly, significant voting power of the Corporation, or any close family members of such individuals, had or is to have a direct or indirect material interest except as provided hereunder.

The following are the other significant transactions with related parties:

- a. Due to related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of 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.
- c. First Gen Group leased its office premises where its previous principal offices were located from First Philippine Realty Corporation (FPRC), also a subsidiary of FPH.
- d. The 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 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 ₱28.4 million, net of withholding taxes plus VAT.
- e. Following the usual bidding process in 2010, EDC awarded to First Balfour, Inc. (First Balfour) a procurement contract for various works such as civil, structural and mechanical/piping works in EDC's geothermal, 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, 2015, the outstanding balances of EDC's payables to First Balfour and Thermaprime totaled to US\$41.6 million, recorded under "Accounts payable and accrued expenses" account in the consolidated financial statements.

First Balfour is a wholly owned subsidiary of FPH.

- f. GSPA between PMPC and FGP
On December 4, 2015, PMPC (as "Buyer") and FGP (as "Seller") entered a GSPA wherein the Seller shall sell and tender for delivery to Buyer at the Delivery Point, and Buyer shall purchase and take from Seller the quantities of natural gas determined by Buyer to meet the operating requirements of the Avion Plant, provided that such quantities shall not exceed the Available Daily Gas Quantity and the Available Annual Gas Quantity, as applicable, and provided further that, the Seller shall have no obligation to tender for delivery quantity of natural gas if there is restriction or expected restriction in the availability of natural gas or if the quantity of natural gas is or will not be sufficient after taking into consideration the operational requirements of the Seller.
- g. Intercompany Guarantees
 - i. During its February 26, 2014 meeting, the board of directors approved the confirmation, ratification and approval of the authority of the Company, pursuant to Clause (i) of the Second Article of the 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 414MW San Gabriel Avion power plant and PMPC, which is the operating company of the 97 MW Avion

power plant, under such terms and conditions as the Company's duly authorized representatives may deem necessary, proper or convenient in the best interest of the Company and its relevant subsidiary. On May 12, 2014, the stockholders of the Company ratified and confirmed such authority.

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

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

- ii. EDC issued letters of credit amounting to \$80.0 million in favor of its subsidiary, EDC Chile Limitada, as evidence of its financial support for EDC Chile Limitada's participation in the bids for geothermal concession areas by the Chilean Government.

EDC also issued letters of credit in favor of its subsidiaries in Peru, namely, EDC Quellaapacheta and EDC Energia Verde Peru S.A.C. at \$0.27 million each as evidence of EDC's financial support for the geothermal authorizations related to the exploration drilling activities of the said entities.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance. Please refer to the Annual Corporate Governance Report (ACGR) for 2015, hereto attached as **Exhibit “E”**.

PART V - EXHIBITS AND SCHEDULES

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

(1) Exhibits

Exhibit “A”	Management Report
Exhibit “B”	Audited Consolidated Financial Statements for the years ended December 31, 2015 and 2014, and the Audited Parent Company Financial Statements stamped received by the BIR
Exhibit “C”	SRC Rule 68, As Amended (2011) [Schedules]
Exhibit “D”	Audit Committee Report for the year 2015
Exhibit “E”	Annual Corporate Governance Report for the year 2015

(2) Reports on SEC Form 17-C

The Company filed the following reports on SEC Form 17-C (Current Report) during the period January to December 2015:

<u>January 20, 2015</u>	The Company reported the issuance and sale of an aggregate of 297,029,800 common shares to be taken from its unissued capital stock and treasury stock at an issue price of ₱25.25 per share, which price represents a 2.9% discount to the last traded price of ₱26.00 per share.
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February 16, 2015 Approval by the board of directors of the details of the 2015 Annual General Meeting as follows:

Date: May 13, 2015 (Wednesday)
Time: 10:00 am
Venue: The Rockwell Tent
Rockwell Center
Makati City
Record Date: March 4, 2015

March 12, 2015 Approval by the board of directors of the following material resolutions:

- 1) The amendment to the Seventh Article of the Amended Articles of Incorporation to increase the authorized capital stock from ~~₱~~8.6 billion to ~~₱~~10.2 billion by way of creating 160 million Series “H” preferred shares with a par value of ~~₱~~10.00 per share;
- 2) The Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013;
- 3) The appointment of SyCip Gorres Velayo & Co. as the company’s external auditors for 2015-2016; and
- 4) The nominations of the following for re-election to the board of directors for the period 2015-2016 and until the election and qualification of their successors:

Mr. Oscar M. Lopez
Mr. Federico R. Lopez
Mr. Francis Giles B. Puno
Mr. Richard B. Tantoco
Mr. Peter D. Garrucho Jr.
Mr. Elpidio L. Ibañez
Mr. Eugenio L. Lopez III
Mr. Tony Tan Caktiong (Independent Director)
Mr. Jaime I. Ayala (Independent Director)

May 13, 2015 The Company disclosed stockholder approval of the following matters:

- 1) Election of the following members of the board of directors:

Oscar M. Lopez
Federico R. Lopez
Francis Giles B. Puno
Richard B. Tantoco
Peter D. Garrucho Jr.
Elpidio L. Ibanez
Eugenio L. Lopez III
Tony Tan Caktiong (Independent Director)
Jaime I. Ayala (Independent Director)
- 2) Approval of the Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013.
- 3) Re-appointment of SyCip Gorres Velayo & Co. as the company’s external auditors for 2015-2016.
- 4) The amendment to the Seventh Article of the Amended Articles of Incorporation to increase the authorized capital stock from ~~₱~~8.6 billion to ~~₱~~10.2 billion by way of creating 160 million Series “H” preferred shares with a par value of ~~₱~~10.00

per share and with the following features: non-voting except in the cases provided by law; issue value and dividend rate to be determined by the board of directors at the time of issuance; entitled to receive cumulative dividends; redeemable at the option of the Corporation; and, in the event of any voluntary or involuntary liquidation, dissolution, distribution of assets or winding up of the Corporation, entitled to be paid at their issue value plus any accrued and unpaid dividends thereon. Like the Series “F” and “G” preferred shares, the Series “H” preferred shares shall be excluded from sub-paragraph (5) which provides that stock dividends for one class or series of Preferred Shares may be declared and issued from a different class or series of Preferred Shares.

The Company also reported board approval of the following material resolutions:

1) Election of the following officers of the corporation:

Oscar M. Lopez - Chairman Emeritus
 Federico R. Lopez - Chairman and Chief Executive Officer
 Francis Giles B. Puno - President and Chief Operating Officer
 Richard B. Tantoco - Executive Vice President
 Ernesto B. Pantangco - Executive Vice President
 Jonathan C. Russell - Executive Vice President
 Renato A. Castillo - Senior Vice President
 Victor B. Santos Jr. - SVP and Compliance Officer
 Emmanuel P. Singson - SVP, CFO, Treasurer
 Nestor H. Vasay - Senior Vice President
 Ferdinand Edwin S. Co Seteng - Senior Vice President
 Colin J.D. Fleming - Senior Vice President
 Julicer A. Alvis - Vice President
 Ramon J. Araneta - Vice President
 Erwin O. Avante - Vice President
 Jerome H. Cainglet - Vice President
 Dominador M. Camu Jr. - Vice President
 Ramon A. Carandang - Vice President for Corporate Communications
 Ma. Aurora E. Ceniza - Vice President
 Teodorico R. Delfin - Vice President
 Valerie Y. Dy Sun - Vice President and Head of Investor Relations
 Ana Karina P. Gerochi - Vice President
 Dennis P. Gonzales - Vice President
 Shirley C. Hombrebueno - Vice President
 Ariel Arman V. Lapus - Vice President
 Jorge H. Lucas - Vice President
 Aloysius L. Santos - Vice President
 Carmina Z. Ubaña - Vice President and Comptroller
 Daniel H. Valeriano Jr. - Vice President
 Charlie R. Valerio - Vice President and Chief Information Officer
 Vincent C. Villegas - Vice President
 Ma. Theresa M. Villanueva - Head of Internal Audit
 Rachel R. Hernandez - Vice President and Corporate Secretary
 Anna Marie M. Sencio - Assistant Corporate Secretary

2) Election of the members of the following committees:

Nomination and Governance Committee: Federico R. Lopez (Chairman),
 Richard B. Tantoco, Tony Tan Caktiong

Compensation and Remuneration Committee: Tony Tan Caktiong (Chairman),
 Federico R. Lopez, Peter D. Garrucho Jr.

Audit Committee: Jaime I. Ayala (Chairman), Elpidio L. Ibañez, Tony Tan Caktiong, Peter D. Garrucho Jr.

Risk Management Committee: Peter D. Garrucho Jr. (Chairman), Elpidio L. Ibañez, Francis Giles B. Puno, Jaime I. Ayala

Executive Committee: Federico R. Lopez (Chairman), Francis Giles B. Puno, Richard B. Tantoco, Ernesto B. Pantangco, Jonathan C. Russell

<u>June 9, 2015</u>	Further to the Company's January 20, 2015 disclosure on the issuance and sale of an aggregate of 297,029,800 common shares at an issue price of ₱25.25 per share, the Company reported that the Philippine Stock Exchange Inc. approved the listing of 17,623,100 common shares of stock with a listing date of June 4, 2015. The said shares of stock were taken from the Corporation's unissued capital stock and issued to FPH via private placement.
<u>June 15, 2015</u>	The Company disclosed that its board approved the declaration of cash dividends on its Series F and G preferred shares as follows: ₱4.00 per share on all outstanding Series F preferred shares; ₱3.8904 per share on 120 million Series G preferred shares (consisting of 100 million Series G shares issued by way of follow-on offering in May 2012 plus 20 million Series G shares topped-up by FPH); and ₱0.38904 per share on the 13,750,000 Series G preferred shares issued to FPH by way of private placement. The cash dividends have a record date of July 1, 2015 and a payment date of July 27, 2015.
<u>June 18, 2015</u>	The Company reported that it purchased (i) 13 million Series B preferred shares of stock of Prime Terracota Holdings Corp. (Prime Terracota) owned by the Employees Retirement Plan of Lopez Inc. (Lopez Inc. Retirement Fund); and (ii) 16 million Series B preferred shares of stock of Prime Terracota owned by Quialex Realty Corporation. Prime Terracota is the effective 60% voting / 40% economic owner of EDC through its subsidiary Red Vulcan Holdings Corporation.
<u>July 22, 2015</u>	The Company disclosed that its board approved the declaration of cash dividends on its issued and outstanding common shares at ₱0.35 per share. The cash dividends have a record date of August 5, 2015 and a payment date of August 20, 2015.
<u>August 13, 2015</u>	The Company advised the appointment of the following as Vice Presidents of the Corporation: Reman A. Chua, Raymundo N. Jarque Jr., Rassen M. Lopez, and Conrado Ernesto C. Viejo. Their appointments will be submitted for the approval of the board of directors at its next meeting.
<u>Sept. 14, 2015</u>	The Company reported that its board approved the appointments of Reman A. Chua, Raymundo N. Jarque Jr., Rassen M. Lopez, and Conrado Ernesto C. Viejo as Vice Presidents; and Rachel R. Hernandez as Compliance Officer. Ms. Hernandez will replace former Compliance Officer Victor B. Santos Jr. who has elected to focus on his other duties and responsibilities as Senior Vice President for both First Gen and FPH.
<u>Sept. 22, 2015</u>	The Company disclosed the signing of a US\$200 million Term Loan Agreement with BDO Unibank, Inc. as lender and BDO Capital & Investment Corp. as Arranger. First Gen intends to use the proceeds from the notes as funding for its subsidiaries' capital requirements and other general corporate purposes. The facility will have a tenor of 10 years from issue date.
<u>October 6, 2015</u>	The Company advised that it purchased from the market 36,365,000 Series F preferred shares at ₱110.00 per share. The transaction was made pursuant to a 2-year buyback program approved by the board of directors on May 12, 2014 covering up to ₱5 billion worth of Series F and G preferred shares.

Nov. 26, 2015

The Company disclosed board approval of the declaration of cash dividends on the company's preferred shares as follows: ₱0.02 per share on all outstanding Series B preferred shares; ₱0.01 per share on all outstanding Series E preferred shares; ₱4.00 per share on all outstanding Series F preferred shares; ₱3.8904 on 120 million Series G preferred shares (consisting of 100 million Series G shares issued by way of follow-on offering plus 20 million Series G shares topped-up by FPH); and ₱0.38904 per share on the 13,750,000 Series G preferred shares issued to FPH by way of private placement. The cash dividends have a record date of December 23, 2015 and a payment date of January 25, 2016.

Dec. 1, 2015

It was disclosed that the Company and its President received a summons directing a representative to appear before the National Labor Relations Commission for mandatory conciliation/mediation in connection with a complaint filed against them.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig, this 29 day of March 2016.

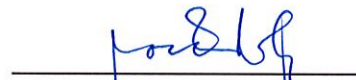
FIRST GEN CORPORATION Issuer

By:


FEDERICO R. LOPEZ
Chairman & CEO


MARIA CARMINA Z. UBAÑA
VP & Comptroller


FRANCIS GILES B. PUNO
President & COO


RACHEL R. HERNANDEZ
Corporate Secretary


EMMANUEL P. SINGSON
SVP & CFO

SUBSCRIBED AND SWORN to before me this 29 day of March 2016, affiants exhibiting to me their CTC and SSS Numbers as follows:

NAME	CTC/SSS NOS.	DATE OF ISSUE	PLACE OF ISSUE
FEDERICO R. LOPEZ	SSS 0372789020 CTC 16690297	January 28, 2016	Pasig
FRANCIS GILES B. PUNO	SSS 3355362021 CTC 16698320	February 2, 2016	Pasig
EMMANUEL P. SINGSON	SSS 0388564598 CTC 02326579	January 8, 2016	Pasig
MARIA CARMINA Z. UBAÑA	SSS 3352113846 CTC 16690297	January 28, 2016	Pasig
RACHEL R. HERNANDEZ	SSS 3318848948 CTC 16698306	February 2, 2016	Pasig

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Series of 2016


ATTY. RAMON L. CARPIO
NOTARY PUBLIC
Ng-89 (2015-2016) Commission Expires Dec. 31, 2016
Roll of Attorneys No. 22172
JBP OR 1017229, 1/4/16, Quezon City
PTR No. 2148146, 1/4/16, Quezon City
TIN 106-918-897
MCLE IV-Compliance No. 000630, 6/19/13
Rm. 326 Doña Consolacion Bldg. Cubao, Quezon City

EXHIBIT “A”

MANAGEMENT REPORT

MANAGEMENT REPORT

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

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

- (i) First Gas Power Corporation (FGPC), which operates the 1,000 MW Santa Rita natural gas-fired power plant;
- (ii) FGP Corp. (FGP), which operates the 500 MW San Lorenzo natural gas-fired power plant;
- (iii) FG Bukidnon Power Corporation (FG Bukidnon), which operates the 1.6 MW FG Bukidnon mini-hydroelectric power plant;
- (iv) Energy Development Corporation, with an aggregate installed capacity of approximately 1,323 MW of geothermal, wind and solar power; and,
- (v) First Gen Hydro Power Corporation (FG Hydro), which operates the 132 MW Pantabangan-Masiway hydroelectric power plants.

First Gen's indirect 40.0% economic interest in EDC is held through Prime Terracota Holdings Corporation (Prime Terracota) and Red Vulcan Holdings Corporation (Red Vulcan). FGEN has a 40.0% direct economic interest in FG Hydro. As of December 31, 2015, the Company also directly and indirectly owns 1.98 billion common shares in EDC, of which 986.34 million common shares are held through its wholly-owned subsidiary, Northern Terracotta Power Corporation (Northern Terracotta). The 1.98 billion common shares are equivalent to a 10.55% economic interest in EDC.

The following discussion focuses on the results of operations of First Gen and its power generating companies. As of December 31, 2015, First Gen's ownership interests in these operating companies are indirectly held through intermediate holding companies, with the exception of FG Hydro where First Gen directly holds a 40.0% economic interest as stated above.

- First Gas Holdings Corporation (FGHC) was incorporated on February 3, 1995 as a holding company for the development of gas-fired power plants and other non-power gas related businesses. The company was 60.0% owned by First Gen and 40.0% owned by Dualcore Holdings Inc. (Dualcore) [formerly BG Consolidated Holdings (Philippines), Inc. (BG)] prior to the acquisition of the non-controlling stake of BG in the natural gas projects. As a result of the transaction, First Gen now effectively owns 100.0% of FGHC. FGHC wholly-owns FGPC, the project company of the 1,000 MW Santa Rita Power Plant.
- Unified Holdings Corporation (Unified) was incorporated on March 30, 1999 as the holding company of First Gen's 60.0% equity share in FGP, the project company of the 500 MW San Lorenzo Power Plant. First Gen owns 100.0% of Unified.
- On May 30, 2012, the Company, through its wholly-owned subsidiary Blue Vulcan Holdings Corporation (Blue Vulcan), successfully acquired from BG Asia Pacific Holdings Pte. Limited, a member of the BG Group, the entire outstanding capital stock of Bluespark Management Limited (Bluespark) [formerly Lisbon Star Management Limited]. Bluespark's wholly owned subsidiaries namely, Goldsilk Holdings Corp. (Goldsilk) [formerly Lisbon Star Philippines Holdings, Inc.], Dualcore, and Onecore Holdings Inc. (Onecore) [formerly BG Philippines Holdings, Inc.] owned 40.0% of the outstanding capital stock of FGHC, FGP, and First NatGas Power Corporation (FNPC) (collectively referred to as the "First Gas Group"). Following the acquisition of Bluespark, the Company now beneficially owns 100.0% of the First Gas Group through its intermediate holding companies.
- First Gen Renewables, Inc. (FGRI), formerly known as First Philippine Energy Corporation, was established on November 29, 1978. It is tasked to develop prospects in the renewable energy market. On June 17, 2014, the Securities and Exchange Commission of the Philippines (SEC) approved the Plan and Articles of Merger between FGRI and Bluespark that was executed on April 29, 2014 following the majority vote of the board of directors and by the vote of the stockholders owning and representing more than two-thirds of the outstanding capital stock of constituent corporations on April 24, 2014. As a result of the merger, FGRI became the surviving corporation and is now 99.1% effectively-owned by Blue Vulcan. FGRI now effectively owns a 40.0% voting and economic interest in Santa Rita and San Lorenzo power plants. Prior to the merger, FGRI was a wholly-owned subsidiary of First Gen.
- FG Bukidnon, a wholly-owned subsidiary of FGRI, was incorporated on February 9, 2005. Upon conveyance of First Gen in October 2005, FG Bukidnon took over the operations and maintenance of the FG Bukidnon Hydroelectric Power Plant. The run-of-river plant consists of two 800-kW turbine generators that use water from

the Agusan River to generate electricity. It is connected to the local distribution grid of the Cagayan Electric Power & Light Company, Inc. via the National Grid Corporation of the Philippines (NGCP) line.

- Prime Terracota was incorporated on October 17, 2007 as the holding company of Red Vulcan. Red Vulcan was incorporated on October 5, 2007 as the holding company for First Gen's 60.0% voting and 40.0% economic stake in EDC.

On November 22, 2007, First Gen, through Red Vulcan, was declared the winning bidder for the Philippine National Oil Company and EDC Retirement Fund's remaining shares in EDC. Such common shares represented a 40.0% economic interest in EDC while the combined common and preferred shares represented 60.0% of the voting rights in EDC. As of December 31, 2015, EDC is the Philippines' largest producer of geothermal energy, operating 12 geothermal power plants in the four geothermal service contract areas where it is principally involved in: (i) the production of geothermal steam for sale to subsidiaries; and, (ii) the generation and sale of electricity through EDC-owned geothermal power plants to National Power Corporation (NPC) and various offtakers. Likewise, EDC owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 4.16 MW Burgos Solar Project (Burgos Solar) both situated in Burgos, Ilocos Norte, which achieved commercial operations in November 2014 and March 2015, respectively.

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

On May 20, 2014, First Gen purchased the 31.0 million Class "B" voting preferred shares owned by LIRF in Prime Terracota. As a result of this transaction, First Gen's voting interest in Prime Terracota increased from 45.0% to 73.4% and First Gen's effective voting interest in EDC likewise increased from 33.6% to 50.7%. On June 18, 2015, the Company purchased the remaining (i) 13.0 million Class "B" voting preferred shares owned by LIRF; and (ii) 16.0 million Class "B" voting preferred shares owned by QRC. This effectively increased the Company's voting stake in Prime Terracota from 73.4% to 100.0%, which effectively raised the Company's voting interest in EDC to 67.0% as of December 31, 2015.

- FG Hydro was incorporated on March 13, 2006 as a wholly-owned subsidiary of First Gen. On September 8, 2006, FG Hydro emerged as the winning bidder for the then 100 MW Pantabangan and the 12 MW Masiway Hydroelectric Power Plants (PMHEPP). The then 112 MW PMHEPP was transferred to FG Hydro on November 18, 2006, representing the first major generating asset of NPC to be successfully transferred to the private sector. On October 15, 2008, First Gen's Board of Directors approved the sale of 60.0% of FG Hydro to EDC and the divestment was completed in November 2008. As a result of the divestment, First Gen's direct voting interest in FG Hydro was reduced to 40.0%. Moreover, the completion of the rehabilitation and upgrade project of Pantabangan hydroelectric power plant's Units 1 and 2 in 2010 increased the power generation capacity of PMHEPP by 20 MW to 132 MW. FG Hydro likewise rehabilitated the Masiway plant to address equipment obsolescence specifically on the excitation, protection and generator systems as well as the main step-up transformer. Formal take-over of the refurbished Masiway plant has been delayed and is expected to take place in the first half of 2016.
- AlliedGen Power Corp. (AGPC) was incorporated and registered with the SEC on February 14, 2005. AGPC wholly-owns FNPC, the project company of the 414 MW San Gabriel combined-cycle natural gas-fired power plant (San Gabriel), which is being constructed adjacent to the existing natural gas-fired power plants in Batangas City. AGPC is a wholly-owned subsidiary of First Gen.
- Prime Meridian Powergen Corporation (PMPC) was incorporated and registered with the SEC on August 8, 2011. The company is a wholly-owned subsidiary of First Gen. PMPC will be the operating company of the 97 MW Avion open-cycle natural gas-fired power plant (Avion) that is likewise being constructed in Batangas City.

- First Gen Energy Solutions, Inc. (FGES) was incorporated and registered with the SEC on November 24, 2006. As a wholly-owned subsidiary of First Gen, FGES markets, supplies, delivers, purchases and sells electricity. In addition, it provides value-added services relevant to its core business. FGES holds a Retail Electricity Supplier (RES) and a Wholesale Aggregator license effective for a period of five years. With the commencement of the Retail Competition and Open Access, FGES' RES business has a total contracted demand of 8 MW from two (2) contestable customers.

A. FINANCIAL RESULTS FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

Audited Consolidated Statements of Income (Amounts in USD thousands)	For the years ended December 31		
	2015	2014	2013
Revenues	\$1,836,268	\$1,902,630	\$1,904,919
Income from before income tax	\$317,658	\$396,118	\$229,314
Net income attributable to Equity Holders of the Parent Company	\$167,318	\$193,155	\$118,077

Audited Consolidated Statements of Financial Position (Amounts in USD thousands)	As of the years ended December 31		
	2015	2014	2013
ASSETS			
Total Current Assets	\$1,298,992	\$1,219,225	\$1,376,178
Property, plant and equipment – net	2,708,175	2,523,991	2,059,215
Goodwill and intangible assets	1,130,920	1,207,514	1,226,835
Deferred income tax assets – net	27,831	27,874	34,791
Other noncurrent assets	352,769	308,671	217,075
Total Assets	\$5,518,687	\$5,287,275	\$4,914,094
LIABILITIES AND EQUITY			
Total Current Liabilities	\$698,842	\$728,699	\$558,651
Long-term debts – net of current portion	2,677,138	2,512,769	2,492,144
Derivative liabilities – net of current portion	26,388	32,926	34,579
Retirement and other post-employment benefits	41,541	40,409	40,469
Deferred income tax liabilities – net	20,651	20,381	22,946
Other noncurrent liabilities	48,644	39,485	35,438
Total Liabilities	3,513,204	3,374,669	3,184,227
Equity Attributable to Equity Holders of the Parent Company	1,598,304	1,498,081	1,350,015
Non-controlling Interests	407,179	414,525	379,852
Total Equity	2,005,483	1,912,606	1,729,867
Total Liabilities and Equity	\$5,518,687	\$5,287,275	\$4,914,094

RESULTS OF OPERATIONS

For the years ended December 31, 2015 vs. December 31, 2014 results

CONSOLIDATED STATEMENTS OF INCOME

Revenues from sale of electricity

Revenues for the year 2015 decreased by \$66.4 million, or 3.5%, to \$1,836.3 million compared to \$1,902.6 million for 2014. The decline was mainly due to lower fuel revenues during the year, which declined by \$131.8 million, or 15.4%, from \$855.9 million in 2014 to \$724.1 million in 2015. The decrease in fuel revenues was a result of lower gas prices in 2015 (an average of \$9.1/MMBtu in FY 2015 compared to an average of \$12.4/MMBtu in FY 2014), partially offset by the higher dispatch of the gas plants (a combined average net capacity factor of 80.5% in FY 2015 as compared to 70.4% in FY 2014) following the return of Santa Rita's Unit 40 in July 2014.

The decline was partially offset by a \$57.3 million, or an 8.8% increase in EDC's consolidated revenues due to an increase in revenue contributions from the Burgos Project (Burgos), Nasulo Geothermal Project (Nasulo), and Bac-Man Geothermal Inc. (BacMan), partially offset by a decline in revenues of the Tongonan Geothermal (Tongonan) plant due to unplanned outages. This decline was likewise partially offset by a \$5.0 million, or 13.6%, increase in FG Hydro's revenues primarily due to the absence of a \$5.6 million revenue adjustment in 2014 as a result of the re-computation of spot prices for the November and December 2013 billings as ordered by the Energy Regulatory Commission (ERC) and higher dispatch in 2015.

Net Income

First Gen's consolidated net income decreased by \$72.8 million, or 22.9%, to \$245.3 million for 2015 from \$318.1 million in 2014. The decrease in net income was mainly due to the movements in the contributions of the following subsidiaries:

- lower net income contribution of EDC and its subsidiaries by \$88.2 million, or 34.8%, primarily due to higher cost of sales, absence of the reversal of the impairment provision of EDC's Northern Negros Geothermal Project (NNGP) plant assets amounting to \$46.4 million taken up in 2014, decline in revenue contributions from Tongonan due to unplanned outages, higher unrealized foreign exchange losses, higher general and administrative (G&A) expenses, and higher interest expenses, which primarily resulted from the \$315.0 million debt facility secured by EDC Burgos Wind Power Corporation (EBWPC) for Burgos. The decrease was partially offset by higher revenue contributions from Burgos, Nasulo and BacMan, EDC's lower income tax expenses as a result of lower taxable income, and EDC's higher interest income due to higher weighted average interest rates and higher average investible funds.

The above items were partially offset by a \$6.9 million decrease in expenses related to First Gen's business development activities and lower Parent Company expenses by \$6.2 million, or 13.9% in 2015 primarily due to lower interest expense mainly brought about by the capitalized interest costs on the loans availed by First Gen to finance the Avion and San Gabriel projects. The lower net income contribution of EDC was also offset by a net increase in the First Gas Plants' (i.e. Santa Rita and San Lorenzo) net income contribution by \$2.3 million, mainly due to higher dispatch and lower interest expense.

Net Income Attributable to Equity Holders of the Parent Company

The net income attributable to the Parent Company decreased by \$25.8 million, or 13.4%, to \$167.3 million for the year 2015, compared to \$193.1 million that was recognized in 2014. The decrease in attributable net income was mainly due to the movements in the contributions of the following subsidiaries:

- lower net income contribution of EDC and its subsidiaries by \$43.6 million, or 33.4%, primarily due to higher cost of sales, absence of the reversal of the impairment provision of NNGP plant assets amounting to \$46.4 million that was taken up in 2014, decline in revenue contributions from Tongonan due to unplanned outages, higher foreign exchange losses, higher G&A expenses and higher interest expenses, which primarily resulted from the \$315.0 million debt facility secured for Burgos. The decrease was partially offset by higher revenue contributions from Burgos, Nasulo and BacMan, EDC's lower income tax expenses as a result of lower taxable income, and EDC's higher interest income due to higher weighted average interest rates and higher average investible funds.

The above items were partially offset by a \$6.9 million decrease in expenses related to First Gen's business development activities and lower Parent Company expenses by \$6.2 million, or 13.9% in 2015 primarily due to lower interest expense mainly brought about by the capitalized interest costs on the loans availed by First Gen to finance the Avion and San Gabriel projects. The lower net income contribution of EDC was also offset by a net increase in the First Gas Plants' net income contribution by \$2.3 million, mainly due to higher dispatch and lower interest expense.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

Major movements in the consolidated statements of financial position of the First Gen Group resulted in a net increase to the Group's total consolidated assets by \$231.4 million, or 4.4% to \$5,518.7 million as of December 31, 2015 from \$5,287.3 million as of December 31, 2014. The increase was a result of the following movements in major accounts:

- Property, plant and equipment increased by \$184.2 million, or 7.3% primarily due to the construction of First Gen's Avion and San Gabriel power plants, and EDC's drilling activities in Palinpinon Geothermal Power Plant (Palinpinon) and Unified Leyte Geothermal Energy Inc. (Unified Leyte). The increase was partially offset by the depreciation of existing property, plant and equipment;
- Other current assets increased by \$71.4 million, or 148.8%, mainly due to an increase of \$32.0 million in Input VAT as a result of purchases related to the construction of the San Gabriel and Avion power plants. In addition, EDC had an incremental funding in its debt service reserve accounts (DSRA) amounting to \$28.1 million in relation to the loans availed by Green Core Geothermal Inc. (GCGI) and EBWPC, and higher prepaid expenses;
- Cash and cash equivalents increased by \$56.6 million, or 8.4% mainly due to the proceeds of GCGI's ₱8.5 billion project finance loan secured on March 18, 2015, First Gen's ₱7.5 billion private placement, Bacman Geothermal Inc.'s (BGI) ₱5.0 billion project finance loan secured on September 9, 2015, FNPC's \$99.2 million additional drawdown from its KfW IPEX-Bank of Germany (KfW) loan, and the proceeds from the Parent Company's \$200.0 million note facility secured from BDO Unibank Inc. (BDO), partially offset by the full prepayment of its existing \$100.0 million note facility and scheduled debt service payments. The increase was further supplemented by cash generated from operations, but partially offset by additions to property, plant and equipment for various growth projects, the partial redemption of the Series "F" preferred shares, and dividends paid to preferred and common shareholders;
- Other noncurrent assets increased by \$44.1 million, or 14.3% primarily due to the capitalization of FGPC's and FGP's O&M charges during the year to cover the estimated cost of turbine blades and vanes that are expected to be replaced in the next scheduled major maintenance outage. Likewise, the increase was supplemented by EDC's capital funding for its international projects, higher derivative assets, higher long-term receivables, and prepaid expenses. The account was partially offset by lower deferred debt issuance costs (DIC) resulting from the smaller undrawn portion of FNPC's KfW loan; and,
- Financial assets at fair value through profit or loss (FVPL) increased by \$18.4 million, or 157.2% due to the additional money market investments made by EDC and First Gen during the year.

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

- Receivables decreased by \$69.5 million, or 18.0%, mainly as a result of lower trade receivables of FGPC and FGP from Meralco due to lower natural gas prices. This was further supplemented by a 27.0% decrease in the total receivables of EDC due to timely collections from NPC and its other customers; and,
- Goodwill and intangible assets decreased by \$76.6 million, or 6.3%, primarily due to the foreign exchange translation of the Philippine Peso balances to U.S. Dollar. In 2015, the Philippine Peso significantly depreciated against the U.S. Dollar (from ₱44.72:\$1.00 as of end-2014 to ₱47.06:\$1.00 as of end-2015) compared to the slight movement of the Philippine Peso in 2014 (from ₱44.40:\$1.00 as of end-2013 to ₱44.72:\$1.00 as of end-2014). This movement was supplemented by the reclassification of EDC's other intangible assets into the Construction-in-Progress (CIP) account in 2015.

LIABILITIES AND EQUITY

Total liabilities increased by \$138.5 million, or 4.1%, to \$3,513.2 million as of December 31, 2015 from \$3,374.7 million as of December 31, 2014 due to the following movements in major accounts:

- Total long-term debt increased by \$117.8 million, or 4.1%, mainly due to GCGI's ₱8.5 billion project finance loan secured in March 2015, BGI's ₱5.0 billion project finance loan secured in September 2015, FNPC's \$99.2 million additional drawdown in 2015, and the Parent Company's \$200.0 million BDO notes facility which was signed on September 22, 2015, though partially offset by the prepayment of its \$100.0 million notes facility in the same month. This was supplemented by scheduled debt repayments during the year;
- Accounts payable and accrued expenses increased by \$21.2 million, or 5.8%, primarily due to the higher trade payables of EDC for the year, though partially offset by a decrease in payables to Shell Philippines Exploration B.V. (SPEX) due to lower average gas prices during the year; and,
- Other noncurrent liabilities increased by \$9.2 million, or 23.2%, mainly due to the additional accretion for the asset retirement obligations of the First Gas Plants and EDC.

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

- A decrease of \$4.1 million, or 20.4% in dividends payable from \$20.1 million as of end-2014 to \$16.0 million as of December 31, 2015 primarily due to the lower outstanding preferred shares in 2015 as a result of the buyback of Series "F" preferred shares in October 2015; and,
- Total derivative liabilities decreased by \$6.9 million, or 20.6% to \$26.5 million as of December 31, 2015 from \$33.3 million at the beginning of the year. The decrease was mainly due to favorable movements in the mark-to-market (MTM) valuation of FGPC's interest rate swaps as a result of increasing London Interbank Offered Rate (LIBOR) rates partially offset by unfavorable movements in EBWPC's derivative instruments as its interest rate swap agreements resulted in losses.

Total equity increased by \$92.9 million, or 4.9%, to \$2,005.5 million as of December 31, 2015 compared to \$1,912.6 million as of December 31, 2014. The increase was brought about by higher additional paid-in capital mainly as a result of the premium on the additional common shares issued by First Gen through the private placement last January 21, 2015. This was augmented by higher retained earnings due to the attributable earnings of the Company in 2015, net of dividends paid to preferred and common shareholders. This was, however, reduced by an increase in the cost of stocks held in treasury as a result of the partial buyback of Series "F" preferred shares in October 2015, though partly offset by the issuance of common shares held in treasury during the private placement. These increases were partially offset by the unfavorable movement in the cumulative translation adjustments account primarily due to adverse movements in foreign exchange rates.

FIRST GEN MATERIAL CHANGES IN FINANCIAL CONDITION (December 31, 2015 vs. 2014)

CONSOLIDATED STATEMENTS OF INCOME

Horizontal and Vertical Analyses of Material Changes for the years ended December 31, 2015 vs. 2014

	2015	2014	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			2015 vs. 2014	2015 vs. 2014	2015	2014
Revenues from sale of electricity	\$1,836,268	\$1,902,630	(\$66,362)	-3.5%	100.0%	100.0%
TOTAL REVENUES	1,836,268	1,902,630	(66,362)	-3.5%	100.0%	100.0%
OPERATING EXPENSES						
Costs of sale of electricity	(1,145,809)	(1,212,551)	66,742	-5.5%	-62.4%	-63.7%
General and administrative expenses	(213,307)	(210,192)	(3,115)	1.5%	-11.6%	-11.0%
Sub-total	(1,359,116)	(1,422,743)	63,627	-4.5%	-74.0%	-74.8%
FINANCIAL INCOME (EXPENSE)						
Interest income	10,075	6,479	3,596	55.5%	0.5%	0.3%
Interest expense and financing charges	(167,299)	(167,487)	188	-0.1%	-9.1%	-8.8%
Sub-total	(157,224)	(161,008)	3,784	-2.4%	-8.6%	-8.5%
OTHER INCOME (CHARGES)						
Proceeds on insurance claims of EDC and FGP	34,675	27,038	7,637	28.2%	1.9%	1.4%
Reversal of impairment of damaged assets due to Typhoon Yolanda	372	1,025	(653)	-63.7%	0.0%	0.1%
Foreign exchange losses – net	(33,614)	(1,700)	(31,914)	1877.3%	-1.8%	-0.1%
Loss on direct write-off of exploration and evaluation assets	(250)	-	(250)	100.0%	0.0%	0.0%
Mark-to-market gain (loss) – financial assets at fair value through profit or loss (FVPL)	(169)	171	(340)	-198.8%	0.0%	0.0%
Recovery of impairment of property, plant and equipment	-	46,265	(46,265)	-100.0%	0.0%	2.4%
Mark-to-market gain on derivatives – net	-	532	(532)	-100.0%	0.0%	0.0%
Others – net	(3,284)	3,908	(7,192)	-184.0%	-0.2%	0.2%
Sub-total	(2,270)	77,239	(79,509)	-102.9%	-0.1%	4.1%
INCOME BEFORE INCOME TAX	317,658	396,118	(78,460)	-19.8%	17.3%	20.8%
Provision for (benefit from) Income Tax						
Current	74,561	74,780	(219)	-0.3%	4.1%	3.9%
Deferred	(2,175)	3,240	(5,415)	-167.1%	-0.1%	0.2%
	72,386	78,020	(5,634)	-7.2%	3.9%	4.1%
NET INCOME	\$245,272	\$318,098	(\$72,826)	-22.9%	13.4%	16.7%
Net income attributable to:						
Equity holders of the Parent Company	\$167,318	\$193,155	(\$25,837)	-13.4%	9.1%	10.2%
Non-controlling Interests	\$77,954	\$124,943	(\$46,989)	-37.6%	4.2%	6.6%

Revenues from sale of electricity

Revenues for the year 2015 decreased by \$66.4 million, or 3.5%, to \$1,836.3 million compared to \$1,902.6 million for 2014. The decline was mainly due to lower fuel revenues during the year, which declined by \$131.8 million, or 15.4%, from \$855.9 million in 2014 to \$724.1 million in 2015. The decrease in fuel revenues was a result of lower gas prices in 2015 (an average of \$9.1/MMBtu in FY 2015 compared to an average of \$12.4/MMBtu in FY 2014), partially offset by the higher dispatch of the gas plants (a combined average net capacity factor of 80.5% in FY 2015 as compared to 70.4% in FY 2014) following the return of Santa Rita's Unit 40 in July 2014.

The decline was partially offset by a \$57.3 million, or an 8.8% increase in EDC's consolidated revenues due to an increase in revenue contributions from Burgos, Nasulo, and BacMan, partially offset by a decline in revenues of the Tongonan plant due to unplanned outages. This decline was likewise partially offset by a \$5.0 million, or 13.6%, increase in FG Hydro's revenues primarily due to the absence of a \$5.6 million revenue adjustment in 2014 as a result of the re-computation of spot prices for the November and December 2013 billings and slightly higher dispatch in 2015.

Costs of sale of electricity

The costs of sale of electricity for the year ended December 31, 2015 decreased by \$66.7 million, or 5.5%, to \$1,145.8 million in 2015 as compared to \$1,212.5 million for 2014. The decrease was due to the movements in major expense items as explained in detail below:

Fuel cost

Fuel cost for the year decreased by \$131.0 million, or 15.3%, from \$856.8 million in 2014 to \$725.8 million in 2015. This was mainly due to a decline in average gas prices from \$12.4/MMBtu in FY 2014 to \$9.1/MMBtu in FY 2015. The effect of the decrease in average gas prices was partially offset by the higher dispatch of the First Gas Plants' in 2015 (a combined average net capacity factor of 80.5% in 2015 as compared to 70.4% in 2014).

Operations and Maintenance (O&M)

O&M expense increased by \$38.9 million, or 23.2%, for 2015. This was primarily due to higher O&M expenses of EDC as a result of its higher purchased services and utilities for its Burgos, BacMan and Leyte operations, and increased plant repairs and maintenance costs primarily for the restoration of field facilities and typhoon-proofing expenses incurred by EDC for its Leyte field facility. The increase was partially offset by Santa Rita's and San Lorenzo's lower O&M expense primarily due to the weakening of the Euro supplemented by a cap placed on the chargeable net electrical output (NEO) upon reaching certain equivalent operating hours during a given contract year. The First Gas Plants' O&M expenses are denominated in Philippine Peso, U.S. Dollars, and Euro.

Depreciation and Amortization

Depreciation and amortization for 2015 increased by \$23.0 million, or 15.0%, mainly due to the higher depreciation expenses of EDC and its subsidiaries following the full year operations of BacMan, Nasulo and Burgos.

Other Costs of Sale

For the year ended December 31, 2015, other costs of sale increased by \$2.4 million, or 6.8%, primarily due to the higher rental, insurance, and tax expenses of EDC.

General and Administrative (G&A) Expenses

G&A expenses increased by \$3.1 million, or 1.5%, to \$213.3 million in 2015, compared to \$210.2 million in 2014. This was primarily a result of an \$8.0 million increase in miscellaneous G&A expenses brought about by EDC's additional purchased parts and supplies mainly used for the exploration activities for its local and international projects. In addition, there was a \$3.2 million increase in professional fees primarily from EDC's higher purchased professional and technical services for its Leyte, BacMan, and Palinpinon plants. These increases were partially offset by a \$6.9 million decrease in taxes and licenses booked in 2015 mainly due to the absence of tax deficiency payments during the year.

Interest income

Interest income increased by \$3.6 million, or 55.5%, to \$10.1 million for 2015 from \$6.5 million in the same period of 2014 primarily due to higher interest income on investments and short-term placements as a result of higher weighted average interest rates and higher cash levels for 2015 compared to the previous year.

Foreign exchange losses – net

For 2015, First Gen Group recognized unrealized foreign exchange losses of \$33.6 million, an increase of \$31.9 million from the \$1.7 million booked in 2014. This was primarily due to unrealized foreign exchange losses incurred by EDC, the Parent, and FGP partially offset by higher foreign exchange gains of FGPC in 2015 as a result of the significant depreciation of the Philippine Peso against the U.S. Dollar in 2015 (₱47.06:\$1.00 as of end-2015 from ₱44.72:\$1.00 as of end-2014) compared to the movement of the Philippine Peso in 2014 (₱44.72:\$1.00 as of end-2014 from ₱44.40:\$1.00 as of end-2013). EDC has several outstanding U.S. Dollar denominated loans, while the Parent had high Peso cash balances from its private placement of common shares in January 2015.

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

For full-year 2015, MTM gain on derivatives and MTM gain (loss) on financial assets at FVPL amounted to \$0.2 million, a reversal from the \$0.7 million gain booked in 2014. The movement was mainly due to the unrealized and realized derivative losses arising from EDC's foreign currency forward contracts that it entered with various banks, partially offset by gains at the Parent level.

Others

Other income (charges) decreased by \$46.7 million, or 59.7%, from \$78.2 million in 2014 to \$31.5 million for 2015 primarily due to the absence of the reversal of the impairment provision of NNGP and EDC's gain on sale of rigs booked in 2014 and lower insurance claim proceeds for FGP in 2015. The decrease was partially offset by EDC's receipt of higher proceeds of its insurance claims in 2015 amounting to \$25.9 million, as compared to \$12.2 million in 2014 and \$8.5 million lower losses pertaining to marketing charges, and lesser disallowed Input VAT claims that were applied for refund by EDC.

EDC booked partial insurance claims relating to damages sustained by the Leyte power plants caused by Typhoon Yolanda, the Palinpinon plant from Typhoon Sendong, and by the BacMan plant from Typhoon Glenda; while FGP booked its final receipt of insurance claims relating to the fire incident that caused severe damage in San Lorenzo's Unit 60 main transformer.

Provision for Income Tax

The provision for income tax decreased by \$5.6 million, or 7.2%, to \$72.4 million for 2015 from \$78.0 million in 2014. This was mainly due to a lower provision made by EDC for deferred income taxes in 2015 as a result of the reversal of the NNGP impairment provision in 2014 and the recognition of deferred income tax benefit for unrealized foreign exchange loss in 2015. This was partially offset by a slightly higher provision for current income tax arising from FGPC's higher taxable income, as well as the expiration of FG Hydro's ITH in April 2014.

Net Income

First Gen's consolidated net income decreased by \$72.8 million, or 22.9%, to \$245.3 million for 2015 from \$318.1 million in 2014. The decrease in net income was mainly due to the movements in the contributions of the following subsidiaries:

- lower net income contribution of EDC and its subsidiaries by \$88.2 million, or 34.8%, primarily due to higher cost of sales, absence of the reversal of the impairment provision of EDC's NNGP plant assets amounting to \$46.4 million taken up in 2014, decline in revenue contributions from Tongonan due to unplanned outages, higher unrealized foreign exchange losses, higher G&A expenses, and higher interest expenses, which primarily resulted from the \$315.0 million debt facility secured by EBWPC for Burgos. The decrease was partially offset by higher revenue contributions from Burgos, Nasulo and BacMan, EDC's lower income tax expenses as a result of lower taxable income, and EDC's higher interest income due to higher weighted average interest rates and higher average investible funds.

The above items were partially offset by a \$6.9 million decrease in expenses related to First Gen's business development activities and lower Parent Company expenses by \$6.2 million, or 13.9% in 2015 primarily due to lower interest expense mainly brought about by the capitalized interest costs on the loans availed by First Gen to finance the Avion and San Gabriel projects. The lower net income contribution of EDC was also offset by a net increase in the First Gas Plants' net income contribution by \$2.3 million, mainly due to higher dispatch and lower interest expense.

Net Income Attributable to Equity Holders of the Parent Company

The net income attributable to the Parent Company decreased by \$25.8 million, or 13.4%, to \$167.3 million for the year 2015, compared to \$193.1 million that was recognized in 2014. The decrease in attributable net income was mainly due to the movements in the contributions of the following subsidiaries:

- lower net income contribution of EDC and its subsidiaries by \$43.6 million, or 33.4%, primarily due to higher cost of sales, absence of the reversal of the impairment provision of NNGP plant assets amounting to \$46.4 million that was taken up in 2014, decline in revenue contributions from Tongonan due to unplanned outages, higher foreign exchange losses, higher G&A expenses and higher interest expenses, which primarily resulted from the \$315.0 million debt facility secured by EBWPC for Burgos. The decrease was partially offset by higher revenue contributions from Burgos, Nasulo and BacMan, EDC's lower income tax expenses as a result of lower taxable income, and EDC's higher interest income due to higher weighted average interest rates and higher average investible funds.

The above items were partially offset by a \$6.9 million decrease in expenses related to First Gen's business development activities and lower Parent Company expenses by \$6.2 million, or 13.9% in 2015 primarily due to lower interest expense mainly brought about by the capitalized interest costs on the loans availed by First Gen to finance the Avion and San Gabriel projects. The lower net income contribution of EDC was also offset by a net increase in the First Gas Plants' net income contribution by \$2.3 million, mainly due to higher dispatch and lower interest expense.

Adjusting for non-recurring items such as proceeds from insurance and input VAT claims, expenses related to typhoon-proofing, FG Hydro's revenue adjustment in 2014, one-time gains and losses, movements in deferred income taxes, unrealized foreign exchange differences, capitalized interest costs of growth projects, and MTM gains (losses) on derivative transactions, First Gen's recurring net income (RNI) attributable to the Parent Company was \$163.0 million for 2015. This was \$10.1 million, or 6.6%, higher than the attributable RNI of \$152.9 million in 2014. The increase was mainly due to the higher RNI contribution of FGPC and FGP supplemented by lower expenses incurred by First Gen on its various business development activities. The increase was partially offset by the lower RNI contributions of EDC and FG Hydro.

Amount in USD thousands	2015	2014 (As Adjusted)
Net income attributable to the Parent Company	\$167,318	\$193,155
Adjustment of non-recurring items attributable to the Parent Company:		
Insurance proceeds – FGP	(6,986)	(12,202)
Insurance proceeds – EDC	(13,070)	(6,086)
Recovery of impairment provision on NNGP plant assets	386	(23,161)
EDC's typhoon proofing expenses	8,872	—
EDC's input VAT claims written off	1,086	2,643
EDC's gain on sale of rigs and some inventory items	236	(5,315)
FG Hydro revenue adjustment due to re-computation of WESM spot prices for November and December 2013 billings	—	3,941
Movement in deferred income tax of FGPC, FGP, FGES and Blue Vulcan	(3,144)	(3,014)
Movement in deferred income tax of EDC	(1,195)	2,699
Capitalized interest costs on loans availed for the San Gabriel & Avion projects (net of tax)	(9,560)	—
Unrealized foreign exchange losses of FGPC, FGP, FGES and Parent	3,600	(553)
Unrealized foreign exchange losses of EDC, FG Hydro and Red Vulcan	15,421	1,189
MTM gain on derivatives and MTM gain on financial assets at FVPL of Parent Company	(37)	—
MTM gain on derivatives and MTM gain (loss) on financial assets at FVPL	104	(352)
Recurring Net Income attributable to Parent Company	\$163,031	\$152,944

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Horizontal and Vertical Analyses of Material Changes as of December 31, 2015 and December 31, 2014

(Amounts in US\$ and in Thousands)	As of the years ended December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2015	2014	2015 vs. 2014	2015 vs. 2014	2015	2014
ASSETS						
Current Assets						
Cash and cash equivalents	\$730,463	\$673,893	\$56,570	8.4%	13.2%	12.7%
Receivables	317,482	386,985	(69,503)	-18.0%	5.8%	7.3%
Inventories	101,618	98,675	2,943	3.0%	1.8%	1.9%
Financial assets at fair value through profit or loss	30,108	11,708	18,400	157.2%	0.5%	0.2%
Other current assets	119,321	47,964	71,357	148.8%	2.2%	0.9%
Total Current Assets	1,298,992	1,219,225	79,767	6.5%	23.5%	23.1%
Noncurrent Assets						
Property, plant and equipment – net	2,708,175	2,523,991	184,184	7.3%	49.1%	47.7%
Goodwill and intangible assets	1,130,920	1,207,514	(76,594)	-6.3%	20.5%	22.8%
Deferred income tax assets – net	27,831	27,874	(43)	-0.2%	0.5%	0.5%
Other noncurrent assets	352,769	308,671	44,098	14.3%	6.4%	5.8%
Total Noncurrent Assets	4,219,695	4,068,050	151,645	3.7%	76.5%	76.9%
TOTAL ASSETS	\$5,518,687	\$5,287,275	\$231,412	4.4%	100.0%	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	\$388,157	\$366,909	\$21,248	5.8%	7.0%	6.9%
Dividends payable	15,967	20,056	(4,089)	-20.4%	0.3%	0.4%
Income tax payable	8,807	8,898	(91)	-1.0%	0.2%	0.2%
Due to related parties	145	146	(1)	-0.7%	0.0%	0.0%
Current portion of:						
Long-term debts	285,661	332,269	(46,608)	-14.0%	5.2%	6.3%
Derivative liabilities	105	421	(316)	-75.1%	0.0%	0.0%
Total Current Liabilities	698,842	728,699	(29,857)	-4.1%	12.7%	13.8%
Noncurrent Liabilities						
Long-term debts – net of current portion	2,677,138	2,512,769	164,369	6.5%	48.5%	47.5%
Derivative liabilities – net of current portion	26,388	32,926	(6,538)	-19.9%	0.5%	0.6%
Retirement and other post-employment benefits	41,541	40,409	1,132	2.8%	0.8%	0.8%
Deferred income tax liabilities – net	20,651	20,381	270	1.3%	0.4%	0.4%
Other noncurrent liabilities	48,644	39,485	9,159	23.2%	0.9%	0.7%
Total Noncurrent Liabilities	2,814,362	2,645,970	168,392	6.4%	51.0%	50.0%
Total Liabilities	3,513,204	3,374,669	138,535	4.1%	63.7%	63.8%
Equity Attributable to Equity Holders of the Parent Company						
Redeemable preferred stock	69,345	69,345	-	0.0%	1.3%	1.3%
Common stock	75,123	74,728	395	0.5%	1.4%	1.4%
Additional paid-in capital	1,165,366	1,052,282	113,084	10.7%	21.1%	19.9%
Accumulated unrealized gain on Available-for-sale (AFS) financial assets	296	354	(58)	-16.4%	0.0%	0.0%
Cumulative translation adjustments	(65,584)	8,283	(73,867)	-891.8%	-1.2%	0.2%
Equity reserve	(378,744)	(372,439)	(6,305)	1.7%	-6.9%	-7.0%
Retained earnings	841,503	737,525	103,978	14.1%	15.2%	13.9%
Cost of stocks held in treasury	(109,001)	(71,997)	(37,004)	51.4%	-2.0%	-1.4%
Sub-total	1,598,304	1,498,081	100,223	6.7%	29.0%	28.3%
Non-controlling Interests	407,179	414,525	(7,346)	-1.8%	7.4%	7.8%
Total Equity	2,005,483	1,912,606	92,877	4.9%	36.3%	36.2%
TOTAL LIABILITIES AND EQUITY	\$5,518,687	\$5,287,275	\$231,412	4.4%	100.0%	100.0%

Cash and cash equivalents

Cash and cash equivalents increased by \$56.6 million, or 8.4% mainly due to the proceeds of GCGI's ₱8.5 billion project finance loan secured on March 18, 2015, First Gen's ₱7.5 billion private placement, BGI's ₱5.0 billion project finance loan secured on September 9, 2015, FNPC's \$99.2 million additional drawdown from its KfW loan, and the proceeds from the Parent Company's \$200.0 million note facility secured from BDO, partially offset by the full prepayment of its existing \$100.0 million note facility and scheduled debt service payments. The increase was further supplemented by cash generated from operations, but partially offset by additions to property, plant and equipment for various growth projects, the partial redemption of the Series "F" preferred shares, and dividends paid to preferred and common shareholders

Receivables

Receivables decreased by \$69.5 million, or 18.0% mainly as a result of lower trade receivables of FGPC and FGP from Meralco due to lower natural gas prices. This was further supplemented by a 27.0% decrease in the total receivables of EDC due to timely collections from NPC and its other customers.

Financial assets at FVPL

This account increased by \$18.4 million, or 157.2% mainly due to the additional money market investments made by EDC and First Gen during the year.

Other current assets

Other current assets increased by \$71.4 million, or 148.8% mainly due to an increase of \$32.0 million in Input VAT as a result of purchases related to the construction of the San Gabriel and Avion power plants. In addition, EDC had an incremental funding in its DSRA amounting to \$28.1 million in relation to the loans availed by GCGI and EBWPC, and higher prepaid expenses.

Property, plant, and equipment

Property, plant and equipment increased by \$184.2 million, or 7.3% primarily due to the construction of First Gen's Avion and San Gabriel power plants, and EDC's drilling activities in Palinpinon and Unified Leyte. The increase was partially offset by the depreciation of existing property, plant and equipment.

Goodwill and intangible assets

Goodwill and intangible assets decreased by \$76.6 million, or 6.3% primarily due to the foreign exchange translation of the Philippine Peso balances to U.S. Dollar. In 2015, the Philippine Peso significantly depreciated against the U.S. Dollar (from ₱44.72:\$1.00 as of end-2014 to ₱47.06:\$1.00 as of end-2015) compared to the slight movement of the Philippine Peso in 2014 (from ₱44.40:\$1.00 as of end-2013 to ₱44.72:\$1.00 as of end-2014). This movement was supplemented by the reclassification of EDC's other intangible assets into CIP account in 2015.

Other noncurrent assets

Other noncurrent assets increased by \$44.1 million, or 14.3% primarily due to the capitalization of FGPC's and FGP's O&M charges during the year to cover the estimated cost of turbine blades and vanes that are expected to be replaced in the next scheduled major maintenance outage. Likewise, the increase was supplemented by EDC's capital funding for its international projects, higher derivative assets, higher long-term receivables, and prepaid expenses. The account was partially offset by lower deferred DIC resulting from the smaller undrawn portion of FNPC's KfW loan.

Accounts payable and accrued expenses

Accounts payable and accrued expenses increased by \$21.2 million, or 5.8% primarily due to the higher trade payables of EDC for the year, though partially offset by a decrease in payables to SPEX due to lower average gas prices during the year.

Long-term debt – current portion

The current portion of long-term debt decreased by \$46.6 million, or 14.0% mainly due to the maturity of EDC's ₱8.5 billion Series 1 Peso Public Bond last June 4, 2015. This was partially offset by the booking of the current portion of the project finance loans secured by GCGI and BGI in 2015, and the higher debt service payments pertaining to the respective loans availed by EBWPC, Red Vulcan, First Gen, FGPC, and FGP.

Derivative liabilities – current portion

Derivative liabilities decreased by \$0.3 million, or 75.1% due to the favorable movements in FGPC's and FGP's derivative instruments which resulted in the booking of all derivative instruments as derivative assets in 2015, a reversal from its derivative liability in 2014. This was partially offset by an increase in derivative liabilities for EBWPC as its interest rate swap agreements resulted in losses.

Dividends payable

Dividends payable decreased by \$4.1 million, or 20.4% from \$20.1 million as of end-2014 to \$16.0 million as of end-2015 primarily due to lower outstanding preferred shares in 2015 as a result of the buyback of 36,365,000 Series “F” preferred shares at ₱110.0 per share on October 6, 2015.

Long-term debt – net of current portion

Long-term debt increased by \$164.4 million, or 6.5% to \$2,677.1 million as of December 31, 2015 from \$2,512.7 million at the beginning of the year. This was mainly due to GCGI’s ₱8.5 billion project finance loan secured in March 2015, BGI’s ₱5.0 billion project finance loan secured in September 2015, FNPC’s \$99.2 million additional drawdown during the year, and the Parent Company’s newly secured 10-year \$200.0 million note facility from BDO. The increase was partially offset by the reclassification of the maturing obligations to the current portion and the prepayment of the Parent Company’s existing \$100.0 million note facility.

Derivative liabilities – net of current portion

This account decreased by \$6.5 million, or 19.9% to \$26.4 million as of December 31, 2015 from \$32.9 million at the beginning of the year. The decrease was mainly due to favorable movements in the MTM valuation of FGPC’s interest rate swaps as a result of increasing LIBOR rates partially offset by unfavorable movements in EBWPC’s derivative instruments as its interest rate swap agreements resulted in losses.

Other noncurrent liabilities

Other noncurrent liabilities increased by \$9.2 million, or 23.2%, mainly due to the additional accretion for the asset retirement obligations of the First Gas Plants and EDC.

Additional paid-in capital

Additional paid-in capital was up by \$113.1 million, or 10.7%, from \$1,052.3 million as of end-2014 to \$1,165.4 million as of December 31, 2015 due to the premium on the additional common shares issued by First Gen through a private placement last January 21, 2015.

Last January 21, 2015, First Gen issued a total of 297.0 million common shares (composed of 279.4 million common shares held in treasury and 17.6 million new common shares) at ₱25.25 per share through a private placement.

Accumulated unrealized gain on AFS financial assets

Accumulated unrealized gain on AFS financial assets went down by \$0.06 million, or 16.4% primarily due to the decrease in the fair value of EDC’s AFS financial assets for 2015.

Cumulative translation adjustments

The balance of cumulative translation adjustments as of December 31, 2015 stood at negative \$65.6 million, which decreased from a positive \$8.3 million as of December 31, 2014. This account decreased by \$73.9 million primarily due to unfavorable movements of foreign exchange rates (from ₱44.72:\$1.00 as of end-2014 to ₱47.06:\$1.00 as of end-2015) on the U.S. Dollar translation of First Gen’s subsidiaries that use Philippine Peso as its functional currency, as well as on the derivative instruments of FGPC, FGP and EDC, which were designated as cash flow hedges.

Retained earnings

First Gen’s retained earnings increased by \$104.0 million, or 14.1%, from \$737.5 million as of December 31, 2014 to \$841.5 million as of December 31, 2015. The increase was due to the attributable earnings of the Parent Company for 2015 amounting to \$167.3 million, partially offset by the \$35.8 million and \$28.0 million dividends declared to preferred and common shareholders, respectively.

Cost of stocks held in treasury

The increase in the cost of stocks held in treasury by \$37.0 million, or 51.4%, to \$109.0 million as of December 31, 2015 from \$72.0 million as of December 31, 2014 was mainly due to the redeemable Series “F” preferred shares totaling to \$85.6 million that were bought back by First Gen in October 2015. This increase was partly offset by the issuance of 279.4 million common shares held in treasury during its private placement last January 21, 2015.

FIRST GEN MATERIAL CHANGES IN FINANCIAL CONDITION (December 31, 2014 vs. 2013)

CONSOLIDATED STATEMENTS OF INCOME

Horizontal and Vertical Analyses of Material Changes for the years ended December 31, 2014 vs. 2013

			HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2014	2013	2014 vs. 2013	2014 vs. 2013	2014	2013
Revenues from sale of electricity	\$1,902,630	\$1,904,919	(\$2,289)	-0.1%	100.0%	100.0%
TOTAL REVENUES	1,902,630	1,904,919	(2,289)	-0.1%	100.0%	100.0%
OPERATING EXPENSES						
Costs of sale of electricity	(1,212,551)	(1,301,315)	88,764	-6.8%	-63.7%	-68.3%
General and administrative expenses	(210,192)	(169,216)	(40,976)	24.2%	-11.0%	-8.9%
Sub-total	(1,422,743)	(1,470,531)	47,788	-3.2%	-74.8%	-77.2%
FINANCIAL INCOME (EXPENSE)						
Interest income	6,479	9,133	(2,654)	-29.1%	0.3%	0.5%
Interest expense and financing charges	(167,487)	(149,365)	(18,122)	12.1%	-8.8%	-7.8%
Sub-total	(161,008)	(140,232)	(20,776)	14.8%	-8.5%	-7.4%
OTHER INCOME (CHARGES)						
Recovery of impairment of property, plant and equipment	46,265	-	46,265	100.0%	2.4%	0.0%
Proceeds on insurance claims of EDC and FGP	27,038	1,037	26,001	2507.3%	1.4%	0.1%
Reversal of (loss on) impairment of damaged assets due to Typhoon Yolanda	1,025	(14,810)	15,835	106.9%	0.1%	-0.8%
Mark-to-market gain on derivatives – net	532	337	195	57.9%	0.0%	0.0%
Mark-to-market gain – financial assets at fair value through profit or loss (FVPL)	171	-	171	100.0%	0.0%	0.0%
Foreign exchange losses – net	(1,700)	(34,894)	33,194	-95.1%	-0.1%	-1.8%
Loss on direct write-off of exploration and evaluation assets	-	(13,621)	13,621	-100.0%	0.0%	-0.7%
Others – net	3,908	(2,891)	6,799	235.2%	0.2%	-0.2%
Sub-total	77,239	(64,842)	142,081	219.1%	4.1%	-3.4%
INCOME BEFORE INCOME TAX	396,118	229,314	166,804	72.7%	20.8%	12.0%
Provision for (benefit from) Income Tax						
Current	74,780	63,313	11,467	18.1%	3.9%	3.3%
Deferred	3,240	(1,594)	4,834	303.3%	0.2%	-0.1%
	78,020	61,719	16,301	26.4%	4.1%	3.2%
NET INCOME	\$318,098	\$167,595	\$150,503	89.8%	16.7%	8.8%
Net income attributable to:						
Equity holders of the Parent Company	\$193,155	\$118,077	\$75,078	63.6%	10.2%	6.2%
Non-controlling Interests	\$124,943	\$49,518	\$75,425	152.3%	6.6%	2.6%

Revenues

Revenues for the year ended December 31, 2014 slightly decreased by \$2.3 million, or 0.1% to \$1,902.6 million compared to \$1,904.9 million for 2013. The decrease was mainly due to the lower contribution of FGPC by \$175.7 million, or 18.4% in 2014 as a result of lower fuel revenues. Revenues from fuel were lower as a result of the lower plant dispatch (69.0% in 2014 from 83.3% in 2013) following the temporary shutdown of Santa Rita's Unit 40 last February 26, 2014 (the "Unit 40 Incident"), and the decrease in average gas prices (\$12.4/MMBtu in 2014 as compared to \$12.8/MMBtu in 2013). FG Hydro also contributed lower revenues by \$22.6 million, or 38.2% in 2014 following its \$5.6 million revenue adjustment resulting from the re-computation of spot prices for its November and December 2013 billings. FG Hydro also had lower electricity generation in 2014 as compared to the previous year due to lower water reservoir levels and lower IDR.

The decrease in revenues was almost completely offset by the higher revenue contributions of FGP and EDC. The revenue contribution of FGP increased by \$88.2 million, or 26.2%, in 2014 due to its higher average NDC (542.9 MW in 2014 compared to 414.2 MW in 2013) following Unit 60's resumption of operation and the Thermal Performance

Upgrade (TPU) installed during the major maintenance outage in 4Q 2013, which likewise resulted in higher fuel revenues. For 2014, EDC's (ex-FG Hydro) consolidated revenues rose by \$103.9 million, or 19.0% mainly due to a \$64.0 million increase in the revenues of BGI, \$13.9 million higher revenues of GCGI, and a \$29.0 million increase in the EDC Parent's revenues due to the higher contribution from the Mindanao geothermal plants as a result of its steam augmentation activities and the newly-operating 49.4 MW Nasulo plant.

Costs of sale of electricity

The costs of sale of electricity for the year ended December 31, 2014 decreased by \$88.8 million, or 6.8% to \$1,212.5 million in 2014 as compared to \$1,301.3 million for the same period in 2013. The decrease was due to the movements in major expense items as explained in detail below:

Fuel cost

Fuel costs of Santa Rita decreased by \$175.0 million, or 24.1% to \$550.7 million in 2014 compared to \$725.7 million in 2013. The decrease was due to the lower dispatch of the gas plant (an average net capacity factor of 69.0% in 2014 as compared to 83.3% in 2013) and lower average gas prices (from \$12.8/MMBtu in 2013 to \$12.4/MMBtu in 2014). This was partially offset by higher fuel costs of San Lorenzo following the resumption of operations for Unit 60.

Operations and Maintenance

O&M expense increased by \$16.4 million, or 10.8%, to \$167.9 million in 2014. This was primarily due to the higher O&M expenses of EDC resulting from the reconstruction of plants post-Typhoon Yolanda, Mindanao's augmentation activities, and the restoration of BacMan's operations. The increase was likewise due to an increase in First Gen Energy Solutions' O&M expense due its full-year operations in 2014. The increase was further driven by the higher NDC bonus given to Siemens Power Operations, Inc. (SPOI) as a result of the higher combined average NDC for the year (1,582.8 MW in 2014 compared to 1,445.0 MW in 2013).

Other Costs of Sale

For the year ended December 31, 2014, other costs of sale increased by \$3.9 million, or 12.7% primarily due to EDC's higher expenses on rental, insurance and taxes. The increase was partially offset by the decrease in EDC's business and related expenses.

General and Administrative (G&A) Expenses

G&A expenses increased by \$41.0 million, or 24.2% to \$210.2 million in 2014, compared to \$169.2 million during the same period in 2013. This was primarily a result of the \$15.2 million increase in staff costs in 2014 mainly due to EDC's personnel-related costs, and a \$11.1 million increase in professional fees due to the growth projects of EDC and First Gen, and to support the full restoration of damaged power plant facilities of EDC. G&A expenses were further brought up by an \$11.0 million increase in taxes and licenses and insurance.

Interest income

Interest income decreased by \$2.6 million, or 29.1% from \$9.1 million in 2013 to \$6.5 million in 2014 primarily due to the lower interest income of EDC, FGPC, and FGP. The lower interest income on their investments and short-term placements was due to the lower weighted average interest rates and lower cash balances in 2014 compared to 2013.

Interest expense and financing charges

Interest expense and financing charges increased by \$18.1 million, or 12.1%, from \$149.4 million in 2013 to \$167.5 million in 2014. The higher interest expense resulted from the \$300.0 million fixed-rate bond issued by the Parent Company in October 2013, the ₱7.0 billion fixed-rate bond of EDC, the \$80.0 million and \$90.0 million term-loans issued by EDC in May 2013, December 2013 and July 2014. The partially-drawn portion of FNPC's loan amounting to \$85.4 million as well as the ₱2.7 billion bridge loans availed by EDC for Burgos, which were acquired last July and August 2014, further increased interest expense in 2014. This increase was partially offset by the scheduled principal payments on the existing loans of the Parent Company, FGPC, FGP, FG Hydro, EDC, and Red Vulcan.

Foreign exchange losses – net

In 2014, First Gen recognized unrealized foreign exchange losses of \$1.7 million, significantly less than the \$34.9 million unrealized losses booked in 2013. This was primarily due to the decrease in foreign exchange losses on the translation of the long-term foreign loans of EDC and its subsidiaries (\$2.3 million in 2014 compared to a \$29.9 million in 2013). The variance was brought about by the lower depreciation of the Philippine Peso in 2014 (from ₱44.395:\$1.00

as of end-2013 to ₱44.720:\$1.00 as of end-2014) compared to the significant depreciation of the Philippine Peso in 2013 (from ₱41.050:\$1.00 as of end-2012 to ₱44.395:\$1.00 as of end-2013).

MTM gain on derivatives – net / MTM gain on financial assets at FVPL

The \$0.4 million combined increase in the MTM gain on derivatives and MTM gain on financial assets at FVPL pertains entirely to the unrealized and realized derivative gains arising from EDC's foreign currency forward contracts that it entered into with various banks, and its fund investment with a bank.

Others

Other income (charges) account increased significantly mainly due to the following factors:

- the reversal of a previous impairment provision on EDC's NNGP plant assets amounting to \$46.3 million following the operation of the Nasulo plant where some of NNGP's assets were transferred and installed;
- the receipt of insurance claims of FGP and EDC amounting to \$14.9 million and \$12.1 million, respectively;
- recognized gain on the sale of drilling rigs and some inventory materials by EDC totaling to \$10.6 million; and
- the partial reversal on EDC's damaged assets caused by Typhoon Yolanda amounting to \$1.0 million in 2014, as compared to the \$28.4 million in losses booked in 2013 relating to the damaged assets of EDC following the storm and the impairment loss on EDC's evaluation and exploration assets.

EDC booked partial insurance claims relating to the damages sustained by the Leyte plants due to Super Typhoon Yolanda, by the Palinpinon plant due to Typhoon Sendong, and by the BacMan plant due to Typhoon Glenda, while FGP booked partial insurance claims relating to the fire incident that caused severe damage in San Lorenzo's Unit 60 main transformer.

Provision for (benefit from) Income Tax

The provision for income tax increased by \$16.3 million, or 26.4% from \$61.7 million in 2013 to \$78.0 million in 2014 due to the higher taxable income of First Gen's subsidiaries and higher provision for deferred income tax of EDC resulting from the reversal of EDC's deferred tax assets following the reversal of the previous impairment provision of the NNGP plant assets.

Net Income

First Gen's consolidated net income increased by \$150.5 million, or 89.8% from \$167.6 million for the year ended December 31, 2013 to \$318.1 million during the same period in 2014. The increase in net income was mainly due to the movements in the contributions of the following subsidiaries:

- higher net income contribution of EDC and its subsidiaries (ex-FG Hydro) by \$157.6 million, or 172.7% primarily due to the reversal of a previous impairment provision on its NNGP plant assets amounting to \$46.4 million, lower unrealized foreign exchange losses booked in 2014, higher income contribution from BGI, Nasulo and Mindanao, partial insurance claims received, and a one-time gain on sale of its drilling rigs and some inventory materials. These increases were partially offset by higher interest expenses due to the ₱7.0 billion fixed-rate bond of EDC, the \$80.0 million and \$90.0 million term-loans issued by EDC in May 2013, December 2013 and July 2014, respectively, and bridge loans amounting to ₱2.7 billion availed by EDC and the partial drawdown of loans by FNPC in 2014;
- higher net income contribution of FGP by \$34.5 million, or 179.3% due to a higher capacity charge as a result of Unit 60's return to operation and the TPU installed during the major maintenance outage in 4Q 2013, and the partial receipt of proceeds from insurance claims; and,
- higher net income contribution of FGPC by \$5.0 million, or 8.0%, mainly due to lower interest expenses following the scheduled principal payments of its loans and the benefit from deferred income taxes it recognized in 2014.

The increase in consolidated net income was partially offset by the lower contribution of FG Hydro by \$22.6 million, or 65.0%, in 2014 due to its lower electricity generation and the revenue adjustment for its November and December 2013 billings, and an increase in the Parent Company's expenses by \$15.6 million primarily due to the full-year effect of interest expense on its \$300.0 million fixed-rate bond issued last October 2013. This was further offset by \$8.4 million in higher expenses of its various subsidiaries mainly due to the development of its growth projects.

Net Income Attributable to Equity Holders of the Parent Company

The net income attributable to the Parent Company increased by \$75.1 million, or 63.6% to \$193.2 million for the year ended December 31, 2014, compared to the \$118.1 million that was recognized during the same period in 2013. The increase in attributable net income was mainly due to the movements in the contributions of the following subsidiaries:

- higher net income contribution of EDC and its subsidiaries (ex-FG Hydro) by \$78.9 million, or 161.8%, mainly due to the reversal of a previous impairment provision on its NNGP plant assets, lower unrealized foreign exchange losses booked in 2014, higher income contribution from BGI, Nasulo and Mindanao, partial insurance claims received, and a one-time gain on sale of its drilling rigs and some inventory materials. These increases were partially offset by higher interest expenses due to the ₱7.0 billion fixed-rate bond, \$80.0 million and \$90.0 million term-loans issued by EDC in May 2013, December 2013 and July 2014, respectively, and bridge loans amounting to ₱2.7 billion availed by EDC in 2014;
- higher net income contribution of FGP by \$34.5 million, or 179.3% due to a higher capacity charge as a result of Unit 60's return to operation and the TPU installed during the major maintenance outage in 4Q 2013, the partial receipt of proceeds from insurance claims; and,
- higher net income contribution of FGPC by \$5.0 million, or 8.0% mainly due to lower interest expenses following the scheduled principal payments of its loans.

The above items were partially offset by the lower contribution of FG Hydro by \$19.4 million, or 69.4% due to its lower electricity generation and the revenue adjustment for its November and December 2013 billings, increase in the Parent Company's expenses by \$15.6 million due to the full-year effect of interest expense on its \$300.0 million fixed-rate bond issued last October 2013. This was further offset by \$8.4 million in higher expenses of its various subsidiaries mainly due to the development of its growth projects.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Horizontal and Vertical Analyses of Material Changes as of December 31, 2014 and December 31, 2013

(Amounts in US\$ and in Thousands)	As of the years ended December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2014	2013	2014 vs. 2013	2014 vs. 2013	2014	2013
ASSETS						
Current Assets						
Cash and cash equivalents	\$673,893	\$870,253	-\$196,360	-22.6%	12.2%	16.5%
Receivables	386,985	334,847	52,138	15.6%	7.0%	6.3%
Inventories	98,675	109,723	(11,048)	-10.1%	1.8%	2.1%
Other current assets	59,672	61,355	(1,683)	-2.7%	1.1%	1.2%
Total Current Assets	1,219,225	1,376,178	(156,953)	-11.4%	22.1%	26.0%
Noncurrent Assets						
Property, plant and equipment – net	2,523,991	2,059,215	464,776	22.6%	45.7%	38.9%
Goodwill and Intangible assets	1,207,514	1,226,835	(19,321)	-1.6%	21.9%	23.2%
Deferred income tax assets – net	27,874	34,791	(6,917)	-19.9%	0.5%	0.7%
Other noncurrent assets	308,671	217,075	91,596	42.2%	5.6%	4.1%
Total Noncurrent Assets	4,068,050	3,537,916	530,134	15.0%	73.7%	66.9%
TOTAL ASSETS	\$5,287,275	\$4,914,094	\$373,181	7.6%	95.8%	92.9%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	\$366,909	\$357,563	\$9,346	2.6%	6.6%	6.8%
Dividends payable	20,056	20,202	(146)	-0.7%	0.4%	0.4%
Income tax payable	8,898	2,314	6,584	284.5%	0.2%	0.0%
Due to related parties	146	258	(112)	-43.4%	0.0%	0.0%
Loans payable	-	53,829	(53,829)	-100.0%	0.0%	1.0%
Current portion of:						
Long-term debts	332,269	124,473	207,796	166.9%	6.0%	2.4%
Derivative liabilities	421	12	409	3408.3%	0.0%	0.0%
Total Current Liabilities	728,699	558,651	170,048	30.4%	13.2%	10.6%
Noncurrent Liabilities						
Long-term debts – net of current portion	2,512,769	2,492,144	20,625	0.8%	45.5%	47.1%
Derivative liabilities – net of current portion	32,926	34,579	(1,653)	-4.8%	0.6%	0.7%
Retirement and other post-employment benefits	40,409	40,469	(60)	-0.1%	0.7%	0.8%
Deferred income tax liabilities – net	20,381	22,946	(2,565)	-11.2%	0.4%	0.4%
Other noncurrent liabilities	39,485	35,438	4,047	11.4%	0.7%	0.7%
Total Noncurrent Liabilities	2,645,970	2,625,576	20,394	0.8%	47.9%	49.7%
Total Liabilities	3,374,669	3,184,227	190,442	6.0%	61.1%	60.2%
Equity Attributable to Equity Holders of the Parent Company						
Redeemable preferred stock	69,345	69,345	-	0.0%	1.3%	1.3%
Common stock	74,728	74,728	-	0.0%	1.4%	1.4%
Additional paid-in capital	1,052,282	1,052,282	-	0.0%	19.1%	19.9%
Accumulated unrealized gain on Available-for-sale (AFS) financial assets	354	344	10	2.9%	0.0%	0.0%
Cumulative translation adjustments	8,283	(19,909)	28,192	-141.6%	0.2%	-0.4%
Equity reserve	(372,439)	(365,496)	(6,943)	1.9%	-6.7%	-6.9%
Retained earnings	737,525	600,974	136,551	22.7%	13.4%	11.4%
Cost of common stock held in treasury	(71,997)	(62,253)	(9,744)	15.7%	-1.3%	-1.2%
Sub-total	1,498,081	1,350,015	148,066	11.0%	27.1%	25.5%
Non-controlling Interests	414,525	379,852	34,673	9.1%	7.5%	7.2%
Total Equity	1,912,606	1,729,867	182,739	10.6%	34.7%	32.7%
TOTAL LIABILITIES AND EQUITY	\$5,287,275	\$4,914,094	\$373,181	7.6%	95.8%	92.9%

Cash and cash equivalents

Cash and cash equivalents decreased by \$196.4 million, or 22.6% to \$673.9 million as of December 31, 2014 compared to \$870.3 million at the beginning of the year. The decrease was mainly due to the additions to property, plant and equipment, the payment of short- and long-term debt, interest and financing charges, and the dividends distributed to shareholders. These expenditures were partially offset by the cash generated from operations.

Receivables

Receivables increased by \$52.1 million, or 15.6%, from \$334.8 million as of December 31, 2013 to \$387.0 million as of December 31, 2014. This was primarily a result of the higher trade receivables of EDC following the commercial operations of BacMan, Nasulo and Burgos, and higher receivables of FGP from Meralco due to the resumption of Unit 60's operations.

Inventories

Ending inventory as of December 31, 2014 stood at \$98.7 million, which was lower by \$11.0 million, or 10.1% compared to the \$109.7 million balance at the beginning of the year. This was primarily due to the consumption of liquid fuel by FGPC and FGP during the Malampaya gas curtailments that occurred during the year.

Other current assets

Other current assets slightly decreased by \$1.7 million, or 2.7% from \$61.4 million as of December 31, 2013 to \$59.7 million as of December 31, 2014. The decrease was mainly due to the \$7.7 million decrease in EDC's AFS financial assets following the full redemption of its ROP bonds last January 15, 2014, the \$6.6 million decrease in First Gen's prepaid expense, and the \$6.5 million lower prepaid tax of EDC. The decrease was partially offset by First Gen's higher input VAT resulting from its purchases during the year, and EDC's fund investment amounting to \$11.7 million.

Property, plant, and equipment

As of December 31, 2014, property plant and equipment stood at \$2,524.0 million. This was \$464.8 million, or 22.6% greater than the balance at the beginning of the year. The increase was primarily due to the construction of the Burgos, Nasulo, San Gabriel and Avion power plants, Unified Leyte's additions to property, plant and equipment following the damage caused by Typhoon Yolanda. The increase was partially offset by the depreciation of the existing property, plant and equipment.

Deferred income tax assets

Deferred income tax assets decreased by \$6.9 million, or 19.9%, to \$27.9 million as of December 31, 2014 compared to \$34.8 million as of December 31, 2013. The decrease was mainly due to the reversal of EDC's deferred tax assets following the reversal of a previous impairment provision of the NNGP plant assets.

Other noncurrent assets

This account increased by \$91.6 million, or 42.2% to \$308.7 million as of December 31, 2014 compared to \$217.1 million at the beginning of the year. This was primarily due to the capitalization of FGPC's and FGP's O&M charges during the year to cover the estimated cost of turbine blades and vanes that are expected to be replaced in the next scheduled major maintenance outage. The account was further increased by the reclassification of EDC's TCCs from the current portion, deferred DIC from the undrawn amount of FNPC's loan, higher exploration and evaluation assets of EDC mainly due to the development costs incurred in the Mindanao III, Nasulo and Rangas areas, and higher input VAT resulting from EDC's purchases during the year.

Accounts payable and accrued expenses

Accounts payable and accrued expenses increased by \$9.3 million, or 2.6% to \$366.9 million as of December 31, 2014 primarily due to the higher payables of FGPC and FGP to the Gas Sellers, following the greater consumption of natural gas in December 2014 compared to December 2013. This was further increased by FGP's higher payables to SPOI due to San Lorenzo's higher plant O&M expenses in 2014 as a result of Unit 60's return to operations. This was partially offset by the lower payables to liquid fuel suppliers as a result of FGP's and FGPC's full payment of the November 2013 liquid fuel importation, as well as FNPC's payments to Siemens for the milestone payments in relation to the San Gabriel project.

Income tax payable

As of December 31, 2014, income tax payable stood at \$8.9 million. The \$6.6 million increase compared to the amount payable at the beginning of the year was primarily due to the increase in the taxes payable of FGPC, FGP, EDC, and its subsidiaries resulting from the higher taxable income of each company in 2014.

Due to related parties

The \$0.1 million, or 43.4%, decrease in this account from the ending balance as of December 31, 2013 was a result of payments made during the year.

Loans payable

As of December 31, 2014, First Gen's loans payable stood at nil. The \$53.8 million decrease was a result of FGPC's and FGP's full payment of their respective loans payable.

On November 22, 2013, FGP and FGPC each obtained a short-term loan amounting to \$50.0 million and \$3.8 million, respectively, from The Bank of Tokyo-Mitsubishi UFJ, Ltd. Manila Branch (BTMU). The short-term loans matured last March 21, 2014 and had an interest rate of 1.21% per annum, of which, \$20.0 million was rolled over by FGP for 119 days at the same rate. The proceeds were used to pay the liquid fuel purchased in September 2013.

Long-term debt – current portion

This current portion of long-term debt pertains to the portion of debt that will be due within the next 12 months. The \$207.8 million increase was mainly due to EDC's ₱8.5 billion Peso Public Bond that will mature on June 4, 2015. The account was further brought up by the higher current portion of the loans of FGPC, FGP, Red Vulcan, FG Hydro, and the Parent Company.

Derivative liabilities – current portion

The \$0.4 million increase in derivative liabilities from the \$0.01 million at the start of 2014 was due to the slightly unfavorable movements in EDC's derivative instruments.

Long-term debt – net of current portion

Long-term debt slightly increased by \$20.6 million, or 0.8%, from \$2,492.1 million at the beginning of the year to \$2,512.7 million as of December 31, 2014. This was mainly due to the partial drawdown of a new loan drawn by FNPC of \$85.4 million, EDC's additional \$80.0 million, ₱4.0 billion and ₱3.0 billion term-loans issued in 2013, and EDC's \$276.3 million project financing loan for Burgos issued last October 2014. The increase was partially offset by the reclassification of the maturing obligations to the current portion on the outstanding debt of FGPC, FGP, Red Vulcan, EDC and its subsidiaries, and the Parent Company.

Deferred income tax liabilities – net

Deferred income tax liabilities decreased by \$2.6 million, or 11.2% to \$20.4 million as of December 31, 2014, primarily from the deferred income tax benefit for the year of FGPC, Goldsilk and EDC. The decrease was partially offset by the deferred income tax on MTM gains.

Other noncurrent liabilities

Other noncurrent liabilities increased by \$4.0 million, or 11.4% from \$35.4 million at the beginning of the year to \$39.4 million as of December 31, 2014. The increase was primarily due to the additional accretion for the ARO of EDC and the gas plants.

Cumulative translation adjustments

The \$28.2 million, or 141.6%, turnaround in CTA was due to favorable movements of the foreign exchange rates on the Dollar translation of First Gen's subsidiaries that use Philippine Pesos as their functional currency, as well as on the derivative instruments of FGPC, FGP and EDC, which were designated as cash flow hedges.

Retained earnings

First Gen's retained earnings increased by \$136.5 million, or 22.7% from \$601.0 million as of December 31, 2013 to \$737.5 million as of December 31, 2014. The increase was due to the attributable earnings of the Company in 2014 of \$193.2 million, which was partially offset by dividends declared in 2014 to preferred and common shareholders amounting to \$39.9 million and \$26.3 million, respectively.

Cost of common stock held in treasury

The increase in the cost of common stock held in treasury by \$9.7 million, or 15.7% was mainly due to the acquisition of the Parent Company's common shares by the subsidiaries of First Gen.

Non-controlling Interest

The non-controlling interest increased by \$34.7 million, or 9.1% to \$414.5 million as of December 31, 2014 due to its share in the net earnings of EDC and its subsidiaries during the year. This was partially offset by the minority's share in the dividends declared by EDC.

DISCUSSIONS OF MAJOR SUBSIDIARIES

FGPC

(AUDITED)	For the years ended December 31	
(in USD thousands)	2015	2014
Revenues from sale of electricity	715,620	779,799
Operating income	148,486	144,697
Net income	83,062	78,960
	As of the years ended December 31	
(in USD thousands)	2015	2014
Total assets	757,168	800,622
Long-term debt – net of debt issuance costs	272,749	321,308
Other liabilities	222,756	213,745
Total equity	261,663	265,569

December 2015 vs. December 2014 Results

FGPC's revenues for 2015 decreased by \$64.2 million, or 8.2% to \$715.6 million in 2015 from \$779.8 million in 2014. The decrease was primarily due to lower average gas prices in 2015 (\$9.1/MMBtu in 2015 from \$12.4/MMBtu in 2014). This was partially offset by FGPC's higher dispatch in 2015 (81.6% in 2015 compared to 69.0% in 2014) following the return of Santa Rita's Unit 40 in July 2014 after the Unit 40 Incident.

Operating income increased by \$3.8 million in 2015 mainly due to lower O&M costs brought about by lower NDC bonus paid to SPOI and lower variable O&M cost as the Santa Rita plant reached the 75.0% cap in the chargeable NEO upon the end of its contract year in August 2015. Lower G&A costs further increased the operating income. FGPC posted a net income of \$83.1 million in 2015, which increased by \$4.1 million from the \$79.0 million registered in 2014. The increase was mainly due to FGPC's lower interest expense as a result of its scheduled long-term debt payments slightly offset by higher provisions for income taxes.

ASSETS

FGPC's total assets as of December 2015 stood at \$757.2 million, which decreased by \$43.4 million, or 5.4% from a balance of \$800.6 million as of December 31, 2014 due to the movement in the following accounts:

- lower cash balances from operations;
- decrease in advances to shareholders due to scheduled payments;
- lower level of fuel inventory as this was used due to the natural gas curtailments during the year; and
- full year depreciation and amortization of property, plant and equipment

These were partially offset by:

- Higher AFS financial assets from the additional purchases of financial securities, net of the unfavorable movement in its MTM valuation; and
- increase in capitalized prepaid major spare parts on account of the turbine blades.

LIABILITIES AND EQUITY

FGPC's total liabilities amounted to \$495.5 million as of December 31, 2015, lower by \$39.5 million, or 7.4% from \$535.0 million as of December 31, 2014. The decrease in liabilities is primarily due to FGPC's scheduled long-term debt payments coupled with a decrease in derivative liabilities due to favorable movements in the MTM valuation of FGPC's derivative instruments. These were partially offset by an increase in payables to FGP as a result of liquid fuel purchases.

Total equity slightly decreased by \$3.9 million, or 1.5% to \$261.7 million as of December 31, 2015 as compared to \$265.6 million at the beginning of the year. The decrease in equity was mainly due to dividends declared in 2015 and the unfavorable movement in the MTM valuation of AFS financial assets, partially offset by the earnings during the year and a decrease in the "Accumulated other comprehensive loss" account due to favorable movements in the MTM valuation of FGPC's derivative instruments.

FGP Corp.

(AUDITED)	For the years ended December 31	
	2015	2014
(in USD thousands)		
Revenues from sale of electricity	360,852	425,381
Operating income	87,548	93,920
Net income	55,276	60,238
	As of the years ended December 31	
(in USD thousands)	2015	2014
Total assets	589,339	586,139
Long-term debt – net of debt issuance costs	355,124	380,497
Other liabilities	117,906	85,013
Total equity	116,309	120,629

December 2015 vs. December 2014 Results

Total revenues for the year ended December 31, 2015 decreased by \$64.5 million, or 15.2% to \$360.9 million in 2015 from \$425.4 million in 2014. The decline in revenues was primarily due to lower fuel revenues that resulted from a decrease in average gas prices (\$9.1/MMBtu in 2015 as compared to \$12.6/MMBtu in 2014). FGP did, however, have slightly higher plant dispatch (78.4% in 2015 compared to 73.0% in 2014) in 2015.

Operating income decreased by \$6.4 million, or 6.8%, to \$87.5 million in 2015 from \$93.9 million in 2014 as FGP received lower proceeds from insurance claims in 2015 (\$8.5 million in 2015 as against \$14.9 million in 2014). Net income decreased by \$5.0 million, or 8.2%, to \$55.3 million in 2015 from \$60.2 million in 2014 due to lower final receipt of insurance claims, partially offset by savings in administrative expenses.

ASSETS

FGP's total assets as of December 2015 stood at \$589.3 million, which increased by \$3.2 million, or 0.5% from \$586.1 million in 2014 mainly due to higher outstanding receivables from FGPC for the purchase of liquid fuel advanced by FGP last August 2014, February and April 2015. The increase was partially offset by the following:

- lower cash balance generated from operations;
- utilization of fuel inventory;
- unfavorable movement in the MTM valuation of its AFS financial assets; and
- depreciation and amortization of property, plant and equipment.

LIABILITIES AND EQUITY

As of December 2015, total liabilities increased by \$7.5 million, or 1.6% to \$473.0 million from last year's \$465.5 million mainly due to outstanding payables to FGPC for the various liquid fuel purchases in 2014 and 2015. The increase was partially offset by the scheduled long-term debt payments.

Total equity decreased by \$4.3 million, or 3.6% to \$116.3 million as of December 31, 2015 as compared to \$120.6 million at the beginning of the year. The decrease in equity was due to cash dividends declared in 2015 and the unfavorable movements in the MTM valuation of FGP's derivative instruments, partially offset by net income earned during the year.

EDC Consolidated

(AUDITED) (Amounts in PHP millions)	For the years ended December 31	
	2015	2014
Revenues from sale of electricity	34,360.5	30,867.2
Foreign exchange losses, net	(1,365.5)	(102.5)
Income before income tax	8,740.0	13,040.6
Net income	7,859.4	11,818.0
Net income attributable to Equity holders of the Parent Company	7,642.1	11,681.2
	As of the years ended December 31	
	2015	2014
Total Assets	136,041.1	124,499.5
Total Liabilities	88,811.4	80,879.4
Total Equity	47,229.7	43,620.1

December 2015 vs. December 2014 Results

In 2015, EDC posted net income of ₱7,859.5 million, lower by ₱3,958.5 million, or 33.5% from the ₱11,818.0 million last year. The decrease was driven by a ₱2,051.9 million impairment reversal that was recognized in 2014 (while no similar transaction was recognized in 2015), and was further supplemented by a combined increase in costs of sale of electricity, G&A expenses, and interest expenses totaling to ₱4,772.3 million and a ₱1,263.1 million increase in foreign exchange losses. These factors were partially offset by a ₱3,493.3 million net increase in revenues mainly due to the full year revenue contribution of the Burgos, Nasulo and BacMan power generating units and higher receipt of proceeds from various insurance claims.

ASSETS

Total assets increased by ₱11,541.6 million, or 9.3% to ₱136,041.1 million, mainly due to an increase in total cash and cash equivalents. Total cash and cash equivalents increased by ₱3,603.7 million to ₱17,613.9 million as of end-2015 from ₱14,010.2 million as of December 31, 2014, primarily attributable to the ₱14,604.6 million in proceeds raised from loans and ₱22,000.0 million net cash generated from operating activities, though partly offset by payments of loans, financing charges, and dividends totaling to ₱19,638.7 million, and the additions totaling to ₱10,189.5 million to the property, plant and equipment account.

Moreover, total assets further gained due to an increase in other current assets by ₱1,542.4 million, or 231.9% to ₱2,263.4 million as of December 31, 2015 from a ₱721.0 million balance as of December 31, 2014 primarily due to an increase in the balance to ₱864.7 million in the DSRAs maintained in 2015 for BGI, EBWPC and GCGI loans, additional withholding tax certificates, and prepaid expenses. Total property, plant and equipment account likewise increased by ₱5,494.2 million to ₱88,567.7 million as of December 31, 2015 from ₱83,073.5 million as of December 31, 2014 primarily due to additions amounting to ₱7,634.2 million mainly on account of drilling activities in Palinpinon and Leyte, though partly offset by the ₱3,690.2 million in depreciation and amortization for the year.

LIABILITIES AND EQUITY

Total liabilities increased by ₱7,932.0 million, or 9.8% to ₱88,811.4 million as of December 31, 2015 from ₱80,879.4 million as of December 31, 2014 primarily due to GCGI's ₱8.5 billion project finance loan secured on March 18, 2015, BGI's ₱5.0 billion project finance loan secured in September 2015, and the higher trade and other payables due to trade purchases made. These increases were partly offset by the payments made to various suppliers and the maturity of the ₱8.5 billion Series 1 Peso Public Bond on June 4, 2015.

Total equity increased by ₱3,609.6 million, or 8.3% to ₱47,229.7 million as of December 31, 2015 from ₱43,620.1 million as of December 31, 2014 mainly due to the net income earned in 2015, which was partially offset by cash dividends declared during the year.

FG Bukidnon

(AUDITED) (Amounts in PHP thousands)	For the years ended December 31	
	2015	2014
Revenues from sale of electricity	35,070	44,685
Operating income	5,146	13,661
Net income	4,613	12,182
	As of the years ended December 31	
	2015	2014
Total assets	139,557	124,040
Total current liabilities	15,753	17,167
Other liabilities	25,992	15,771
Total equity	97,812	91,102

December 2015 vs. December 2014 Results

Revenues for the year 2015 decreased by ₱9.6 million, or 21.5% due to lower plant generation and sales volume billed to Cagayan Electric Power and Light Company, Inc. (CEPALCO).

As a result, operating income decreased by ₱8.5 million, or 62.3% mainly due to lower electricity sales to CEPALCO though partially offset by the slightly lower administrative expenses for the year 2015.

FG Bukidnon posted a net income of ₱4.6 million, ₱7.6 million or 62.1%, lower than the previous year's ₱12.2 million. The decrease was mainly due to lower electricity sales.

ASSETS

As of December 31, 2015, total assets stood at ₱139.6 million, which is ₱15.5 million or 12.5% higher than the December 31, 2014 level of ₱124.0 million mainly due to the accumulation of cash from operations, increase in property plant and equipment due to additional capitalization of asset retirement obligation and higher Input VAT during the year, partially offset by the following:

- decrease in accounts receivable; and
- decrease in other current assets.

LIABILITIES AND EQUITY

As of December 31, 2015, total current liabilities decreased by ₱1.4 million, or 8.2% due to payments of advances to an affiliate in 2015.

As of December 31, 2015, other liabilities increased by ₱10.2 million, or 64.8% due to higher asset retirement obligation following the re-assessment of the assumptions used in 2015, partially offset by decrease in retirement liability.

Total equity increased by ₱6.7 million, or 7.4% to ₱97.8 million as of end-2015 from ₱91.1 million as of end-2014 mainly due to the net income earned for the year and actuarial gain on retirement benefits.

KEY PERFORMANCE INDICATORS

First Gen Consolidated	December 2015	December 2014
Current ratio	1.86x	1.67x
Asset-to-equity ratio	2.75x	2.76x
Debt-to-equity ratio	1.75x	1.76x
Quick ratio	1.50x	1.46x
Return on assets (%)	4.54%	6.24%
Return on equity (%)	12.52%	17.47%
Interest-bearing debt-to-equity ratio (times)	1.48x	1.49x

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

FIRST GEN CORPORATION AND SUBSIDIARIES

AGING OF RECEIVABLES

Amounts in U.S. Dollars and in Thousands

	Current	More than 30 days past due	More than 30 days to 1 year past due	More than 1 year past due	Total
Trade	\$273,963	\$10,123	\$1,321	\$25,561	\$310,968
Related parties	2,021	—	—	—	2,021
Loans and notes receivables	1,908	—	—	—	1,908
Others	4,812	—	—	173	4,985
	282,704	10,123	1,321	25,734	319,882
Less: allowance for impairment losses	—	—	—	(2,400)	(2,400)
	\$282,704	\$10,123	\$1,321	\$23,334	\$317,482

INFORMATION ON INDEPENDENT AUDITORS

The following table sets out the aggregate fees billed and paid for each of the last three (3) fiscal years for professional services rendered by SGV & Co.:

AUDIT FEES (in Philippine peso)	For the years ended December 31		
	2015	2014	2013
Audit and Audit-Related Fees	₱10,031,201	₱7,391,319	₱6,577,136
Tax Fees	-	294,000	457,597
All Other Fees ^[1]	712,381	1,413,253	9,911,485
TOTAL	₱10,743,582	₱9,098,572	₱16,946,218

^[1] For services relating to due diligence for various financing activities, issuance of agreed-upon procedures (AUP) report for the increase in capital stock of various subsidiaries, AUP for the conversion of deposits for future stock subscriptions into equity, conduct of transfer pricing studies, issuance of comfort letters in relation to the Series "F" & Series "G" perpetual preferred shares offerings and the US\$300M Notes offering, and conduct of seminars.

MARKET INFORMATION

First Gen's common shares were listed with the Philippine Stock Exchange, Inc. on February 10, 2006. The high and low stock prices for 2014, 2015, and the 1st quarter of 2016 (as of March 15, 2016) are indicated below:

	High	Low
2016		
1Q (as of March 15, 2016)	22.65	17.60
2015		
4Q	27.00	21.30
3Q	28.15	21.30
2Q	31.30	24.30
1Q	31.80	25.40
2014		
4Q	27.55	23.85
3Q	27.10	20.20
2Q	23.30	18.06
1Q	20.00	13.14

The closing price of First Gen's common shares as of March 15, 2016 was P21.50 per share.

As of March 15, 2016, First Gen's public float is at 32.67%, computed as follows:

$$\frac{\text{Total Shares Owned by the Public}}{\text{Total Issued and Outstanding Shares}} \times 100$$

$$\frac{1,196,045,624}{3,660,943,557} \times 100 = \mathbf{32.67\%}$$

As of March 15, 2016, there were 357 common stockholders of record and 3,660,943,557 common shares issued and outstanding.

Following are the top 20 stockholders of First Gen as of March 15, 2016:

Common Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	2,424,990,159	66.239485%
2	PCD NOMINEE CORPORATION (FILIPINO)	817,935,924	22.342216%
3	PCD NOMINEE CORPORATION (FOREIGN)	371,168,548	10.138603%
4	F. YAP SECURITIES, INC.	13,927,200	0.380427%
5	GARRUCHO JR., PETER D.	6,787,004	0.185389%

6	LOPEZ, FEDERICO R.	5,569,511	0.152133%
7	LOPEZ, OSCAR M.	4,375,520	0.119519%
8	CROSLO HOLDINGS CORPORATION	2,000,000	0.054631%
9	PUNO, FRANCIS GILES B.	1,800,001	0.049168%
10	TANTOCO, RICHARD B.	1,768,681	0.048312%
11	PACITA KING YAP &/OR PHILIP KING YAP	1,150,000	0.031413%
12	PUNO,FRANCIS GILES B.,&/OR MA. PATRICIA D. PUNO	1,105,800	0.030205%
13	DE GUIA, ARTHUR A.	752,160	0.020546%
14	ARLENE YAP TAN &/OR PAUL KING YAP JR.	530,000	0.014477%
15	GO,REGINA PIA BANAL	500,000	0.013658%
16	BENJAMIN K. LIBORO &/OR LUISA BENGZON LIBORO	480,400	0.013122%
17	VASAY, NESTOR H.	450,000	0.012292%
18	LOPEZ, CONSUELO R.	310,050	0.008469%
19	TAN,LOZANO A.	300,000	0.008195%
20	LOPEZ, MONINA D.	264,738	0.007231%
TOTAL SHARES (TOP 20)		3,656,165,696	99.869491%
TOTAL SHARES (REST OF STOCKHOLDERS)		4,777,861	0.130509%
TOTAL ISSUED AND OUTSTANDING SHARES		3,660,943,557	100.000000%

Series “B” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	1,000,000,000	100.000000%
TOTAL ISSUED AND OUTSTANDING SHARES		1,000,000,000	100.000000%

Series “E” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	468,553,892	100.000000%
TOTAL ISSUED AND OUTSTANDING SHARES		468,553,892	100.000000%

Series “F” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	61,654,000	96.886933%
2	KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS.	1,000,000	1.571462%
3	EUGENIO LOPEZ FOUNDATION, INC.	500,000	0.785731%
4	CROSLO HOLDINGS CORPORATION	200,000	0.314292%
5	PERLA RAYOS DEL SOL CATAHAN &/OR ROBERTO BUENAVIDEZ CATAHAN	50,000	0.078573%
6	GERTES,JOVITO VICTORINO	30,000	0.047144%
7	WIENEKE,MARIANELA ALDEGUER	30,000	0.047144%
8	EMELITA DE LEON SABELLA &/OR RONALDO CUSTODIO SABELLA	20,000	0.031429%
9	LACHICA,DANILO COMELIO,&/OR MA. BERNARDITA FERNANDEZ LACHICA	20,000	0.031429%
10	LIBORO,BENJAMIN KALUAG	20,000	0.031429%
11	MABASA,ANTHONY MILITAR	20,000	0.031429%
12	PCD NOMINEE CORPORATION (FOREIGN)	11,000	0.017286%
13	BRIGIDA QUINTOS PAGDAGDAGAN &/OR RAMON TAGARDA PAGDAGDAGAN	10,000	0.015715%
14	FADRI,ARDEL LABRADOR	10,000	0.015715%
15	FADRI,MILAGROS DELA VEGA	10,000	0.015715%

16	LEONIDES ULIT GARDE &/OR MARIA SALUD DE SANTOS GARDE &/OR LIANA ALEXANDRA DE SANTOS GARDE	10,000	0.015715%
17	MACEDA,MA. LOURDES ELVIRA RUFINO,&/OR JOSEFINA PADILLA RUFINO	10,000	0.015715%
18	MARTINEZ,VICTORIA A.	10,000	0.015715%
19	RICARDO BATISTA YATCO &/OR CYNTHIA ACOSTA YATCO	10,000	0.015715%
20	RICARDO BATISTA YATCO &/OR GERARDO BATISTA YATCO	10,000	0.015715%
TOTAL ISSUED AND OUTSTANDING SHARES		63,635,000	100.000000%

Series “G” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	81,278,720	60.769136%
2	FIRST PHILIPPINE HOLDINGS CORPORATION	50,296,450	37.604822%
3	LOPEZ, INC.	500,000	0.373832%
4	FIRST PHILIPPINE HOLDINGS CORPORATION PENSION FUND	300,000	0.224299%
5	CROSLO HOLDINGS CORPORATION	200,000	0.149533%
6	EUGENIO LOPEZ FOUNDATION, INC.	200,000	0.149533%
7	PCD NOMINEE CORPORATION (FOREIGN)	164,430	0.122938%
8	CATAHAN,PERLA R.,&/OR ROBERTO B. CATAHAN	100,000	0.074766%
9	LOPEZ,OSCAR M.,&/OR CONSUELO R. LOPEZ	100,000	0.074766%
10	ALEXANDER TAN SOLIS &/OR GINA TAN SINFUEGO	50,000	0.037383%
11	DE LA PAZ,PANFILO P.	50,000	0.037383%
12	G. D. TAN & CO., INC.	40,000	0.029907%
13	CLEMENTE, III,ENRIQUE C.	30,000	0.022430%
14	MARIANELA A. WIENEKE &/OR JORGE NOEL Y. WIENEKE	30,000	0.022430%
15	LACSON,SYLVIA F.	27,000	0.020187%
16	LORAYES,ANGELES Z.	25,000	0.018692%
17	WIENEKE,MARIANELA ALDEGUER	25,000	0.018692%
18	TEH,ALFONSO SY	22,000	0.016449%
19	ESGUERRA,ALMIRA JAZMIN P.	20,000	0.014953%
20	FRAGANTE,MARGARITA B.	20,000	0.014953%
TOTAL SHARES (TOP 20)		133,478,600	99.797084%
TOTAL SHARES (REST OF STOCKHOLDERS)		271,400	0.202916%
TOTAL ISSUED AND OUTSTANDING SHARES		133,750,000	100.000000%

DIVIDENDS

First Gen has a dividend policy to declare, subject to certain conditions, an annual cash dividend on its common shares equivalent to 30% of the prior year’s recurring net income. Any such declaration of cash dividend is conditional upon the recommendation of the board of directors, after taking into consideration factors such as, but not limited to, debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves, and working capital. Further, the declaration of a cash dividend is subject to the preferential dividend rights of the voting preferred shares and perpetual preferred shares. This dividend policy may be revised by the board of directors for whatever reason it deems necessary, reasonable, or convenient.

On August 15, 2007, the board of directors declared a cash dividend in the amount of: (i) ₱2.50 per share on all outstanding common shares in favor of stockholders of record as of September 7, 2007, with payment date of September 14, 2007; and (ii) ₱0.05 per share on all outstanding preferred shares in favor of stockholders of record as of September 7, 2007, with payment date of September 13, 2007.

On March 30, 2009, the board of directors of First Gen approved the declaration of a 50% stock dividend on First Gen’s common shares to be taken from unissued common shares, and a 50% property dividend on First Gen’s preferred shares to be taken from treasury preferred shares.

The Philippine SEC approved on August 27, 2009 the issuance of \$8.4 million (₱405.0 million) common shares consisting of 405,000,000 common shares with a par value of ₱1.00 per share, to cover the stock dividends declared by the board of directors on March 30, 2009 and ratified by the company's stockholders representing at least two-thirds (2/3) of the outstanding capital stock on May 13, 2009. Record and payment dates of the common stock dividends were set at September 11, 2009 and October 7, 2009, respectively. The Philippine SEC's approval was pursuant to the Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock or Cash Dividends of Corporations whose securities are registered under the SRC or listed in the PSE.

On September 23, 2009, the Philippine SEC approved First Gen's declaration of a 50% property dividend consisting of 177,619,000 preferred shares, to be taken from treasury preferred shares and amounting to \$7.6 million (₱680.3 million), in favor of First Gen's preferred stockholder of record as of May 13, 2009.

On October 5, 2009, the board of directors of First Gen approved the declaration of a property dividend on First Gen's preferred shares to be taken from the remaining 467,143,000 treasury preferred shares, and a stock dividend of 375,000,000 million Series "E" preferred shares to be taken from First Gen's unrestricted retained earnings. The board of directors likewise approved the reduction in the dividend rate of Series "A" to "D" preferred shares from ₱0.05 to ₱0.02 per share. The above matters were approved by the stockholders during the special stockholders' meeting held on November 20, 2009, and by the Philippine SEC on November 26, 2009. The property dividends were taken from the remaining 467,143,000 preferred shares held in treasury amounting to \$20.0 million (₱1,787.1 million), and paid to First Gen's preferred stockholder of record as of November 20, 2009.

On December 7, 2009, the Philippine SEC approved First Gen's declaration of stock dividends consisting of 375,000,000 Series "E" preferred shares amounting to \$4.0 million (₱187.5 million) in favor of the preferred stockholder of record as of December 7, 2009.

On March 8, 2010 and May 12, 2010, First Gen's board of directors and stockholders, respectively, approved the declaration of a stock dividend on Series "E" preferred shares consisting of 93,553,892 shares to be taken from the company's unrestricted retained earnings. On June 2, 2010, First Gen submitted to the Philippine SEC a notice of declaration of stock dividend on Series "E" preferred stocks.

On January 26, 2011, the board of directors approved the declaration of cumulative cash dividends on the Series "B" preferred shares amounting to \$1.8 million (₱77.8 million) to be taken from the company's unrestricted retained earnings. The cash dividends have a record date of February 9, 2011 and a payment date of March 7, 2011. In the same meeting, the board of directors approved the dividend rate of Series "E" preferred shares at ₱0.01 per share.

On July 5, 2011, the board of directors of First Gen approved the declaration of cash dividends of ₱0.01 a share amounting to \$0.1 million (₱4.7million) to First Gen's Series "E" Preferred stockholders of record as of July 19, 2011 and the cash payment date of July 25, 2011.

On December 15, 2011, the board of directors of First Gen approved the declaration of cash dividends on its preferred shares as follows:

- For all outstanding Series "B" preferred shares, cash dividends of two centavos (₱0.02) a share with record date of January 6, 2012 and payment date of January 25, 2012;
- For all outstanding Series "E" preferred shares, cash dividends of one centavo (₱0.01) a share with record date of January 6, 2012 and payment date of January 25, 2012; and,
- For all outstanding Series "F" perpetual preferred shares, cash dividends of four pesos (₱4.00) a share with record date of January 6, 2012 and payment date of January 25, 2012. The Series "F" preferred shares have a coupon rate of 8% and are entitled to receive dividends on a semi-annual basis.

The total cash dividends on preferred shares declared above totaling to \$9.7 million (₱424.7 million) was paid on January 25, 2012.

On March 13, 2012, the Philippine SEC approved an increase in First Gen's authorized capital stock from ₱7,250.0 million to ₱8,600.0 million by way of the creation of 135 million Series "G" perpetual preferred shares with a par value of ₱10.00 per share. Of the increase of ₱1,350.0 million, the amount of ₱337,500,000.00 consisting of 33,750,000 Series "G" preferred shares, representing at least 25% of the increase, was subscribed and paid in full by FPH in support of First Gen's application to increase its authorized capital stock.

On May 18, 2012, First Gen issued and listed with the PSE 100 million Series "G" preferred shares which are cumulative, non-voting, non-participating, non-convertible and peso-denominated. The shares were issued via

follow-on offering at an issue price of ₱100.00 each. Under the terms of the Deed Poll covering the said shares, the dividend rate of the Series “G” perpetual preferred shares is 7.7808% per annum, and is payable, as and when declared by the Company’s board of directors, every January 25 and July 25.

Thereafter, on May 25, 2012, FPH made an additional investment in First Gen in the amount of ₱1,800 million by paying the difference between the issue price it previously paid or ₱10.00 per share, and the issue price for the publicly-offered shares of ₱100.00 per share, on 20 million of the 33,750,000 Series “G” preferred shares held by it. This additional investment enabled FPH’s 20 million Series “G” preferred shares to enjoy the same rights and benefits as the holders of the 100 million Series “G” preferred shares offered to the public, including the dividend rate of 7.7808% per annum.

On June 15, 2012, the board of directors of First Gen approved the declaration of cash dividends on its perpetual preferred shares as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series “F” preferred shares;
- ₱1.47 per share or 7.7808% per share per annum on the 100 million Series “G” preferred shares subject of the follow-on offering on May 18, 2012; and
- ₱1.45 per share on the 120 million Series “G” preferred shares owned by FPH, broken down as follows: (i) ₱1.32 per share or 7.7808% per share per annum on the 20 million Series “G” preferred shares topped-up by FPHC on May 25, 2012; and (ii) ₱0.13 per share or 3.27% per share per annum on the 33,750,000 Series “G” preferred shares paid for by FPH on February 27, 2012.

The above cash dividends have a record date of June 29, 2012 and a payment date of July 25, 2012.

On November 21, 2012, First Gen directors approved the declaration of 2013 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series “B” preferred shares;
- ₱0.01 per share on all outstanding Series “E” preferred shares;
- ₱4.00 per share on all outstanding Series “F” preferred shares;
- ₱3.8904 per share on 120 million Series “G” preferred shares, consisting of 100 million Series “G” shares issued by way of follow-on offering in May 2012 plus 20 million Series “G” shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 2, 2013 and a payment date of January 25, 2013.

On June 19, 2013, the board of directors approved the declaration of cash dividends on its perpetual preferred shares as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series “F” preferred shares;
- ₱3.8904 per share or 7.7808% per share per annum on the 120 million Series “G” preferred shares, consisting of 100 million Series “G” preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series “G” preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement

The above cash dividends have a record date of July 3, 2013 and a payment date of July 25, 2013.

On July 10, 2013, the board of directors approved the declaration of cash dividends on its issued and outstanding common shares at the rate of ₱0.50 per share. The cash dividends have a record date of July 25, 2013 and a payment date of August 19, 2013.

On November 21, 2013, the board of directors approved the declaration of 2014 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series “B” preferred shares;
- ₱0.01 per share on all outstanding Series “E” preferred shares;
- ₱4.00 per share on all outstanding Series “F” preferred shares;

- ₱3.8904 per share on 120 million Series “G” preferred shares, consisting of 100 million Series “G” preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series “G” preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 2, 2014 and a payment date of January 27, 2014.

On June 16, 2014, the board of directors approved the declaration of cash dividends on its preferred shares as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series “F” preferred shares;
- ₱3.8904 per share or 7.7808% per share per annum on the 120 million Series “G” preferred shares, consisting of 100 million Series “G” preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series “G” preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement.

The above cash dividends have a record date of July 1, 2014 and a payment date of July 25, 2014.

On October 1, 2014, the board of directors approved the declaration of cash dividends on its issued and outstanding common stocks at the rate of ₱0.35 a share with record date of October 16, 2014 and payment date of October 30, 2014.

On November 13, 2014, the board of directors approved the declaration of 2015 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series “B” preferred shares;
- ₱0.01 per share on all outstanding Series “E” preferred shares;
- ₱4.00 per share on all outstanding Series “F” preferred shares;
- ₱3.8904 per share on 120 million Series “G” preferred shares, consisting of 100 million Series “G” preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series “G” preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 5, 2015 and a payment date of January 26, 2015.

On June 15, 2015, the board of directors of First Gen approved the declaration of cash dividends on its issued and outstanding redeemable preferred stocks as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series “F” preferred shares;
- ₱3.8904 per share or 7.7808% per share per annum on the 120 million Series “G” preferred shares, consisting of 100 million Series “G” preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series “G” preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement

The above cash dividends have a record date of July 1, 2015 and a payment date of July 27, 2015.

On July 22, 2015, the board of directors approved the declaration of cash dividends on its issued and outstanding common stocks at the rate of ₱0.35 a share with record date of August 5, 2015 and payment date of August 20, 2015.

On November 26, 2015, the board of directors approved the declaration of 2016 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series “B” preferred shares;
- ₱0.01 per share on all outstanding Series “E” preferred shares;
- ₱4.00 per share on all outstanding Series “F” preferred shares;

- ₱3.8904 per share on 120 million Series “G” preferred shares, consisting of 100 million Series “G” preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series “G” preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of December 23, 2015 and a payment date of January 25, 2016.

SALE OF UNREGISTERED / EXEMPT SECURITIES

Executive Stock Option Plan. Under the Corporation’s ESOP which was approved by the board of directors 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. There is currently no ESOP in place.

Employee Stock Purchase Plan. In accordance with the provisions of the ESPP, the plan expired on April 14, 2015, or ten (10) years from the plan’s adoption date of April 15, 2005. No award or issuance of shares has been granted to any employee under the plan, and no ESPP is currently in place.

CORPORATE GOVERNANCE

The corporate governance structures of First Gen are managed and driven by its Board of Directors, which is composed of individuals of proven competence and integrity. As the members of the Board are fully aware of their duties and obligations as Directors of a publicly-listed company, they make every effort to ensure that the Company is able to respond to the needs of its officers, employees, customers, and partners, as well as the government and the public in general. Having set forth the Company’s goals, the Board is responsible for guiding the Company in fulfilling its economic targets and governance aspirations.

The Board of Directors of First Gen consists of nine (9) members, that include two (2) Independent Directors, each of whom is elected by the Company’s qualified stockholders during the annual general meeting held every 2nd Wednesday of May of each year. Independent Directors Tony Tan Caktiong and Jaime I. Ayala have neither interest nor relationship with First Gen that may hinder their independence from the Company or its management, or interfere with the exercise of independent judgment in carrying out their responsibilities.

Pursuant to the Company’s Manual on Corporate Governance and in compliance with the principles of good corporate governance, the members of the Board have been selected also as members of the following standing committees: the Nomination and Governance Committee, the Compensation and Remuneration Committee, the Audit Committee, and the Risk Management Committee.

The **Nomination and Governance Committee** is composed of at least three (3) members, one (1) of whom shall be an Independent Director. It is presently composed of Chairman Federico R. Lopez, Director Richard B. Tantoco, and Independent Director Tony Tan Caktiong.

Under The Nomination and Governance Committee Charter, the committee exercises the principal function of selecting Directors and evaluating their qualifications as shall be consistent with the By-laws and Manual on Corporate Governance. The committee makes sure that a Board election will result in a mix of proficient Directors, each of whom will be able to add value and bring prudent judgment to the Board of Directors. It is also tasked to review the structure, size, and composition of the Board and make appropriate recommendations thereto. It shall likewise review with the Board, on an annual basis or as may be needed, the appropriate skills, characteristics, and training required by the Directors.

The committee also holds the responsibility of reviewing and evaluating the qualifications of persons nominated for positions that require Board approval. It likewise has the duty to assess the effectiveness of the Board’s processes and procedures in the election or replacement of Directors. It also reviews the recommendations of the Compliance Officer in relation to the Manual on Corporate Governance, as well as other corporate governance rules and regulations.

The **Compensation and Remuneration Committee** is composed of the Chairman of the Board and two (2) members, one (1) of whom shall be an Independent Director. The chairman of the committee is Independent Director Tony Tan Caktiong, and its members are Directors Federico R. Lopez and Peter D. Garrucho Jr.

Pursuant to the Compensation and Remuneration Committee Charter, the committee has the principal function of studying and recommending an appropriate compensation and/or reward system. It shall exercise powers and functions over the compensation and remuneration of the corporate officers other than the Chairman, whose compensation and remuneration shall be determined by the President and two (2) Directors, one of whom shall be an Independent Director. The committee shall establish a policy on remuneration of Directors and officers, to ensure that their compensation is consistent with the Corporation's culture, strategy, and the business environment in which it operates. Further, it is tasked to review the Corporation's human resources development or personnel handbook, in order to strengthen provisions on conflict of interest, policies on salaries and benefits, and directives on promotion and career advancement.

The **Audit Committee** is headed by Independent Director Jaime I. Ayala, with Independent Director Tony Tan Caktiong and Directors Peter D. Garrucho, Jr. and Elpidio L. Ibañez as members.

Under the provisions of The Audit Committee Charter, the committee's primary function is to assist the Board of Directors in fulfilling its oversight responsibilities for financial reporting, internal control systems, internal audit activities, compliance with key regulatory requirements, and enforcement of the Corporate Code of Conduct.

Among the Audit Committee's other functions are monitoring and evaluating the Company's internal control systems which include the Company's financial reporting control and information technology security. The Committee likewise recommends the appointment of the Company's external auditor and ensures that the Company has an effective internal auditing system. To this end, the Committee is in charge of reviewing reports of the Company's internal and external auditors and taking corrective action when necessary. The Committee is likewise tasked to review any unusual or complex transaction, and the accuracy of disclosures of material information, including subsequent events and related-party transactions.

The committee shall conduct an annual self-assessment of its performance and effectiveness, and recommend, if necessary, changes to The Audit Committee Charter. The self-assessment activity shall be based on the completeness of The Audit Committee Charter as to its compliance with regulatory requirements and actual implementation.

The Audit Committee may likewise request information, data, and clarification from the officers of the Corporation, in the performance of its duties and responsibilities.

The **Risk Management** Committee was created by the Board of Directors in March 2010. The Risk Management Committee Charter provides that the committee shall be composed of at least three (3) members from the Board of Directors. In May 2013, the Board of Directors decided to elect an additional Director to sit on the committee, bringing its current Board membership to four (4) Directors.

The committee is chaired by Director Peter D. Garrucho Jr., with Independent Director Jaime I. Ayala and Directors Elpidio L. Ibañez and Francis Giles B. Puno as members.

The committee assists the Board of Directors in its oversight responsibility over management's activities in managing physical, financial, operational, labor, legal, security, environmental, and other risks of the Corporation. It plays a vital oversight role and serves as an important liaison to the Board. Under its charter, the committee shall have the duty and responsibility to provide guidance to management through the establishment of the Company's risk-management philosophy and risk appetite. It shall likewise approve the Company's risk-management policy and processes and any revision thereto. The Committee shall also communicate to key stakeholders the status of strategic and critical risks and require periodic reports from management, to confirm that the risk management system of the Company is operating correctly and consistently with its objectives.

To further ensure compliance with the principles and policies of good corporate governance, Vice President and Corporate Secretary Rachel R. Hernandez serves as the Company's Compliance Officer. Ms. Hernandez is responsible for monitoring compliance by the Corporation with the Manual on Corporate Governance and the rules and regulations of regulatory agencies, including reporting the occurrence of any violation, reporting such violation to the Board, recommending the imposition of appropriate disciplinary actions on the responsible parties, and adopting measures to prevent a repetition of the violation; appearing before the SEC when summoned on matters relating to the Manual on Corporate Governance; and, if any deviations are found, explaining the reasons for such deviation; and recommending to the Board the review of the Manual on Corporate Governance.

First Gen has long recognized corporate governance as a necessary component of sound business management. As such, the Company, through its Board of Directors and senior management, continues to search for ways and means to further improve its corporate governance structures. The Company regularly reviews its existing policies and programs, with the intention of further elevating the level of accountability of the Company's Directors, officers, and employees.

Efforts to enhance and develop the Company's corporate governance structures have resulted in earlier amendments to the Company's By-laws and Manual on Corporate Governance.

The Company constantly updates its Manual on Corporate Governance to ensure that it meets the latest principles of good corporate governance. The latest of such updates was in July 2014, when the Company submitted to the Philippine SEC a further revised Manual on Corporate Governance, compliant with the latest SEC issuance on the Code of Corporate Governance.

During the third quarter of 2014, the Company reformatted its website to comply with the prescribed format of the SEC for publicly-listed companies. The Company is likewise in the process of further renovating its website to afford its stakeholders an easier platform to access information from the Company. The Company aims to launch its new website in the first quarter of 2016.

The Company's directors and officers make it a point to keep themselves abreast on the latest standards in corporate governance. In 2015, all of the Company's directors and key officers participated in corporate governance seminars to further enhance their knowledge and understanding of governance structures, roles and responsibilities.

As First Gen sets its sights on playing an even greater role in the power industry, it will continue to diligently exert every effort necessary to achieve its corporate governance goals and aspirations.

ATTENDANCE OF DIRECTORS IN BOARD MEETINGS HELD IN 2015

DIRECTORS	JAN 20	FEB 16	MAR 12	MAY 13	JUNE 15	JULY 22	SEPT 14	NOV 26
O.M. Lopez	✓	✓	✓	✓	✓	✓	X	X
F.R. Lopez	✓	✓	✓	✓	✓	✓	✓	✓
R.B. Tantoco	✓	✓	✓	✓	✓	✓	✓	✓
F.G.B. Puno	✓	✓	✓	✓	✓	✓	✓	✓
P.D. Garrucho Jr.	✓	✓	✓	✓	✓	✓	✓	✓
E.L. Ibañez	✓	✓	✓	✓	✓	✓	✓	✓
E.L. Lopez III	✓	✓	✓	X	✓	✓	✓	✓
T.T. Caktiong	✓	X	✓	✓	✓	✓	X	✓
J.I. Ayala	✓	✓	✓	✓	✓	✓	✓	X

Legend: ✓- Present

X- Absent

OTHER FINANCIAL INFORMATION

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

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

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

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

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

EXHIBIT “B”

Audited Consolidated Financial
Statements

and

Audited Financial Statements Stamped
received by the BIR



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

March 16, 2016

Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

The management of First Gen Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

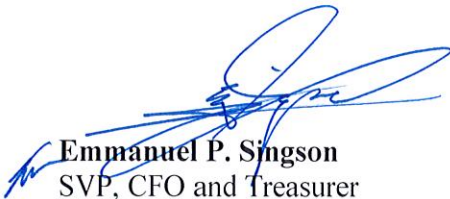
SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation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



Federico R. Lopez
Chairman and Chief Executive Officer



Francis Giles B. Puno
President and Chief Operating Officer



Emmanuel P. Singson
SVP, CFO and Treasurer



APR 01 2016

SUBSCRIBED AND SWORN TO before me this ____ day of April 2016, affiants exhibited to me their Community Tax Certificate Nos. as follows:

	<u>CTC No.</u>	<u>Date/Place Issued</u>
Federico R. Lopez	16690297	January 28, 2016 / Pasig City
Francis Giles B. Puno	16698320	February 2, 2016 / Pasig City
Emmanuel P. Singson	02326579	January 8, 2016 / Pasig City

Doc. No. 236
Page No. 47
Book No. 16
Series of 2016.


ATTY. RICHARD L. ANOLIN
NOTARY PUBLIC until December 31, 2016
FOR CITY OF MANILA PHILIPPINES
IBP LIFETIME NO. 05179/02 25 05/MLA
PTR NO. 4922461- 01/05/16 Mia.
Roll No. 33596
MCLE COMPLIANCE NO. IV-00238501 8/16/14
RODULFO ANOLIN AND ASSOCIATES LAW OFFICE
2/F YMCA OF MANILA BLDG.
#350 ANTONIO VILLEGAS ST.,
ERMITA MANILA TEL. 525-05-86
EMAIL ADD: attyrichardanolin@yahoo.com

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	1	9	9	8	-	1	8	2	6	0
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COMPANY NAME

F	I	R	S	T		G	E	N		C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S
I	D	I	A	R	I	E	S																						

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

1	7	-	A	
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Department requiring the report

S	E	C	
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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

356

Annual Meeting (Month / Day)

2nd Wed 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 AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of First Gen Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

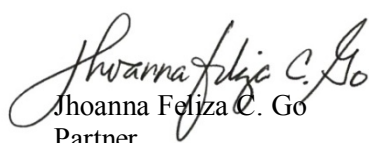
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of First Gen Corporation and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-A (Group A),
April 8, 2014, valid until April 7, 2017

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001988-103-2014,
March 10, 2014, valid until March 9, 2017

PTR No. 5321642, January 4, 2016, Makati City

March 16, 2016



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

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 14, 24 and 25)	\$730,463	\$673,893
Receivables (Notes 6, 18, 24, 25 and 26)	317,482	386,985
Inventories (Note 7)	101,618	98,675
Financial assets at fair value through profit or loss (FVPL) (Notes 8, 24 and 25)	30,108	11,708
Other current assets (Notes 9, 12, 24 and 25)	119,321	47,964
Total Current Assets	1,298,992	1,219,225
Noncurrent Assets		
Property, plant and equipment (Notes 10, 14 and 26)	2,708,175	2,523,991
Goodwill and intangible assets (Note 11)	1,130,920	1,207,514
Deferred income tax assets - net (Note 22)	27,831	27,874
Other noncurrent assets (Notes 9, 12, 21, 24, 25 and 26)	352,769	308,671
Total Noncurrent Assets	4,219,695	4,068,050
TOTAL ASSETS	\$5,518,687	\$5,287,275
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 13, 24, 25 and 26)	\$388,157	\$366,909
Dividends payable (Notes 16, 24 and 25)	15,967	20,056
Income tax payable (Note 22)	8,807	8,898
Due to related parties (Notes 18, 24 and 25)	145	146
Current portion of:		
Long-term debts (Notes 9, 10, 14, 24 and 25)	285,661	332,269
Derivative liabilities (Notes 14, 24 and 25)	105	421
Total Current Liabilities	698,842	728,699
Noncurrent Liabilities		
Long-term debts - net of current portion (Notes 9, 10, 14, 24 and 25)	2,677,138	2,512,769
Derivative liabilities - net of current portion (Notes 14, 24 and 25)	26,388	32,926
Retirement and other post-employment benefits (Note 21)	41,541	40,409
Deferred income tax liabilities - net (Note 22)	20,651	20,381
Other noncurrent liabilities (Note 15)	48,644	39,485
Total Noncurrent Liabilities	2,814,362	2,645,970
Total Liabilities	\$3,513,204	\$3,374,669

(Forward)



	December 31	
	2015	2014
Equity Attributable to Equity Holders of the Parent Company (Notes 16 and 17)		
Redeemable preferred stock	\$69,345	\$69,345
Common stock	75,123	74,728
Additional paid-in capital	1,165,366	1,052,282
Cumulative translation adjustments (Notes 16 and 25)	(65,584)	8,283
Accumulated unrealized gain on Available-for-Sale (AFS) financial assets - net (Note 9)	296	354
Equity reserve (Note 2)	(378,744)	(372,439)
Retained earnings (Note 16)	841,503	737,525
Cost of stocks held in treasury (Note 16):		
Redeemable preferred stock	(85,639)	—
Common stock	(23,362)	(71,997)
	1,598,304	1,498,081
Non-controlling Interests (Notes 2 and 16)	407,179	414,525
Total Equity	2,005,483	1,912,606
TOTAL LIABILITIES AND EQUITY	\$5,518,687	\$5,287,275

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		
	2015	2014	2013
REVENUES FROM SALE OF ELECTRICITY			
(Notes 10, 26 and 27)	\$1,836,268	\$1,902,630	\$1,904,919
COSTS OF SALE OF ELECTRICITY			
(Notes 7,10, 11, 19, 26 and 27)	(1,145,809)	(1,212,551)	(1,301,315)
GENERAL AND ADMINISTRATIVE EXPENSES			
(Notes 7, 10, 11, 12, 19, 21 and 26)	(213,307)	(210,192)	(169,216)
FINANCIAL INCOME (EXPENSE)			
Interest income (Notes 5, 9 and 20)	10,075	6,479	9,133
Interest expense and financing charges			
(Notes 14, 15, 20 and 26)	(167,299)	(167,487)	(149,365)
	(157,224)	(161,008)	(140,232)
OTHER INCOME (CHARGES)			
Proceeds on insurance claims of EDC and FGP			
(Note 10)	34,675	27,038	1,037
Reversal of (loss on) impairment of damaged assets			
due to Typhoon Yolanda (Notes 7 and 10)	372	1,025	(14,810)
Foreign exchange losses - net	(33,614)	(1,700)	(34,894)
Recovery of impairment of property, plant and			
equipment (Note 10)	—	46,265	—
Mark-to-market gain (loss) - financial assets at FVPL			
(Notes 8, 24 and 25)	(169)	171	—
Loss on direct write-off of exploration and			
evaluation assets (Note 12)	(250)	—	—
Provision for impairment of exploration and			
evaluation assets (Note 12)	—	—	(13,621)
Mark-to-market gain on derivatives - net (Note 25)	—	532	337
Others - net (Note 12)	(3,284)	3,908	(2,891)
	(2,270)	77,239	(64,842)
INCOME BEFORE INCOME TAX	317,658	396,118	229,314
PROVISION FOR (BENEFIT FROM) INCOME TAX			
(Note 22)			
Current	74,561	74,780	63,313
Deferred	(2,175)	3,240	(1,594)
	72,386	78,020	61,719
NET INCOME	\$245,272	\$318,098	\$167,595
Net income attributable to:			
Equity holders of the Parent Company	\$167,318	\$193,155	\$118,077
Non-controlling interests	77,954	124,943	49,518
	\$245,272	\$318,098	\$167,595
Basic/Diluted Earnings Per Share for Net Income			
Attributable to Equity Holders of the Parent			
Company (Note 23)	\$0.037	\$0.046	\$0.023

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		
	2015	2014	2013
NET INCOME	\$245,272	\$318,098	\$167,595
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)	4,534	(389)	20,326
Exchange losses on foreign currency translation	(115,620)	(14,558)	(143,124)
Unrealized gains (losses) on AFS financial assets (Note 9)	(145)	24	(756)
	(111,231)	(14,923)	(123,554)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement of retirement and other post-employment benefits - net of tax	264	9,117	(4,522)
Total other comprehensive loss - net of tax	(110,967)	(5,806)	(128,076)
TOTAL COMPREHENSIVE INCOME	\$134,305	\$312,292	\$39,519
Total comprehensive income attributable to:			
Equity holders of the Parent Company	\$93,840	\$230,918	\$32,359
Non-controlling interests	40,465	81,374	7,160
	\$134,305	\$312,292	\$39,519

See accompanying Notes to Consolidated Financial Statements.



FIRST GEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(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	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, 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
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

(Forward)



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 Common Stock Held in Treasury	Subtotal	Non- controlling Interests	Total
	Redeemable Preferred Stock	Common Stock										
BALANCES AT DECEMBER 31, 2012	\$69,345	\$74,715	\$1,052,180	\$62,920	\$647	(\$357,209)	\$-	\$566,290	(\$59,235)	\$1,409,653	\$412,241	\$1,821,894
Total comprehensive income (loss)	-	-	-	(82,829)	(303)	-	(2,586)	118,077	-	32,359	7,160	39,519
Re-measurement of retirement and other post-employment benefits closed to retained earnings	-	-	-	-	-	-	2,586	(2,586)	-	-	-	-
Exercise of stock options (Note 16)	-	13	102	-	-	-	-	-	-	115	-	115
Common stocks acquired by subsidiaries (Note 16)	-	-	-	-	-	-	-	-	(3,018)	(3,018)	-	(3,018)
Share in employee trusts of EDC	-	-	-	-	-	-	-	-	-	-	270	270
Cash dividends on preferred stocks (Note 16)	-	-	-	-	-	-	-	(41,654)	-	(41,654)	-	(41,654)
Cash dividends on common stocks (Note 16)	-	-	-	-	-	-	-	(39,153)	-	(39,153)	-	(39,153)
Acquisition of non-controlling interests	-	-	-	-	-	(8,287)	-	-	-	(8,287)	(4,223)	(12,510)
Dividends of subsidiaries (Note 16)	-	-	-	-	-	-	-	-	-	-	(35,596)	(35,596)
BALANCES AT DECEMBER 31, 2013	\$69,345	\$74,728	\$1,052,282	(\$19,909)	\$344	(\$365,496)	\$-	\$600,974	(\$62,253)	\$1,350,015	\$379,852	\$1,729,867

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		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	\$317,658	\$396,118	\$229,314
Adjustments for:			
Depreciation and amortization (Notes 10, 11 and 19)	185,975	163,910	159,183
Interest expense and financing charges (Note 20)	167,299	167,487	149,365
Unrealized foreign exchange losses - net	29,128	2,261	32,137
Loss on direct write-off of input VAT claims (Note 12)	2,901	5,280	5,214
Loss (gain) on sale of property, plant and equipment (Note 10)	592	(8,167)	—
Loss on direct write-off of exploration and evaluation assets (Note 12)	250	—	—
Mark-to-market loss (gain) on financial assets at FVPL (Note 8)	169	(171)	—
Interest income (Note 20)	(10,075)	(6,479)	(9,133)
Provision for (reversal of) impairment of spare parts and supplies inventories (Note 7)	1,567	(571)	2,915
Loss on (reversal of) impairment of damaged assets due to Typhoon Yolanda (Notes 7 and 10)	(372)	(1,025)	14,810
Recovery of impairment of property, plant and equipment (Note 10)	—	(46,265)	—
Provision for impairment of exploration and evaluation assets (Note 12)	—	—	13,621
Mark-to-market gain on derivatives - net	—	(532)	(337)
Income before working capital changes	695,092	671,846	597,089
Decrease (increase) in:			
Receivables	71,037	(52,239)	(41,878)
Inventories	(4,510)	11,619	48,604
Other current assets	(37,751)	2,227	(16,803)
Increase (decrease) in:			
Accounts payable and accrued expenses	37,155	17,883	(37,042)
Retirement and other post-employment benefits	392	(798)	751
Net cash generated from operations	761,415	650,538	550,721
Interest received	10,075	6,479	9,133
Income taxes paid	(74,891)	(68,170)	(68,314)
Net cash flows from operating activities	696,599	588,847	491,540
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of financial assets at FVPL (Note 8)	89,873	—	—
Proceeds from disposal of property and equipment (Note 10)	500	33,363	1,498
Additions to:			
Property, plant and equipment (Note 10)	(464,870)	(605,658)	(311,267)
Financial assets at FVPL (Note 8)	(110,514)	(11,274)	—
Other noncurrent assets	(87,471)	(83,269)	(59,095)
Increase in debt service reserve account (Note 9)	(28,890)	—	—
Exploration and evaluation assets (Note 12)	(5,658)	(9,268)	(32,025)
Intangible assets (Note 11)	(312)	(1,952)	(4,070)
AFS financial assets	—	—	(1,552)
EDC's acquisition of subsidiaries - net of cash acquired (Note 11)	—	(3,003)	—
Sale of AFS financial assets	—	7,811	3,091
Proceeds from revenue generated from testing property, plant and equipment (Note 10)	—	—	33,210
Net cash used in investing activities	(607,342)	(673,250)	(370,210)



	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of long-term debt - net of debt issuance costs (Note 16)	\$615,884	\$516,994	\$541,669
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	—	53,829
Increase in other noncurrent liabilities	7,109	3,021	5,510
Investment from non-controlling shareholders of EDC	—	46	—
Exercise of stock options (Notes 2 and 17)	—	—	115
Payments of:			
Long-term debts (Note 14)	(448,061)	(286,670)	(138,180)
Interest expense and financing charges (Note 20)	(160,703)	(161,481)	(139,411)
Buyback of Series “F” preferred stocks (Note 16)	(85,639)	—	—
Dividends to non-controlling shareholders of subsidiaries (Note 16)	(43,247)	(42,198)	(35,596)
Cash dividends to preferred shareholders (Note 16)	(39,606)	(40,075)	(44,092)
Cash dividends to common shareholders (Note 16)	(28,029)	(26,272)	(38,937)
Payment of short-term loans (Note 14)	(26,496)	(53,829)	—
Acquisition of non-controlling interest in EDC (Notes 2 and 16)	(9,013)	(10,580)	(12,510)
Parent Company shares acquired by subsidiaries (Note 16)	(4,352)	(9,744)	(3,018)
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)	—
Purchase of treasury stocks by EDC	(627)	—	—
Redemption of convertible bonds	—	—	(72,972)
Proceeds from (payments to) related parties	—	(112)	115
Net cash flows from (used in) financing activities	(32,359)	(111,988)	116,522
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(328)	31	(610)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,570	(196,360)	237,242
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	673,893	870,253	633,011
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	\$730,463	\$673,893	\$870,253

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. Bluespark Management Limited (Bluespark) [formerly Lisbon Star Management Limited] was incorporated in British Virgin Islands (BVI) until June 17, 2014, while certain subsidiaries of EDC are incorporated in BVI, Hong Kong, Peru, Chile and Indonesia (see Note 2).

On February 10, 2006, the Parent Company successfully completed the Initial Public Offering (IPO) in the Philippines of 193,412,600 common 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.

As of December 31, 2015 and 2014, FPH directly and indirectly owns 66.2% of the common stocks of First Gen and 100% of First Gen's voting preferred stocks. FPH is 46.50% and 45.92%-owned by Lopez Holdings Corporation (Lopez Holdings), a publicly-listed Philippine-based entity, as at December 31, 2015 and 2014, 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, 2015 and 2014, there are 356 and 353 common stockholders of record of First Gen, respectively and 3,660,943,557 and 3,312,789,057 common stocks issued and outstanding as of December 31, 2015 and 2014, respectively (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 Board of Directors (BOD) on March 16, 2016. The same consolidated financial statements were approved and authorized for issuance by the BOD on March 16, 2016.

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 (PFRS) as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

Significant Accounting and Financial Reporting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS which First Gen Group has adopted starting January 1, 2015.



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

- Philippine Accounting Standards (PAS) 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments) requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment has no impact to First Gen Group since none of the entities within the First Gen Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 Cycle)

These improvements are effective from July 1, 2014 and First Gen Group has applied these amendments for the first time in the consolidated financial statements. Unless otherwise stated, the following amendments have no material impact on First Gen Group's financial position or performance:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition must contain a service condition;
 - A performance target must be met while the counterparty is rendering service;
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
 - A performance condition may be a market or non-market condition; and
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This improvement is applied prospectively to share-based payment transactions for which the grant date is on or after July 1, 2014.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. First Gen Group shall consider this amendment for future business combinations.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The amendments are to be applied retrospectively. This improvement has no impact to First Gen Group since the reconciliation



of segment assets to total assets has been consistently disclosed in prior years as this is reported to the BOD, the Company's chief operating decision maker.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method Proportionate Restatement of Accumulated Depreciation and Amortization*, clarifies that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment is applied retrospectively.
- PAS 24, *Related Party Disclosures - Key Management Personnel*, clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments are applied retrospectively.

Annual Improvements to PFRSs (2011-2013 Cycle)

First Gen Group applied these improvements for the first time in the consolidated financial statements. Unless otherwise stated, the following improvements have no impact on First Gen Group's financial position or performance:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*, clarifies that joint arrangements, not just joint ventures, are outside the scope of PFRS 3. It further clarifies that this scope exception applies only to the financial statements of the joint arrangement itself. The amendment is applied prospectively.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*, clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable). The amendment is applied prospectively.
- PAS 40, *Investment Property*, clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively.

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 the First Gen Group ceases to control the subsidiary.

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

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

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, *Separate Financial Statements*. In transactions where the non-controlling interest is acquired or sold without loss of control, any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognized as part of “Equity reserve” account in the equity attributable to the equity holders of the Parent Company.

For the year ended December 31, 2015, the non-controlling interests arise from the profits or losses and net assets not held by First Gen Group in EDC and Subsidiaries. For the years ended December 31, 2014 and 2013, the non-controlling interests arise from the profits or losses and net assets not held by First Gen Group in Prime Terracotta Holdings Corp. (Prime Terracotta) and EDC and Subsidiaries.

Acquisition of non-controlling interests

EDC

In 2015, 2014 and 2013, the Parent Company through its subsidiary, Northern Terracotta Power Corp. (Northern Terracotta), acquired EDC shares amounting to \$9.0 million, \$10.6 million and \$12.5 million, respectively. The amount of equity reserve pertaining to the acquisition of non-controlling interests amounted to \$6.1 million, \$6.8 million and \$8.3 million in 2015, 2014 and 2013, respectively. The transaction resulted in the proportion of equity interest held by non-controlling interest in EDC of 49.45%, 49.71% and 50.07% as of December 31, 2015, 2014 and 2013, respectively.

Prime Terracotta

On May 20, 2014, the Parent Company purchased 31.0 million Series “B” voting preferred stocks of Prime Terracotta owned by Employees Retirement Plan of Lopez, Inc. (Lopez, Inc. Retirement Fund) [LIRF] for a total consideration of \$1.1 million. As a result of the transaction, the Parent Company’s direct voting interest in Prime Terracotta has increased from 45.0% to 73.4% and its effective voting interest in EDC has likewise increased from 33.6% to 50.7% through Prime Terracotta. The amount of equity reserve pertaining to the acquisition of the non-controlling stake of LIRF in Prime Terracotta amounted to \$0.1 million.

On June 18, 2015, the Parent Company purchased 16.0 million and 13.0 million Series “B” voting preferred stocks of Prime Terracotta owned by Quialex Realty Corp. (QRC) and LIRF, respectively, for a total consideration of \$1.1 million. As of December 31, 2015, the Parent Company’s direct voting interest in Prime Terracotta increased from 73.4% to 100.0% and its effective voting interest in EDC likewise increased from 50.9% to 67.0% through Prime Terracotta. The amount of equity reserve pertaining to the acquisition of the non-controlling stakes of QRC and LIRF in Prime Terracotta 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.



Subsidiaries

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

	Percentage of Voting Interest		
	2015	2014	2013
First Gen Renewables, Inc. (FGRI) ¹⁴	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) ¹⁴	100	100	100
Prime Meridian Powergen Corporation (Prime Meridian) ³	100	100	100
Bluespark ^{5, 14}	—	—	100
Goldsilk Holdings Corporation ^{7, 14}	100	100	100
Dualcore Holdings Inc. ^{7, 14}	100	100	100
Onecore Holdings Inc. ^{7, 14}	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
FGHC ¹⁴	100	100	100
FGP ^{4, 14}	100	100	100
FNPC ⁵	100	100	100
First Gas Power Corporation (FGPC) ^{6, 14}	100	100	100
First Gas Pipeline Corporation (FG Pipeline) ^{6, 14}	100	100	100
FGLand Corporation (FG Land) ^{6, 14}	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	—
FGen Casecnan Hydro Power Corp. (FGEN Casecnan)	100	100	—
FGen Power Holdings, Inc. (Power Holdings)	100	100	—
FGen Prime Holdings, Inc. (Prime Holdings)	100	100	—
FGen Eco Solutions Holdings, Inc. (FGESHI)	100	100	—
FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings)	100	100	—
FGen Reliable Energy Holdings, Inc. (FG Reliable Energy)	100	100	—
FGen Power Solutions, Inc. (FG Power Solutions)	100	100	—
FGen Vibrant Blue Sky Holdings, Inc. (FGVBShI)	100	100	—
FGen Aqua Power Holdings, Inc. (FG Aqua Power)	100	100	—
FGen Natural Gas Supply, Inc. (FGen NatGas Supply) ¹⁵	100	—	—
FGen Power Operations, Inc. (FPOI) ¹⁶	100	—	—
FGen Fuel Line Systems, Inc. (FGen Fuel Line) ¹⁷	100	—	—
Prime Terracotta ¹³	100	73	45
First Gen Hydro Power Corporation (FG Hydro) ^{12, 13}	40	40	40
FGen Northern Power Corp. (FGEN Northern Power) ¹⁸	—	100	—

¹Through FGESHI

²Through FGRI

³Through FGEN Meridian

⁴Through Unified

⁵Through AlliedGen



⁶Through FGHC

⁷Through Blue Vulcan

⁸Through FG Mindanao

⁹Through FMRC

¹⁰Through FNMHI

¹¹Through LNG Holdings

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

¹³On 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, 2015, the Parent Company's direct voting interest in Prime Terracota increased from 73.4% to 100.0% and its effective voting interest in EDC likewise increased from 50.9% to 67.0% through Prime Terracota.

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

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, except for Bluespark which was originally incorporated in BVI. Bluespark is now merged with FGRI following the approval of the Plan and Articles of Merger by the Philippine SEC on June 17, 2014.

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, 2013, 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, and FGEN Meridian have not started commercial operations.

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

	Percentage of Voting Interest		
	2015	2014	2013
Red Vulcan Holdings Corporation (Red Vulcan)	100	100	100
EDC*	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)	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

(Forward)



	Percentage of Voting Interest		
	2015	2014	2013
Southern Negros Geothermal, Inc. (SNGI)***	60	60	60
EDC Mindanao Geothermal, Inc. (EMGI)***	60	60	60
Bac-Man Energy Development Corporation (BEDC)***	60	60	60
Kayabon Geothermal, Inc. (KGI)***	60	60	60
Mount Apo Renewable Inc. (MAREI)**	60	60	—
EDC Wind Energy Holdings, Inc. (EWEHI)****	60	60	60
EDC Burgos Wind Power Corporation (EBWPC)	60	60	60
EDC Pagudpud Wind Power Corporation (EPWPC)***	60	60	60
EDC Bayog Burgos Wind Power Corporation (EBBWPC)**	60	60	60
EDC Pagali Burgos Wind Power Corporation (EPBWPC)**	60	60	—
EDC Bright Solar Energy Holdings, Inc. (EBSEHI)****	60	60	—
EDC Bago Solar Power Corporation (EBSPC)**	60	60	—
EDC Burgos Solar Corporation (EBSC)**	60	60	—
EDC Chile Limitada	60	60	60
EDC Holdings International Limited (EHIL)****	60	60	60
Energy Development Corporation Hong Kong Limited (EDC HKL)****	60	60	60
EDC Chile Holdings SPA***	60	60	60
EDC Geotermica Chile***	60	60	60
EDC Peru Holdings S.A.C.****	60	60	60
EDC Geotermica Peru S.A.C.***	60	60	60
EDC Quellaapacheta***	60	60	60
EDC Geotermica Del Sur S.A.C.***	60	60	60
EDC Energia Azul S.A.C.***	60	60	60
Geotermica Crucero Peru S.A.C.***	42	42	42
EDC Energía Perú S.A.C.***	60	60	60
Geotermica Tutupaca Norte Peru S.A.C.***	42	42	42
EDC Energía Geotérmica S.A.C.***	60	60	60
EDC Progreso Geotérmico Perú S.A.C.***	60	60	60
Geotermica Loriscota Peru S.A.C.***	42	42	42
EDC Energía Renovable Perú S.A.C.***	60	60	60
EDC Soluciones Sostenibles Ltd	60	60	—
EDC Energia Verde Chile SpA	60	60	—
EDC Energia de la Tierra SpA	60	60	—
EDC Desarrollo Sostenible Ltd.	60	60	—
EDC Energia Verde Peru SAC	60	60	—
PT EDC Indonesia***	57	57	57
PT EDC Panas Bumi Indonesia ***	57	57	57

*The Parent Company's economic interest in EDC is 50.55%, 50.29% and 49.93% as of December 31, 2015, 2014 and 2013, respectively.

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

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

****Serves as an investment holding company

As of December 31, 2015 and 2014, 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 the First Gen Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Fair Value Measurement

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

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

The principal market or the most advantageous market must be accessible to 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, 2015 and 2014, 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, the 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 hedging instruments in an effective hedge.

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

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

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

Classified under financial instruments at FVPL are EDC’s and First Gen’s financial assets at FVPL as of December 31, 2015 and 2014 (see Notes 8, 24 and 25). These derivatives were not designated as hedging instruments by First Gen Group and do not qualify as effective accounting hedges.



HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which First Gen Group's management has the positive intention and ability to hold to maturity. Where First Gen Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral 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, 2015 and 2014.

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; included under "Other current assets" account) and long-term receivables and special deposits and funds (included under "Other noncurrent assets" account) as of December 31, 2015. Classified under loans and receivables are cash and cash equivalents, receivables and long-term receivables and special deposits and funds (included under "Other noncurrent assets" account) as of December 31, 2014 (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, 2015 and 2014 (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 related parties, loans payable and long-term debts as of December 31, 2015 and 2014 (see Notes 13, 14, 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. First Gen Group also entered into foreign currency forwards accounted for as cash flow hedges for its Philippine peso-denominated loans and Euro-denominated liabilities, respectively (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 (see Notes 24 and 25).

First Gen Group has no derivatives that are designated as fair value hedges as of December 31, 2015 and 2014.

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, 2015 and 2014.

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.

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		
	2015	2014	2013
First Gen Northern Energy Corp. (FGNEC) ¹	33	33	33
Buang Private Power Corporation (BPPC) ²	37	37	37
FGEN Northern Power ³	40	—	—

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

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

³On July 7, 2015, Conal 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.

As of December 31, 2015 and 2014, 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 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 Note 10).

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 profit or loss 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 profit or loss and included in their respective classifications of income and expense.

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

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

Asset Type	Number of Years
Power plants	15-30
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, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized. Leasehold improvements are amortized over the lease term or the economic life of the related asset, whichever is shorter.

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



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. Also, irrespective of whether there is any indication of impairment, First Gen Group tests an intangible asset not yet available for use, such as wind energy project development cost, for impairment annually by comparing its carrying amount with its recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

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 September 30 for GCGI and EDC HKL 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.

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 plans cover all permanent employees, each administered by its 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

Certain employees (including senior executives) of First Gen Group, FPH and an associate of the Parent Company receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (“equity-settled transactions”).

The cost of equity-settled transactions with employees was 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 to any performance conditions, other than conditions linked to the price of the stocks of the Parent Company (“market conditions”), if applicable.

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

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, an expense, as a minimum, is recognized as if the terms had not been modified. An expense is recognized for any increase in the value of the transactions as a result of the modification, as measured on the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were modifications of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options, 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 the First Gen Group. Input VAT claims granted by the taxation authority are separately presented as “Tax Credit Certificates” under the “Other noncurrent assets” account 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 option 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, 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.

In the case of EDC, GCGI and BGI, revenues from sale of electricity using geothermal energy is consummated whenever the electricity generated by these companies is transmitted through the transmission line designated by the buyer, for a consideration. Revenue from sale of electricity using hydroelectric and geothermal power is based on sales price and is 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 deducted from the costs of sales only to the extent of the repairs and maintenance expenses incurred, the excess is recognized as part of "Other income (charges)". Proceeds from insurance claims are recognized 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 and FGP, particularly fuel



cost, power plant operations and maintenance, and depreciation and amortization, which are necessary expenses incurred to generate the revenues from sale of electricity. Costs of sale of electricity 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 Transactions and 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.

The functional currency of all the subsidiaries, except Unified, FGP, FGHC, FGPC, Blue Vulcan, FGRI, Goldsilk, Dualcore and Onecore in 2015 and 2014, is the Philippine peso. As at financial reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Parent Company (the U.S. dollar) at the closing rate of exchange ruling at financial reporting date and, their statements of income are translated at the monthly weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income (loss) as 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.



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

The following are the new and revised accounting standards and interpretations that will become effective subsequent to December 31, 2015. Except as otherwise indicated, First Gen Group does not expect the adoption of these new and amended PAS, PFRS and Philippine Interpretations to have any significant impact on First Gen Group's consolidated financial statements.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments) clarify that the exemption in PFRS 10 from presenting consolidated financial statements applied to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to First Gen Group since none of the entities within the Group is an investment entity nor does First Gen Group have investment entity associates or joint ventures.



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

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

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

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

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's



rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The amendment has no impact on First Gen Group's financial position or performance.

- PAS 16 and PAS 41, *Agriculture - Bearer Plants* (Amendments), change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments have no impact on First Gen Group as the Group does not have any bearer plants.
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments), clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are not expected to have any impact to First Gen Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Annual Improvements to PFRSs (2012-2014 Cycle)

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

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



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

Effective January 1, 2018

- PFRS 9, *Financial Instruments* (2014 or final version) reflects all phases of the financial instruments project and replaces PAS 39 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 comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. First Gen Group did not early adopt PFRS 9.

The adoption of PFRS 9 may 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 may also have an effect on First Gen Group's application of hedge accounting and amount of its credit losses. First Gen Group will continue to monitor developments in this reporting standard and assess its impact on or need for adoption.

- International Financial Reporting Standard (IFRS) 15 *Revenue from Contracts with Customers* was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 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 IFRS 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 IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption permitted. First Gen Group is currently assessing the impact of IFRS 15.



Effective January 1, 2019

- IFRS 16 *Leases* was issued by the International Accounting Standards Board (IASB) on January 13, 2016, which replaces International Accounting Standards (IAS) 17, the current lease standard, and related Interpretations.

Under the new lease standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the asset and related liabilities for most of leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Lease 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 IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual period beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either the full retrospective approach or a modified retrospective approach, with options to use certain transition reliefs. First Gen Group is currently assessing the impact of IFRS 16.

Deferred Effectivity

- Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Philippine SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on First Gen Group's financial position or performance.

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*

The Parent Company, Unified, FGP, FGPC, FGHC, Blue Vulcan, FGRI, Goldsilk, Dualcore and Onecore have determined that their functional currency is the U.S. dollar. The U.S. dollar is the currency of the primary economic environment in which the Parent Company and foregoing subsidiaries operate. It is the currency that mainly influences the sale of services and the costs of providing services. EDC and all other subsidiaries have determined the Philippine peso to be their functional currency. Thus, the accounts of such subsidiaries were translated to U.S. dollar for the purposes of consolidation to First Gen Group.

b. *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, Disclosure of Interests in Other Entities*

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 majority of its output to NPC/Power Sector Assets and Liabilities Management (PSALM) and, in the case of the SSAs, the agreement calls for a take-or-pay arrangement where payment is made principally on the basis of the availability of the steam field facilities and not on actual steam deliveries. This type of arrangement is determined to be an operating



lease where a significant portion of the risks and rewards of ownership of the assets are retained by EDC since it does not include transfer of EDC's assets. Accordingly, the steam field facilities and power plant assets are recorded as part of the cost of property, plant and equipment and the capacity fees billed to NPC/PSALM are recorded as operating revenue based on the terms of the PPAs and SSAs.

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 contracts 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 once it becomes 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 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, WESC 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 life 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 profit or loss.

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 the profit or loss.

No impairment loss on AFS financial assets was recognized in 2015, 2014 and 2013. The aggregate carrying amounts of current and noncurrent AFS financial assets are carried at \$7.1 million and \$7.4 million as of December 31, 2015 and 2014, respectively (see Notes 9 and 12).

Estimates

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

In accounting for business combinations, the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of



fair value at the date of acquisition. The determination of fair values requires estimates of economic conditions and other factors (see Note 25).

b. *Impairment losses on receivables*

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

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

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

The total amount of provision for impairment losses recognized for the years ended December 31, 2015, 2014 and 2013 amounted to \$0.8 million, \$0.1 million, and \$0.6 million, respectively. The aggregate carrying amounts of the current and noncurrent receivables are carried at \$318.2 million and \$387.7 million as of December 31, 2015 and 2014, respectively (see Notes 6, 12 and 19).

c. *Estimating net realizable value of inventories*

First Gen Group measures inventories at net realizable value when such value is lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The carrying amounts of inventories as of December 31, 2015 and 2014 amounted to \$101.6 million and \$98.7 million, respectively (see Note 7). Provision for inventory obsolescence pertaining to spare parts and supplies amounted to \$1.6 million and \$2.9 million in 2015 and 2013, respectively, and a reversal of allowance amounted to \$0.6 million in 2014 (see Notes 7 and 19).

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. 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, 2015 and 2014, the amount of deferred income tax assets recognized in the consolidated statements of financial position amounted to \$53.6 million and \$50.8 million, respectively. First Gen Group also has deductible temporary differences, carryforward benefits of unused NOLCO and excess MCIT totaling \$125.0 million and \$146.1 million as of December 31, 2015 and 2014, respectively, for which no deferred income tax asset was recognized (see Note 22).

e. *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, 2015 and 2014, the net retirement and other post-employment benefits liabilities of First Gen Group amounted to \$41.5 million and \$40.4 million, respectively. The net retirement and other post-employment benefits assets of First Gen Group amounted to \$3.2 million and \$4.3 million as of December 31, 2015 and 2014, respectively. Net retirement benefit expense amounted to \$9.5 million, \$9.6 million and \$9.4 million in 2015, 2014 and 2013, respectively (see Note 21).

f. *Provision for sick leave and vacation leave*

Sick and annual vacation leave 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 with the Company. Vacation and sick leave credits exceeding the maximum allowed for accrual are forfeited.

g. *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

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



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

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

In 2011, EDC recognized full impairment on its Northern Negros Geothermal Power Plant (NNGP) assets amounting to \$192.9 million (₱8,649.5 billion) 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), 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 (₱205.2 million) has likewise been reversed. No similar reversal occurred in 2015 (see Note 10).

The aggregate carrying values of the non-financial assets amounted to \$2,979.9 million and \$2,741.4 million as of December 31, 2015 and 2014, respectively (see Notes 9, 10, 11 and 12).

On the other hand, EDC has recorded a provision for impairment of input VAT (net of reversal) amounting to \$0.3 million, \$0.6 million, and \$0.9 million in 2015, 2014 and 2013, respectively. The carrying amounts of input VAT amounted to \$88.0 million and \$94.9 million as of December 31, 2015 and 2014, respectively (see Notes 12 and 19).

Loss on direct write-off of input VAT claims amounted to \$2.9 million, \$5.3 million and \$5.2 million in 2015, 2014 and 2013, respectively. The amount of loss on direct write-off of input VAT claims is included under "Others - net" account in the consolidated statements of income (see Notes 12 and 19).

h. *Impairment of goodwill*

First Gen Group performs impairment review on goodwill, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. Estimating the value in use requires First Gen Group to make an estimate of the expected future cash flows from the cash-generating units and discounts such cash flows using weighted average cost of capital to calculate the present value of those future cash flows (see Note 11).



No impairment loss on goodwill was recognized in the consolidated statements of income in 2015, 2014 and 2013. The carrying values of goodwill as of December 31, 2015 and 2014 amounted to \$1,026.3 million and \$1,079.5 million, respectively (see Note 11).

i. *Impairment 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 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 2013, EDC has assessed that its Cabalian geothermal project located in Southern Leyte is impaired due to issues on productivity and sustainability of geothermal resources in the area, and has recognized an impairment loss of \$13.6 million. No impairment loss was recognized in 2014. 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 written-off. The write-off recognized in 2015 is equivalent to the book values of the related exploration and evaluation assets. As of December 31, 2015 and 2014, the carrying amounts of capitalized exploration and evaluation costs amounted to \$65.3 million and \$62.6 million, respectively (see Note 12).

j. *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. The effect of this change in estimate reduced 2015 depreciation expense by \$1.9 million and increased 2015 net income by \$1.9 million. Annual depreciation expense starting 2016 will be lower by \$3.7 million because of the change in estimate (see Note 10).

Except for Burgos Wind Power Plant, there is no change in the estimated useful lives of property, plant and equipment, water rights, pipeline rights, and rights to use transmission line during the year (see Note 10). The carrying values of property, plant and equipment as of December 31, 2015 and 2014 amounted to \$2,024.6 million and \$2,100.0 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, 2015 and 2014 amounted to \$104.7 million and \$128.0 million, respectively (see Note 11).

k. *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 likewise recorded a provision for asset retirement obligation in 2014 to comply with Section 8.3 of the WESC wherein an RE developer shall be 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 2015 and 2014, First Gen Group adjusted its asset retirement obligation amounting to \$7.2 million and \$1.4 million, respectively. The revision in estimate was attributable to changes in discount rates.

Asset retirement obligations amounted to \$25.2 million and \$18.2 million as of December 31, 2015 and 2014, respectively (see Note 15).



l. *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.

m. *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 external counsels, does not believe that these proceedings will have a material adverse effect on the consolidated financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings.

As of December 31, 2015, provisions for these liabilities amounting to \$1.4 million and \$10.2 million are recorded as "Others" in the Accounts payable and accrued expenses account (see Note 13) and "Others" in the Other noncurrent liabilities account (see Note 15), respectively. As of December 31, 2014, provisions for these liabilities amounting to \$1.5 million and \$11.7 million are recorded as "Others" in the Accounts payable and accrued expenses account (see Note 13) and "Others" in the Other noncurrent liabilities account (see Note 15), respectively. Interest on liability from litigation amounted to \$0.2 million for each of the three years in the period ended December 31, 2015 (see Note 20).

n. *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 Mindanao 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 would be met based on management's projection of electricity generation covering the entire contract year. If the occurrence of shortfall generation is determined to be



probable, the amount of estimated reimbursement to NPC is accounted for as a deduction to revenue for the period and a corresponding liability is recognized.

As of December 31, 2015 and 2014, EDC's estimated liability arising from shortfall generation amounted to \$9.4 million and \$7.2 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 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.

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 14 geothermal contract areas each granting EDC exclusive rights to explore, develop, and utilize the corresponding resources in the relevant contract area. EDC conducts commercial operations in four (4) out of its 14 geothermal contract areas. Likewise, EDC owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 4.16 MW Burgos Solar Power Plant (Burgos Solar) both situated in Burgos, Ilocos Norte, which achieved commercial operations in November 2014 and March 2015, respectively. As of December 31, 2015, Burgos Wind and Burgos Solar power plants are entitled to the FIT rates. On June 18, 2015, the Parent Company purchased 16.0 million and 13.0 million Series "B" voting preferred stocks of Prime Terracota owned by QRC and LIRF, respectively. As of December 31, 2015, the Parent Company's direct voting interest in Prime Terracota increased from 73.4% to 100.0%, and its effective voting interest in EDC likewise increased from 50.9% to 67.0% through Prime Terracota; and,
- 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 80.0% effective economic interest as of December 31, 2015.

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 benefit will flow to First Gen Group and that the revenue can be reliably measured. Substantially all of the segment revenues of FGP and FGPC are derived from Meralco, the sole customer of FGP and FGPC; while close to 36.8% of EDC's total revenues are derived from existing long-term PPAs with NPC.

Financial information on the business segments are summarized as follows:

Year Ended December 31, 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.

Year Ended December 31, 2013							
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Segment revenue	\$955,502	\$337,178	\$548,687	\$59,269	\$5,239	(\$956)	\$1,904,919
Segment expenses	(783,057)	(265,179)	(360,165)	(1,118)	(26,967)	(4,546)	(1,441,032)
Segment results	172,445	71,999	188,522	58,151	(21,728)	(5,502)	463,887
Interest income	12,676	5,339	6,340	628	11,813	(27,663)	9,133
Interest expense and financing charges	(37,562)	(13,823)	(75,755)	(4,445)	(45,443)	27,663	(149,365)
Depreciation and amortization	(37,179)	(25,675)	(85,802)	(9,974)	(553)	—	(159,183)
Other income (charges) - net	256	1,149	63,606	(9,392)	3,721	5,502	64,842
Income (loss) before income tax	110,636	38,989	96,911	34,968	(52,190)	—	229,314
Provision for income tax	(35,507)	(14,703)	(9,957)	(210)	(1,342)	—	(61,719)
Net income (loss)	\$75,129	\$24,286	\$86,954	\$34,758	(\$53,532)	\$—	\$167,595

*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, 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



	As of December 31, 2015						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
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.

	As of December 31, 2014						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	\$329,610	\$224,040	\$520,620	\$34,079	\$435,364	(\$324,488)	\$1,219,225
Noncurrent assets	471,012	362,099	2,153,936	135,970	5,567,188	(4,622,155)	4,068,050
Total assets	\$800,622	\$586,139	\$2,674,556	\$170,049	\$6,002,552	(\$4,946,643)	\$5,287,275
Current liabilities	\$214,833	\$110,205	\$393,427	\$14,685	\$306,718	(\$311,169)	\$728,699
Noncurrent liabilities	320,220	355,305	1,335,980	72,004	1,068,934	(506,473)	2,645,970
Total liabilities	\$535,053	\$465,510	\$1,729,407	\$86,689	\$1,375,652	(\$817,642)	\$3,374,669

*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:

	2015	2014
Cash on hand and in banks (see Notes 20, 24 and 25)	\$123,021	\$147,462
Short-term deposits (see Notes 20, 24 and 25)	607,442	526,431
	\$730,463	\$673,893

Cash and cash equivalents earn interest at the respective bank deposit rates ranging from 0.12% to 1.80% and 0.1% to 1.85% for the years ended December 31, 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 \$9.7 million, \$5.9 million, and \$8.9 million for the years ended December 31, 2015, 2014 and 2013, respectively (see Note 20).

6. Receivables

This account consists of:

	2015	2014
Trade (see Notes 24, 25 and 26)	\$310,968	\$371,914
Due from related parties (see Notes 18, 24 and 25)	2,021	2,521
Loans and notes receivables (see Notes 24 and 25)	1,908	2,144
Others (see Notes 24 and 25)	4,985	12,444
	319,882	389,023
Less: Allowance for impairment losses	(2,400)	(2,038)
	\$317,482	\$386,985



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

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

	2015	2014
Balances at beginning of year	\$2,038	\$2,053
Provision for impairment loss (see Note 19)	480	–
Foreign exchange adjustments	(118)	(15)
Balances at end of year	\$2,400	\$2,038

7. Inventories

This account consists of:

	2015	2014
At cost:		
Fuel inventories (see Note 26)	\$38,020	\$39,576
Spare parts and supplies	50,564	49,514
	88,584	89,090
At NRV - Spare parts and supplies	13,034	9,585
	\$101,618	\$98,675

For FGP and FGPC, the amounts of fuel inventories recognized as expense amounted to \$128.3 million, \$48.4 million, and \$135.2 million for the years ended December 31, 2015, 2014 and 2013, which are recognized as part of the “Costs of sale of electricity” account in the consolidated statements of income (see Note 19).

Spare parts and supplies inventories include items that are carried at net realizable value amounting to \$13.0 million and \$9.6 million as of December 31, 2015 and 2014, respectively, and have a cost amounting to \$14.3 million and \$10.8 million, respectively.

Provision for impairment of spare parts and supplies inventories amounted to \$1.6 million and \$2.9 million in 2015 and 2013, 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 statements of income (see Note 19). The amount of inventory charged to expense amounted to \$23.9 million, \$29.2 million and \$22.4 million for the years ended December 31, 2015, 2014 and 2013, respectively (see Note 19). Details of spare parts and supplies inventories issued are as follows:

	2015	2014	2013
Costs of sale of electricity presented under “Others” account (see Note 19)	\$20,527	\$24,068	\$18,696
General and administrative expenses (see Note 19)	3,374	5,166	3,720
	\$23,901	\$29,234	\$22,416



In addition, in 2013, EDC recognized loss on damaged inventories due to Typhoon Yolanda amounting to \$2.5 million. This was recognized as part of “Reversal of (loss on) impairment of damaged assets due to Typhoon Yolanda” account in the consolidated statements of income. (see Note 10).

After subsequent technical assessment, some parts and supplies impaired in 2013 due to Typhoon Yolanda amounting to \$0.4 million and \$1.2 million were assessed to be reusable in 2015 and 2014, respectively. These were also recognized as part of “Reversal of (loss on) impairment of damaged assets due to Typhoon Yolanda” account in the consolidated statements of income.

8. Financial assets at FVPL

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

In 2015, the Parent Company also entered into an IMA with BDO as investment manager, amounting to \$99.5 million.

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

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

First Gen Group accounts for the entire investment as a financial asset to be carried at fair value through profit or loss. Mark-to-market gain (loss) on the securities amounting to (\$0.2 million), \$0.5 million and nil for the years ended December 31, 2015, 2014 and 2013, respectively, are taken up in the consolidated statements of income.

As of December 31, 2015 and 2014, the movements of the financial assets at FVPL account are as follows:

	2015	2014
Balance at beginning of year	\$11,708	\$-
Additions for the year	110,514	11,274
Redemption for the year	(89,873)	-
Realized income for the year	79	-
Trustee fees	(6)	-
Foreign exchange adjustments	(2,145)	263
Mark-to-market gain (loss) on financial assets at FVPL	(169)	171
Balance at end of year	\$30,108	\$11,708



9. Other Current Assets

This account consists of:

	2015	2014
Input VAT	\$53,486	\$21,505
DSRA (see Note 14)	28,140	–
Prepaid expenses	21,794	15,707
Prepaid taxes	10,045	8,491
AFS financial assets (see Note 12)	2,754	–
Advances to contractors	1,056	1,447
Derivative assets (see Note 25)	1,245	492
Others (see Notes 24 and 25)	801	322
	\$119,321	\$47,964

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 pertains to the restricted peso and dollar-denominated interest bearing accounts opened and established by EDC in accordance with the loan agreements entered into in 2015 that will serve as a cash reserve or deposit to service the principal and/or interest payments due on the loans (see Note 14). Total interest earned on DSRA, net of final tax, amounted to \$0.1 million in 2015 and nil in 2014 and 2013 (see Note 20).

AFS financial assets consist of:

	2015	2014
Current - Quoted government debt securities (see Notes 24 and 25)	\$2,754	\$–
Noncurrent (see Notes 12, 24 and 25):		
Quoted equity securities	598	591
Quoted government debt securities	2,059	5,074
Corporate bonds	684	737
Investment in proprietary club membership shares	1,014	1,014
	4,355	7,416
Total	\$7,109	\$7,416

Quoted government debt securities consist of investments in Republic of the Philippines (ROP) bonds with maturities between 2016 and 2037, and interest rates ranging from 5.1% to 8.00% per annum. Such bonds were acquired at a discount. Investments in quoted equity securities consist mainly of shares traded in the PSE.

The movements of the unrealized gains (losses) related to the foregoing investments, which are presented in the consolidated statements of comprehensive income, amounted to (\$0.1 million), \$0.02 million and (\$0.8 million) in 2015, 2014 and 2013, respectively. Changes in fair value recognized in the consolidated statements of comprehensive income pertain to Parent Company's share in the unrealized gains and losses during the 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:

	2015								Total
	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	
Cost									
Balances at December 31, 2014	\$57,594	\$1,739,857	\$871,015	\$634,021	\$35,487	\$7,281	\$1,210	\$367,022	\$3,713,487
Additions	1,937	38,150	4,939	4,232	2,210	1,108	593	416,001	469,170
Retirements/write-off	—	(2,186)	(475)	—	(396)	(606)	—	—	(3,663)
Reclassifications/adjustments (see Note 11)	—	67,850	(1,744)	63,486	773	85	—	(127,370)	3,080
Foreign exchange adjustments	(2,125)	(71,161)	(5,087)	(34,059)	(1,508)	(188)	(13)	(28,598)	(142,739)
Balances at December 31, 2015	57,406	1,772,510	868,648	667,680	36,566	7,680	1,790	627,055	4,039,335
Accumulated Depreciation, Amortization and Impairment									
Balances at December 31, 2014	395	418,493	589,016	158,680	17,905	4,017	990	—	1,189,496
Depreciation and amortization (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

	2014									Total
	Land	Power Plants, Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	FCRS and Production Wells	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Others	Construction in Progress	
Cost										
Balances at December 31, 2013	\$55,834	\$1,230,793	\$897,132	\$532,227	\$30,324	\$6,034	\$1,186	\$1,452	\$401,881	\$3,156,863
Additions	1,927	8,652	2,476	1,137	2,570	1,874	25	—	596,602	615,263
Retirements/write-off	—	(58)	(31,023)	—	(808)	(526)	—	—	—	(32,415)
Reclassifications/adjustments (see Note 11)	—	510,896	3,137	105,403	3,618	(75)	—	(1,454)	(628,807)	(7,282)
Foreign exchange adjustments	(167)	(10,426)	(707)	(4,746)	(217)	(26)	(1)	2	(2,654)	(18,942)
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

(Forward)



2014

	Land	Power Plants, Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	FCRS and Production Wells	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Others	Construction in Progress	Total
Accumulated Depreciation, Amortization and Impairment										
Balances at December 31, 2013	\$398	\$403,513	\$534,783	\$138,398	\$16,148	\$3,456	\$952	\$-	\$-	\$1,097,648
Depreciation and amortization	-	69,324	54,736	21,465	2,168	980	39	-	6	148,718
Reversal of impairment provision of NNGP power plant assets	-	(46,265)	-	-	-	-	-	-	-	(46,265)
Retirements/write-off	-	(36)	(6,449)	-	(323)	(411)	-	-	-	(7,219)
Reclassifications/adjustments	-	(6,183)	6,287	-	7	6	-	-	(6)	111
Foreign exchange adjustments	(3)	(1,860)	(341)	(1,183)	(95)	(14)	(1)	-	-	(3,497)
Balances at December 31, 2014	395	418,493	589,016	158,680	17,905	4,017	990	-	-	1,189,496
Net Book Values	\$57,199	\$1,321,364	\$281,999	\$475,341	\$17,582	\$3,264	\$220	\$-	\$367,022	\$2,523,991

Property, plant and equipment with net book values of \$241.7 million and \$278.0 million as of December 31, 2015 and 2014, 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 2015 and 2014, First Gen Group adjusted its asset retirement obligation amounting to \$7.2 million and \$1.4 million, respectively. The revision in estimate was attributable to changes in discount rates.



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

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

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

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

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

On March 16, 2016, PMPC executed a Completion Works Agreement (“CWA”) with MTU BB for the completion of remaining commissioning works for the Avion Plant. MTU BB is a subsidiary of publicly-listed MTU Aero Engines AG, and is one of the leading maintenance providers for General Electric's LM series of aero derivative industrial gas turbines worldwide including the LM6000 gas turbines that will be used in the Avion Plant. As of March 16, 2016, the commissioning of the Avion Plant is on-going.

EPC Contract with Meralco Industrial Engineering Services Corporation

On June 6, 2014, PMPC executed an EPC Contract with Meralco Industrial Engineering Services Corporation (MIESCOR) for the engineering, procurement, design, execution, construction and completion of the high voltage interconnection facility from PMPC's 97 MW Avion Plant to the existing 1,000 MW Santa Rita Plant Substation. MIESCOR is a wholly-owned subsidiary of Meralco, and has experience in power generation, transmission and distribution, petrochemical/chemical and industrial plants, water resources, transportation and telecommunication system and building services.

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

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



In 2015 and 2014, total specific and general borrowing costs capitalized in connection with the project amounted to \$17.5 million and \$5.4 million, respectively. Capitalization rate used for the general borrowing cost is 6.5% per annum. Borrowing costs consist of interest on long-term debt, amortization of debt issuance cost and foreign exchange losses from the revaluation of accrued interest payable and long-term debt (net of accumulated debt issuance cost). As of March 16, 2016, the construction of the San Gabriel Plant is substantially complete and the plant is midway through testing and commissioning period. Start of commercial operation is targeted in June 2016.

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 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 (₱14.4 million) using the capitalization rate of 6.3% per annum. No borrowing costs were capitalized in 2013.

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 had 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.

For purposes of determining the recoverable amount of the NNGP assets installed in Nasulo, EDC computed the value-in-use of the CGU consisting of the following:

- 1.) Newly constructed or purchased components of the Nasulo Power Plant
- 2.) Previously impaired NNGP assets installed in the Nasulo Power Plant
- 3.) Steam field assets; and
- 4.) Nasuji Power Plant.

Using the discounted cash flow projection, with 8.71% as the pre-tax discount rate, the recoverable amount of the particular CGU is estimated to be at \$333.1 million (₱15,673.6 million) as of July 31, 2014, the effective date of the reversal. The period covered by the cash flow projection is consistent with the estimated useful life of major component of the Nasulo Power Plant.



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 Brgys. 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 150 MW BMGPP in an auction conducted by PSALM where BGI submitted the highest offer price of \$28.3 million.

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

Following the rehabilitation which started in 2010, 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 2013, the revenue from electricity generated during the testing period amounted to \$33.2 million (₱1,401.5 million) which were offset against the cost of property, plant and equipment.

In 2015 and 2014, total borrowing costs capitalized in connection with the project amounted to \$4.1 million from general borrowings using a capitalization rate of 6.5% per annum.

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 increased the capacity to 60 MW.

Burgos Wind Project

In March 2013, EDC entered into an agreement with Vestas Wind Systems (Vestas) of Denmark for the construction of the wind energy facilities in Burgos, Ilocos Norte. The project is comprised of three components: (i) the establishment of a wind farm facility; (ii) a 115kV transmission line; and (iii) a substation adjacent to the wind farm. Under the EPC contract, Vestas is responsible for the design, manufacture, delivery of the works from the place of manufacture to the project site, erection, testing and commissioning for a complete and operational wind farm. The agreement covers the installation of 29 units of V90-3.0 MW turbine together with associated on-site civil and electrical works.

On May 16, 2013, EBWPC was granted a Certificate of Confirmation of Commerciality by the DOE for its 87 MW Burgos wind project. The certificate effectively converts the project's WESC from exploration/pre-development stage to the development/commercial stage.

In April 2014, EDC and Vestas entered into another contract for the construction and installation of an additional 21 wind turbines (Phase 2). This additional phase has raised the estimated total project investment cost from \$300 million to \$450 million, and once fully completed, would increase 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.

The COE for FIT Eligibility was issued by the DOE after validation of the project's successful commissioning as reported on November 5, 2014 in accordance with Department Circular No. DC 2013-05-0009, otherwise known as the Guidelines for the Selection Process of Renewable Energy Projects Under FIT System and the Award of Certificate for FIT Eligibility.

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. The effect of this change in estimate reduced 2015 depreciation expense by \$1.9 million and increased 2015 net income by \$1.9 million. Annual depreciation expense starting 2016 will be lower by \$3.7 million because of the change in estimate.

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. 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.

In addition, while EBWPC was arranging the permanent financing for the project, EDC entered into bridge financing facilities as follows:

- On June 16, 2014, EDC signed two-year loan facilities with an aggregate principal amount of \$61.9 million (₱2.7 billion) with PNB and Security Bank Corporation (Security Bank); and
- On June 27, 2014, EDC secured another bridge financing facility from Australia and New Zealand Banking Group Limited (ANZ) and Mizuho Bank, Ltd. amounting to \$90 million (₱3.9 billion).

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 US 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.



In 2015, the total borrowing costs capitalized to the project amounted to \$10.5 million (₱494.9 million) from specific borrowings using capitalization rates ranging from 1.5% to 4.5%, while EDC capitalized the actual borrowing costs incurred on the bonds amounting \$5.9 million (for the year ended December 31, 2014, net of investment income on temporary investment of the proceeds of the bonds). Effective interest rates used for the ₱4.0 billion and ₱3.0 billion fixed-rate peso bonds are 4.73% and 4.16%, 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. Upon completion of the project, a total cost of \$7.5 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.

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.

Impact of Typhoons

In November 2013, certain assets of EDC located in Leyte sustained damage due to Typhoon Yolanda. As a result, EDC recognized loss totaling to \$14.8 million in 2013 representing the carrying amount of the damaged property, plant and equipment and the value of damaged inventories amounting to \$12.3 million and \$2.5 million, respectively.

As of December 31, 2015 and 2014, total rehabilitation costs capitalized as part of Property, plant and equipment account amounted to \$6.4 million and \$18.2 million, respectively, while the costs of repairs and minor construction activities charged to expense amounted to \$15.8 million and \$2.1 million in 2015 and 2014, respectively.

EDC received insurance proceeds relating to the property damaged caused by from Typhoon Yolanda amounting to \$17.1 million (₱774.8 million) and \$8.7 million (₱386.2 million) for the years ended December 31, 2015 and 2014, respectively. Proceeds from insurance received were presented as part of "Other income (charges)" account in the consolidated statements 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 statements 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 in the consolidated statements 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 \$1.8 million (₱81.2 million) and nil in 2015 and 2014, respectively, which were presented as part of “Other income (charges)” account in the consolidated statements 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 (₱17.8 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 statements of income.

In 2015, BGI received insurance proceeds relating to machinery breakdown of Unit 2 of Bac-man I Plant located in Palayan, Sorsogon amounting to \$5.2 million (₱235.8 million). Proceeds from insurance claims received were presented as part of “Other income (charges)” account in the consolidated statements of income.

EDC likewise received other insurance proceeds in 2015 and 2014 amounting \$0.6 million (₱28.9 million) and nil, respectively. Such proceeds pertain to property damages and machinery breakdowns in prior years and refund of drilling rigs insurance premium.

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 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, 2014 and 2013, FGP received insurance proceeds from various insurers for the business interruption and machinery breakdown totaling to \$8.5 million, \$14.9 million and \$1.0 million, respectively. Such amounts were recognized as part of “Proceeds on insurance claims” account in the consolidated statements of income.

Depreciation and Amortization

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

	2015	2014	2013
Property, plant and equipment	\$171,358	\$148,718	\$145,610
Intangible assets (see Note 11)	16,734	16,398	17,412
Capitalized depreciation	(2,117)	(1,206)	(3,839)
	\$185,975	\$163,910	\$159,183



	2015	2014	2013
Costs of sale of electricity (see Note 19)	\$176,231	\$153,233	\$149,296
General and administrative (see Note 19)	9,744	10,677	9,887
	\$185,975	\$163,910	\$159,183

Reclassifications

The reclassifications in the accumulated depreciation of property, plant and equipment include the capitalized depreciation charges amounting to \$2.1 million and \$1.2 million in 2015 and 2014, respectively, under “Construction-in-progress” which primarily relates to ongoing drilling of production wells. In addition, reclassifications in the cost of Property, plant and equipment in 2015 and 2014 were due to the 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:

	2015						
	Goodwill	Concession Rights for Contracts Acquired	Water Rights	Pipeline Rights	Rights to Use Transmission Line	Other Intangible Assets	Total
Cost							
Balances at December 31, 2014	\$1,079,493	\$186,421	\$53,774	\$13,253	\$—	\$6,987	\$1,339,928
Additions	—	—	—	—	1,152	311	1,463
Reclassification (see Note 10)	—	—	—	—	—	(2,713)	(2,713)
Foreign exchange adjustments	(53,229)	(9,270)	(2,674)	—	—	(257)	(65,430)
Balances at December 31, 2015	1,026,264	177,151	51,100	13,253	1,152	4,328	1,273,248
Accumulated Amortization							
Balances at December 31, 2014	—	106,561	17,477	7,378	—	998	132,414
Amortization (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



	2014					
	Goodwill	Concession Rights for Contracts Acquired	Water Rights	Pipeline Rights	Other Intangible Asset	Total
Cost						
Balances at December 31, 2013	\$1,084,707	\$187,786	\$54,168	\$13,253	\$3,868	\$1,343,782
Additions	2,624	—	—	—	1,952	4,576
Reclassifications	—	—	—	—	1,221	1,221
Foreign exchange adjustments	(7,838)	(1,365)	(394)	—	(54)	(9,651)
Balances at December 31, 2014	1,079,493	186,421	53,774	13,253	6,987	1,339,928
Accumulated Amortization						
Balances at December 31, 2013	—	94,131	15,438	6,776	602	116,947
Amortization (see Note 10)	—	13,223	2,169	602	404	16,398
Foreign exchange adjustments	—	(793)	(130)	—	(8)	(931)
Balances at December 31, 2014	—	106,561	17,477	7,378	998	132,414
Net Book Values	\$1,079,493	\$79,860	\$36,297	\$5,875	\$5,989	\$1,207,514

Goodwill

As of December 31, 2015 and 2014, goodwill is allocated to the following CGUs (amounts in thousands):

Entity	Cash-generating Unit	2015	2014
Red Vulcan	EDC and Subsidiaries	\$960,840	\$1,011,117
FGHC	Santa Rita power plant complex	9,086	9,086
GCGI	Palinpinon and Tongonan power plant complex	47,636	50,128
FG Hydro	Pantabangan/Masiway hydroelectric power plants	6,233	6,559
EDC HKL	Hot Rock entities	2,469	2,603
Total		\$1,026,264	\$1,079,493

On January 3, 2014, EDC Hong Kong Limited (EDC HKL), a wholly-owned subsidiary of EDC, purchased 100% interest in Hot Rock entities, namely: Hot Rock Peru BVI, Hot Rock Chile BVI, Hot Rock Chile S.A., Hemisferio Sur SpA, and Hot Rock Peru S.A. (collectively, the “Hot Rock entities”) for a total acquisition cost of \$3.0 million and recognized Goodwill amounting to \$2.6 million. Also, upon acquisition, Quellaapacheta 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 (Revised), *Business Combinations*. 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.

The fair values of the identifiable assets that were recognized on acquisition date are as follows:

	Fair Values	
	In USD	In PHP
Non-trade receivable	\$1	₱20
Input VAT	152	6,743
Exploration costs	218	9,693
Others	8	333
Total assets	379	16,789
Percentage of ownership acquired	100%	100%
Share in assets acquired	379	16,789
Goodwill arising from acquisition	2,624	116,396
Total acquisition cost	\$3,003	₱133,185



Subsequent to acquisition of the Hot Rock entities, 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

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

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, 2015 and 2014 are summarized as follows:

Entity	2015		2014	
	Pre-tax discount rates	Growth rates	Pre-tax discount rates	Growth rates
Red Vulcan	10.8%	3.6%	8.7%	4.0%
FGHC	11.7%	2.4%	9.8%	2.3%
GCGI/EDC HKL	9.4% - 9.9%	4.0%	7.9% - 8.1%	4.0%
FG Hydro	12.0%	3.6%	8.8%	4.0%

Key assumptions with respect to the calculation of value-in-use of the cash-generating units as of December 31, 2015 and 2014 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.

No impairment loss on goodwill was recognized in the consolidated statements of income in 2015, 2014 and 2013.



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 average remaining amortization period of the intangible asset pertaining to the concession rights originating from contracts is 5.0 years as of December 31, 2015.

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 15.9 years as of December 31, 2015.

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 8.75 years as of December 31, 2015.

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 9.67 years as of December 31, 2015. The carrying value of this intangible asset amounted to \$1.2 million as of December 31, 2015.

Other Intangible Assets

This account includes computer software and licenses.



12. Other Noncurrent Assets

This account consists of:

	2015	2014
Input VAT	\$95,238	\$102,138
Prepaid major spare parts [see Note 26(h)]	69,541	43,117
Exploration and evaluation assets	65,312	62,645
Tax credit certificates	56,423	54,257
Prepaid expenses	11,360	8,368
Deferred debt issuance costs (see Note 14)	7,207	17,171
Derivative assets (see Notes 24 and 25)	6,879	4,513
AFS financial assets (see Notes 9, 24 and 25)	4,355	7,416
Retirement assets (see Note 21)	3,224	4,310
Long-term receivables (see Notes 24 and 25)	2,700	2,545
Special deposits and funds	2,489	2,446
Others	37,248	8,836
	361,976	317,762
Less: Allowance for impairment loss	(9,207)	(9,091)
	\$352,769	\$308,671

Input VAT

Input VAT includes the outstanding input VAT claims of EDC amounting to \$28.4 million and \$39.9 million as of December 31, 2015 and 2014, respectively. The outstanding input VAT claims as of December 31, 2015 include claims amounting to \$12.4 million in 2013, \$2.0 million in 2012, \$4.2 million in 2011, \$5.1 million in 2010, \$2.8 million in 2008 and \$1.9 million in 2007 are still pending with the BIR/Supreme Court (SC).

On April 17, 2013, the 2006 input VAT claim of EDC was resolved by a Resolution issued by the Court of Tax Appeals (CTA) denying EDC's motion for reconsideration on the input VAT claim amounting \$5.9 million, and the CTA partly granted EDC the TCC amounting to \$0.4 million. The TCC is still pending from the BIR as of December 31, 2015.

Exploration and Evaluation Assets

	2015	2014
Cost		
Balances at beginning of year	\$62,645	\$66,575
Additions	6,256	9,486
Write-off (see Note 3)	(250)	(12,961)
Foreign exchange adjustments	(3,339)	(455)
Balances at end of year	65,312	62,645
Accumulated Impairment		
Balances at beginning of year	—	12,948
Write-off (see Note 3)	—	(12,961)
Foreign exchange adjustments	—	13
Balances at end of year	—	—
Net Book Values	\$65,312	\$62,645



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

	2015	2014
Rangas/Kayabon	\$36,039	\$35,443
Mindanao III	24,843	22,680
Dauin/Bacong	1,649	1,602
Others	2,781	2,920
	\$65,312	\$62,645

TCCs

In April and June 2010, TCCs totaling to \$37.4 million were issued by the BIR to EDC with respect to its input VAT claims on Build-Operate-Transfer (BOT) fees from 1998 and 1999 amounting to \$43.2 million. Such TCCs shall be utilized over a period of five years starting in 2011 to 2015 with a cap of ₱300.0 million per year, except in 2015 where the remaining balance may be fully applied. The unutilized portion of these TCCs were revalidated in March 2015, removing the previous cap set and extending the utilization period until 2020. The remaining balance of input VAT claims of \$5.8 million (₱255.8 million), which was disallowed by the BIR, was written off in 2010.

On various dates, EDC, GCGI and EBWPC received TCCs totaling to \$40.9 million (₱1,924.1 million) from the BIR and the BOC covering their respective input VAT claims from 2010 to 2013. In 2015 and 2014, the EDC utilized its TCCs amounting to \$3.1 million and \$0.7 million respectively, for payment of DST and various taxes. GCGI, on the other hand, utilized its TCCs amounting \$0.9 million and \$0.3 million for DST and income tax payments for the years ended 2015 and 2014, respectively.

In 2015, EDC, GCGI and FG Hydro classified a portion of its TCCs as current assets amounting to \$0.9 million, \$0.3 million and \$4.8 million, respectively. These are expected to be utilized for payment of various taxes within twelve months.

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

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

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 amounts to \$3.3 million and \$3.2 million as of December 31, 2015 and 2014, respectively.



Others

“Others” account include capital expenditures funding made by EDC to Enerco amounting to \$20.1 million as of December 31, 2015. 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 \$13.6 million and \$6.8 million as of December 31, 2015 and 2014, respectively.

Allowance for Impairment

The rollforward analysis of the allowance for impairment losses is presented below:

	2015			
	Input VAT	NPC	Others	Total
Balances at beginning of year	\$7,276	\$33	\$1,782	\$9,091
Provision for impairment loss (see Note 19)	1,365	—	292	1,657
Reversal (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

	2014			
	Input VAT	NPC	Others	Total
Balances at beginning of year	\$8,969	\$33	\$1,655	\$10,657
Provision for impairment loss (see Note 19)	1,204	—	140	1,344
Reversal (see Note 19)	(610)	—	—	(610)
Write-off	(2,236)	—	—	(2,236)
Foreign exchange differences	(51)	—	(13)	(64)
Balances at end of year	\$7,276	\$33	\$1,782	\$9,091
Specific impairment	\$4,167	\$33	\$1,782	\$5,982
Collective impairment	3,109	—	—	3,109
Total	\$7,276	\$33	\$1,782	\$9,091

Loss on direct write-off of input VAT claims amounted to \$2.9 million, \$5.3 million and \$5.2 million in 2015, 2014 and 2013, respectively. The amount of loss on direct write-off of input VAT claims is included under “Others - net” account in the “Other income (charges)” account in the consolidated statements of income (see Notes 3 and 19).



13. Accounts Payable and Accrued Expenses

This account consists of:

	2015	2014
Trade	\$286,231	\$260,045
Deferred output VAT	43,681	46,874
Accrued interest and financing costs (Note 14)	30,660	27,299
Withholding and other taxes payable	13,152	16,776
Government share payable	1,249	1,303
Output VAT	89	908
Others (Note 3)	13,095	13,704
	\$388,157	\$366,909

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 Local Government Units (“LGUs”) where the geothermal resources are located and payable within 60 days after the end of each quarter. Government share expense amounted to \$5.7 million, \$6.1 million and \$5.5 million for the years ended December 31, 2015, 2014 and 2013, respectively. Government share expense is presented as part of “Others” in the “Costs of sale of electricity” in the consolidated statements of income (see Note 19).

“Other payables” account mainly includes EDC’s provision for shortfall generation amounting to \$9.4 million and \$7.2 million as of December 31, 2015 and 2014, respectively, and a portion of liabilities on regulatory assessments and other contingencies (see Note 3).

As of December 31, 2015 and 2014, EDC has unused credit facilities from various local banks equivalent to \$490.4 million (₱23.1 billion) and \$425.0 million (₱19.0 billion), respectively, which may be availed for future operating activities.

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:

	2015	2014
EDC	\$1,515,599	\$1,473,440
Parent Company	495,540	391,676
FGP	355,124	380,497
FGPC	272,749	321,308
FNPC	176,099	85,362
Red Vulcan	79,955	112,925
FG Hydro	67,733	79,830
	2,962,799	2,845,038
Less current portion	285,661	332,269
	\$2,677,138	\$2,512,769

EDC

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

Creditor/Project	Maturities	Interest Rates	2015	2014
US\$300.0 Million Notes	January 20, 2021	6.5%	\$297,991	\$297,545
Peso Public Bonds				
▪ Series 1 - ₱8.5 billion	June 4, 2015	8.6418%	—	189,811
▪ Series 2 - ₱3.5 billion	December 4, 2016	9.3327%	74,189	77,879
International Finance Corporation (IFC)				
▪ IFC 1 - ₱4.1 billion	2012-2033	7.4% per annum for the first five years subject to repricing for another five to ten years	53,869	64,186
▪ IFC 2 - ₱3.3 billion	2013-2025	6.6570%	52,523	60,735
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	79,412	86,250
▪ ₱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	59,536	64,659
Refinanced Syndicated Term Loan				
▪ US\$175.0 million	2013-2017	LIBOR plus 1.75% margin	104,479	121,504
2013 Peso Fixed-Rate Bonds (FXR)				
▪ ₱4.0 billion	May 3, 2023	4.7312%	84,136	87,755
▪ ₱3.0 billion	May 3, 2020	4.1583%	62,556	66,395
US\$80 Million Term Loan	June 21, 2018	LIBOR plus 1.8% margin	75,826	75,372
EBWPC Loans:				
\$37.5M Commercial Debt Facility	October 23, 2029	LIBOR plus 2.0% margin	35,593	34,432
\$150.0M ECA Debt Facility	October 23, 2029	LIBOR plus 2.35% margin	141,071	133,130
₱5.6 B Commercial Debt Facility	October 23, 2029	PDST-F rate plus 2.0% margin	114,714	113,787
₱8.5 Billion GCGI Term Loan	March 6, 2022	5.25%	168,354	—
₱291.2 Million Term Loan	December 17, 2030	5.75%	6,140	—
₱5.0 Billion BGI Term Loan	September 9, 2025	5.25%	105,210	—
Total			1,515,599	1,473,440
Less current portion			158,912	226,234
Noncurrent portion			\$1,356,687	\$1,247,206



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

	2015	2014
Balances at beginning of year	\$19,407	\$13,472
Additions during the year	6,228	9,983
Accretion during the year charged to "Interest expense and financing charges" account (see Note 20)	(3,747)	(3,900)
Foreign exchange adjustments	(1,058)	(148)
Balances at end of year	\$20,830	\$19,407

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 PDEX.

Effective November 14, 2013, certain covenants of the peso public bonds have been aligned with the 2013 Peso fixed-rate bonds through consent solicitation exercise held by EDC. Upon securing the required consents, a Supplemental Indenture embodying the parties' agreement on the proposed amendments was signed on November 7, 2013 between EDC and Rizal Commercial Banking Corporation (RCBC)-Trust and Investments Group in its capacity as trustee for the bondholders. On June 4, 2015, EDC fully settled the ₱8.5 billion fixed-rate Peso public bonds.

IFC

EDC entered into a loan agreement with IFC, a shareholder of EDC, on November 27, 2008 for \$100.0 million (₱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 US\$75.0 million loan facility with IFC to fund its medium-term capital expenditures program. The loan was drawn in peso on September 30, 2011, amounting to \$69.3 million (₱3,262.5 million). The loan is payable in 24 equal semi-annual installments after a three-year grace period at an interest rate of 6.657% per annum. The loan includes prepayment option, which allows EDC to prepay all or part of the loan anytime starting from the date of the loan agreement until maturity. The prepayment amount is equivalent to the sum of the principal amount of the loan to be prepaid, redeployment cost and prepayment premium.



FXCN

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

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

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

Refinanced Syndicated Term Loan

On June 17, 2011, EDC entered into a credit agreement for the \$175.0 million (₱7,630.0 million) transferable syndicated term loan facility with ANZ-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 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 Philippine Dealing & Exchange Corp. (PDEX), are comprised of \$69.4 million (₱3.0 billion) seven-year bonds at 4.1583% and \$92.6 million (₱4.0 billion) 10-year bonds at 4.7312% due on May 3, 2020 and May 3, 2023, respectively. Interest is payable semi-annually starting November 3, 2013. Transaction costs incurred in connection with the issuance of the seven-year bonds and 10-year bonds amounted to \$0.9 million and \$1.2 million, respectively. The net proceeds of the FXR bonds were used to partially fund the 87 MW Burgos Wind Project located in Burgos, Ilocos Norte (see Note 10).

For the years ended December 31, 2015 and 2014, EDC capitalized the actual borrowing costs incurred on the FXR bonds amounting to nil and \$5.9 million, respectively (see Note 10).

US\$80 Million Term Loan

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

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



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

EBWPC Loan

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

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

On June 15, 2015, EBWPC has fully drawn the \$315.0 million financing agreement in ECA Debt Facility, USD Commercial Debt Facility, and the Peso Commercial Debt Facility with various banks. As part of the agreement, EBWPC will provide a debt service reserve account which will cover the principal and interest payments of the loan due in next six (6) months amounting to \$14.9 million (₱702.7 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 of the Philippines (Union Bank) for the total amount of \$180.6 million (₱8.5 billion) at 5.25% per annum maturing on March 6, 2022. BDO Capital and Investment Corporation acted as sole arranger.

As part of the agreement, GCGI will provide a debt service reserve account which will cover the principal and interest payments of the loan amounting to \$10.2 million (₱478.9 million) (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 shall also provide a debt service reserve account which will cover the principal and interest payments of the loan amounting to \$3.0 million (₱142.6 million) (see Note 9).



₱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.

Bridge Loans

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

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

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

Credit Facilities

As of December 31, 2015 and 2014, EDC has unused credit facilities from various local banks equivalent to \$490.4 million (₱23.1 billion) and \$425.0 million (₱19.0 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, 2015 and 2014, EDC, EBWPC, GCGI, and BGI are in compliance with the loan covenants of all its outstanding debts.

Parent Company

\$300.0 Million Notes

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

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



redemption price equal to 100.0% of the principal amount of the Notes redeemed, plus the Applicable Premium, accrued and unpaid interest, if any, to (but not including) the date of redemption. In addition, at any time prior to October 9, 2018, the Parent Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes, at a redemption price equal to 106.5% of the principal amount of notes redeemed plus accrued and unpaid interest, with the net cash proceeds of certain equity offerings. Finally, at any time and from time to time after October 9, 2018, the Parent Company may on any one or more occasions redeem all or a part of the Notes at a specified redemption price (expressed in percentages of the principal amount) plus accrued and unpaid interest, if any, to (but not including) the date of redemption.

The Notes are direct, unconditional and unsecured obligations of the Parent Company, ranking *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Parent Company, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditor's right. As of December 31, 2015 and 2014, 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, 2015 and 2014 are as follows:

	2015	2014
Balances at beginning of year	\$3,227	\$3,489
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 20)	(280)	(262)
Balances at end of year	\$2,947	\$3,227

\$200.0 Million Term Facility

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

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

In addition, the facility imposes standard loan covenants on the Parent Company and requires the Parent Company to maintain a debt service coverage ratio of at least 1.2:1 and a debt-to-equity ratio of at most 2.5:1. The obligations of the Parent Company under this Term Loan Agreement are unsecured. As of December 31, 2015, the Parent Company is in compliance with the terms of the Term Loan Agreement.



The movement of the unamortized debt issuance costs account as of December 31, 2015 is as follows:

Balance at inception of the loan	\$1,662
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 20)	(149)
Balance at end of year	\$1,513

\$100.0 Million Notes Facility

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

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

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

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

In addition, the Notes Facility imposed standard loan covenants on the Parent Company and required the Parent Company to maintain a debt service coverage ratio of at least 1.2:1 and a debt-to-equity ratio of at most 2.5:1. The obligations of the Parent Company under the Notes Facility were unsecured. As of September 29, 2015 and December 31, 2014, the Parent Company was in compliance with the terms of the Notes Facility Agreement.

The movements of the unamortized debt issuance costs account as of December 31, 2015 and 2014 are as follows:

	2015	2014
Balances at beginning of year	\$1,097	\$1,497
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 20)	(294)	(400)
Unamortized debt issuance costs charged directly to the "Interest expense and financing charges" account (see Note 20)	(803)	—
Balances at end of year	\$—	\$1,097



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	
			2015	2014
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	\$355,124	\$380,497
Less current portion			33,407	25,373
Noncurrent portion			\$321,717	\$355,124

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

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

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

Movements of debt issuance costs as of December 31, 2015 and 2014 are as follows:

	2015	2014
Balances at beginning of year	\$3,503	\$4,150
Accretion for the year charged to the “Interest expense and financing charges” account (see Note 20)	(627)	(647)
Balances at end of year	\$2,876	\$3,503

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, 2015 and 2014, 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	
			2015	2014
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	\$220,029	\$236,030
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 1 st to 5 th year, 3.75% on the 6 th to 7 th year and 3.90% on the succeeding years	Repayment to be made in various semi-annual installments from 2009 up to 2018	\$188,000	52,720	\$85,278
Total			272,749	321,308
Less current portion			43,582	39,727
Noncurrent portion			\$229,167	\$281,581

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, 2015 and 2014 are as follows:

	2015	2014
Balances at beginning of year	\$4,900	\$6,455
Accretion for the year charged to the “Interest expense and financing charges” account (see Note 20)	(1,356)	(1,555)
Balances at end of year	\$3,544	\$4,900

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, 2015 and 2014, FGPC is in compliance with the terms of the said agreement.

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

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



The balance of FGP's and FGPC's unrestricted security accounts, included as part of the "Cash and cash equivalents" account in the consolidated statements of financial position as of December 31, 2015 and 2014, amounted to \$68.8 million and \$99.3 million, respectively (see Note 5).

FNPC

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

As of December 31, 2015 and 2014, FNPC made a total drawdown on the Export Credit Facility amounting to \$194.0 million and \$94.8 million, respectively.

In addition, FNPC pays a commitment fee 0.6% per annum on the undrawn amount. As of December 31, 2015 and 2014, total deferred debt issuance costs pertaining to the undrawn portion amounts to \$7.2 million and \$17.2 million, respectively. These amounts are included in the "Other noncurrent assets" account in the consolidated statements of financial position (see Note 12).

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, 2015 and 2014 are as follows:

	2015	2014
Balances at beginning of year	\$9,406	\$9,723
Additions during the year	10,509	—
Accretion during the year charged to "Property, plant and equipment" account (see Note 10)	(2,060)	—
Accretion during the year charged to "Interest expense and financing charges" account (see Note 20)	—	(312)
Foreign exchange difference	—	(5)
Balances at end of year	\$17,855	\$9,406

Red Vulcan

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



applicable interest margin. Red Vulcan opted to use a semi-annual rate based on PDST-F. The staple financing was for a maximum term of 18 months from Drawdown Date.

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

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

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

Discharged Shares

- I. On July 11, 2011, pursuant to the amended and restated Omnibus Loan and Security Agreement (Amendment No. 3), the Lenders agreed to a partial release of the Pledged Assets and Pledged Shares ("Pledged Securities"). The Lenders instructed the Security Trustee to release and discharge the pledge and any and all liens in favor of the Lenders on 5,045,508,270 common stock in EDC (the "Discharged Shares"), and the Security Trustee thereafter released and discharged the pledge and any and all liens over the Discharged Shares. After the release of the Discharged Shares, the Pledged Securities consisted of the Pledged Assets on 209,913,000 common stock and preferred stock of Red Vulcan, and the Pledged Shares on 2,454,491,730 common stock and 9,375,000,000 preferred stock of EDC.
- II. On February 21, 2013, pursuant to the amendment and restated Omnibus Loan and Security Agreement (Amendment No. 4), the Lenders agreed to release the Pledged Assets and a partial release of the Pledged Shares. The Lenders instructed the Security Trustee to release and discharge the pledge and any and all liens in favor of the Lenders on 209,913,000 common stock and preferred stock of Red Vulcan, and on 9,375,000,000 preferred stock of EDC. After the release of the Discharged Shares, the Pledged Securities now only consists of the Pledged Shares on 2,454,491,730 common stock of EDC.

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



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

	2015	2014
Balances at beginning of year	\$566	\$921
Accretion during the year charged to “Interest expense and financing charges” account (see Note 20)	(279)	(352)
Foreign exchange adjustments	(18)	(3)
Balances at end of year	\$269	\$566

FG Hydro

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

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

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

FG Hydro is obligated to comply with certain covenants with respect to maintaining specified debt-to-equity and minimum debt service coverage ratios, as set forth in its loan covenant with creditors. As of December 31, 2015 and 2014, FG Hydro is in compliance with those covenants.

The unamortized debt issuance costs incurred in connection with the availment of long-term debt by FG Hydro were deducted against the long-term debt. As of December 31, 2015 and 2014, the unamortized debt issuance costs incurred amounted to nil.



15. Other Noncurrent Liabilities

This account consists of:

	2015	2014
Asset retirement obligations (see Note 10)	\$25,180	\$18,183
Provision for sick and vacation leaves	9,395	9,209
Others (see Note 3)	14,069	12,093
	\$48,644	\$39,485

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:

	2015	2014
Balances at beginning of year	\$18,183	\$16,084
Accretion for the year charged to "Interest expense and financing charges" account (see Note 20)	897	1,026
Effect of revision of estimate	7,200	1,374
Foreign exchange adjustments	(1,100)	(301)
Balances at end of year	\$25,180	\$18,183

In 2015 and 2014, First Gen Group adjusted its asset retirement obligation amounting to \$7.2 million and \$1.4 million, respectively. The revision in estimate was attributable to changes in discount rates.

Provision for Sick Leave and Vacation Leave

Sick and annual vacation leaves with pay are given to active employees subject to certain requirements set 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 pending legal cases. Such estimated costs were developed in consultation with in-house and external legal counsels and are based on the analysis of the potential outcomes. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

16. Equity

a. Capital Stock

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

	Number of Shares		
	2015	2014	2013
Redeemable preferred stock (Series “B”) - ₱0.50 par value			
Authorized	1,000,000,000	1,000,000,000	1,000,000,000
Issued	1,000,000,000	1,000,000,000	1,000,000,000
Redeemable preferred stock (Series “E”) - ₱0.50 par value			
Authorized	1,500,000,000	1,500,000,000	1,500,000,000
Issued	468,553,892	468,553,892	468,553,892
Redeemable preferred stock (Series “F”) - ₱10.00 par value			
Authorized	100,000,000	100,000,000	100,000,000
Issued	100,000,000	100,000,000	100,000,000
Redeemable preferred stock (Series “G”) - ₱10.00 par value			
Authorized	135,000,000	135,000,000	135,000,000
Issued	133,750,000	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	3,643,320,457	3,643,320,457	3,642,777,188
Stocks issued under the stock option plan (see Note 17)	—	—	543,269
Issuance of shares through private placement	17,623,100	—	—
Balances at end of year	3,660,943,557	3,643,320,457	3,643,320,457

As of December 31, 2015, the Parent Company’s redeemable preferred stock consists of the following:

- The Series “B” preferred stocks have voting rights, entitled to cumulative dividends of two centavos (₱0.02) a share and redeemable at the option of the Parent Company and redeemable at issue price.
- The Series “E” preferred stocks have voting rights, entitled to receive dividends at one centavo (₱0.01) a share and redeemable at the option of the Parent Company.



- The Series “F” preferred stocks have non-voting rights except in the cases provided by law, issue value of one hundred pesos (₱100.00) 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 December 31, 2015.

During the May 12, 2014 Annual Stockholders’ Meeting, the stockholders and the BOD of the Parent Company approved a two-year buyback program covering the repurchase of up to ₱5.0 billion worth of Series “F” and “G” redeemable preferred stocks from the open market. The two-year period commenced on June 1, 2014 and will end on May 31, 2016. Under the Series “F” and “G” redeemable preferred stocks buyback program, the maximum amount of the shares and buyback period will be subject to revision by the BOD from time to time as circumstances warrant, subject to proper disclosures to regulatory agencies. The program will not involve active and widespread solicitation from shareholders in general, and not adversely affect the Parent Company’s prospective and existing development projects. The program will be executed in open market through the trading facilities of the PSE and be implemented under the supervision of the Parent Company’s CEO, President, and CFO. On October 6, 2015, the Parent Company purchased from the open market 36,365,000 Series “F” redeemable preferred stocks at an issue price of ₱110.00 per share. The transaction was made pursuant to a two-year buyback program approved by the BOD on May 12, 2014. Total payments made for the buyback of the Series “F” redeemable preferred stocks amounted to \$85.6 million.

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



On 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. Retained Earnings

Following are the dividends declared and paid by the Parent Company in 2015, 2014 and 2013:

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.

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.



2013

Declaration date	Record date	Payment date	Shareholders	Description	Dividend per share	Total amount (in USD)	Total amount (in PHP)
Nov. 21, 2013	Jan. 2, 2014	Jan. 27, 2014	Series "B" Preferred	Regular	₱0.02	\$463	₱20,000
Nov. 21, 2013	Jan. 2, 2014	Jan. 27, 2014	Series "E" Preferred	Regular	0.01	109	4,686
Nov. 21, 2013	Jan. 2, 2014	Jan. 27, 2014	Series "F" Preferred	Regular	4.00	9,267	400,000
Nov. 21, 2013	Jan. 2, 2014	Jan. 27, 2014	Series "G" Preferred	Regular	3.8904	10,815	466,848
Nov. 21, 2013	Jan. 2, 2014	Jan. 27, 2014	Series "G" Preferred*	Regular	0.38904	124	5,349
July 10, 2013	July 25, 2013	Aug. 19, 2013	Common	Regular	0.50	39,153	1,681,957
June 19, 2013	July 3, 2013	July 25, 2013	Series "F" Preferred	Regular	4.00	9,673	400,000
June 19, 2013	July 3, 2013	July 25, 2013	Series "G" Preferred	Regular	3.8904	11,290	466,848
June 19, 2013	July 3, 2013	July 25, 2013	Series "G" Preferred*	Regular	0.38904	129	5,349
						\$81,023	₱3,451,037

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

As of December 31, 2015 and 2014, total unpaid cash dividends on preferred stocks amounting to \$16.0 million (₱751.4 million) and \$20.1 million (₱896.9 million), respectively, are presented as "Dividends payable" in the consolidated statements of financial position.

The retained earnings balance is restricted to the extent of: (a) acquisition price of the treasury stocks amounting to \$109.0 million and \$72.0 million as of December 31, 2015 and 2014, respectively; and (b) the undistributed net earnings of subsidiaries and associates amounting to \$391.2 million and \$286.1 million as of December 31, 2015 and 2014, respectively. Undistributed earnings of the subsidiaries and associates are not available for dividend distribution until such time that the Parent Company receives the dividends from these investee companies.

c. Treasury Stocks

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

	2015	2014	2013
Balances at beginning of year	330,531,400	308,251,700	298,151,700
Common stocks issued through private placement	(279,406,700)	—	—
Common stocks acquired through market by subsidiaries during the year	7,750,000	22,279,700	10,100,000
Balances at end of year	58,874,700	330,531,400	308,251,700

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

As of December 31, 2015 and 2014, the number of common stocks of Parent Company held by subsidiaries totaled to 58,874,700 and 31,124,700, respectively. The costs of these Parent Company common stocks held by subsidiaries amounted to \$23.3 million and \$19.0 million as of December 31, 2015 and 2014, respectively. These are included as part of "Treasury stocks" account in the equity section of the consolidated statements of financial position.

In 2015, 2014 and 2013, 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 payments for the buyback of the Series “F” preferred stocks amounted to ₱4.0 billion (\$85.6 million).

d. Non-controlling Interests

For the years ended December 31, 2015 and 2014, the NCI arise 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:

	2015	2014
Proportion of equity interest held by NCI		
EDC and Subsidiaries	49.45%	49.71%
Accumulated balances of NCI		
EDC and Subsidiaries	\$407,179	\$414,525
Total comprehensive income allocated to NCI		
EDC and Subsidiaries	\$40,465	\$81,374

In 2015, 2014 and 2013, EDC declared and paid cash dividends to its non-controlling common stockholders amounting to \$43.2 million (₱1,951.3million), \$42.2 million (₱1,872.4 million), and \$35.6 million (₱1,506.3 million), respectively.

On December 11, 2015, EDC purchased from the market, 3,000,000 of its own shares at an average price of ₱5.7267 per share. On December 14, 2015, EDC purchased from the market, 2,000,000 of its own shares at an average price of ₱5.5813 per share. As of December 31, 2015, EDC has treasury common stocks amounting to \$0.6 million (₱28.4 million).

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

Consolidated Statements of Financial Position as of December 31, 2015 and 2014

	2015		2014	
	In USD	In Php	In USD	In Php
Current assets	\$630,642	₱29,678,010	\$560,527	₱25,066,785
Non-current assets	2,260,158	106,363,041	2,223,450	99,432,680
Total Assets	\$2,890,800	₱136,041,051	\$2,783,977	₱124,499,465
Current liabilities	\$382,208	₱17,986,718	\$408,112	₱18,250,763
Non-current liabilities	1,504,986	70,824,653	1,400,461	62,628,616
Total Liabilities	1,887,194	88,811,371	1,808,573	80,879,379
Total Equity	1,003,606	47,229,680	975,404	43,620,086
Total Liabilities and Equity	\$2,890,800	₱136,041,051	\$2,783,977	₱124,499,465



Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2015, 2014 and 2013

	2015		2014		2013	
	In USD	In Php	In USD	In Php	In USD	In Php
Revenues from sale of electricity	\$758,515	₱34,360,460	\$695,970	₱30,867,200	\$607,956	₱25,656,270
Costs of sale of electricity	(318,755)	(14,439,513)	(255,107)	(11,314,332)	(223,582)	(9,435,355)
General and administrative expenses	(145,403)	(6,586,687)	(129,519)	(5,744,349)	(102,656)	(4,332,188)
Financial income (expenses)	(94,129)	(4,264,019)	(80,478)	(3,569,319)	(73,232)	(3,090,452)
Other income (charges)	(7,289)	(330,196)	63,164	2,801,399	(63,606)	(2,684,222)
Income before income tax	192,939	8,740,045	294,030	13,040,599	144,880	6,114,053
Provision for income tax	(19,441)	(880,673)	(27,566)	(1,222,590)	(11,516)	(485,983)
Net income	173,498	7,859,372	266,464	11,818,009	133,364	5,628,070
Other comprehensive loss	(3,158)	(143,045)	(833)	(36,962)	(3,429)	(144,724)
Total comprehensive income	\$170,340	₱7,716,327	\$265,631	₱11,781,047	\$129,935	₱5,483,346

Consolidated Statements of Cash Flows for the Years Ended December 31, 2015, 2014 and 2013

	2015		2014		2013	
	In USD	In Php	In USD	In Php	In USD	In Php
Operating activities	\$485,363	₱21,986,794	\$362,711	₱16,086,687	\$347,969	₱14,684,582
Financing activities	(295,816)	(13,400,376)	(460,175)	(20,409,349)	(250,069)	(10,553,132)
Investing activities	(109,878)	(4,977,449)	51,617	2,289,271	11,193	472,370
Net increase (decrease) in cash and cash equivalents	\$79,669	₱3,608,969	(\$45,847)	(₱2,033,391)	\$109,093	₱4,603,820

e. Cumulative Translation Adjustments

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

	2015	2014
Net losses (gains) on cash flow hedge - net of tax (see Note 25)	\$295	(\$4,230)
Foreign exchange adjustments	(65,879)	12,513
Balances at end of year	(\$65,584)	\$8,283

The movements in the “Cumulative translation adjustments” account (net of share of NCI) for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Balances at beginning of year	\$8,283	(\$19,909)
Net gains on cash flow hedge - net of tax (see Note 25)	4,525	1,269
Foreign exchange adjustments	(78,392)	26,923
Balances at end of year	(\$65,584)	\$8,283

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 2015, 2014 and 2013.

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, 2015, 2014 and 2013, 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 related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of certain entities in the Lopez Group.
- b. First Gen Group leases its office premises where its 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 statements of income amounted to \$0.7 million in 2015 (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 statements of income amounted to \$0.5 million in 2015, 2014 and 2013 (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).



- e. Following the usual bidding process in 2010, 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, 2015 and 2014, the outstanding balances of EDC's payables to First Balfour and Thermaprime totaled to \$41.6 million and \$23.5 million, respectively, recorded under "Accounts payable and accrued expenses" account in the consolidated financial statements (see Note 13).

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 PMPC and FGP

On December 4, 2015, PMPC (as "Buyer") and FGP (as "Seller") entered a GSPA wherein the Seller shall sell and tender for delivery to Buyer at the Delivery Point, and Buyer shall purchase and take from Seller the quantities of natural gas determined by Buyer to meet the operating requirements of the Avion Plant, provided that such quantities shall not exceed the Available Daily Gas Quantity and the Available Annual Gas Quantity, as applicable, and provided further that, the Seller shall have no obligation to tender for delivery quantity of natural gas if there is restriction or expected restriction in the availability of natural gas or if the quantity of natural gas is or will not be sufficient after taking into consideration the operational requirements of the Seller.

- g. 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 414 MW San Gabriel power plant and PMPC, which is the operating company of the 97 MW Avion power plant, under such terms and conditions as the Parent Company's duly authorized representatives may deem necessary, proper or convenient in the best 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, guaranteeing FNPC's punctual performance on all its payment obligations under the Export Credit Facility loan agreement.



As of December 31, 2015 and 2014, the Parent Company issued guarantees totalling to \$6.9 million and \$6.4 million, respectively, in favor of the Board of Investments (BOI), to guarantee the payment of customs duties waived in the event that FNPC and/or PMPC does not comply with the terms and conditions of their respective Certificates of Authority specifically on the installation and permanent use of imported capital equipment, spare parts and accessories that will be installed in the San Gabriel and Avion power plants. The guarantees shall remain in force until the BOI lifts the same upon compliance by FNPC and PMPC of its obligations under their respective Certificates of Authority.

EDC

EDC issued letters of credit amounting to \$80.0 million in favor of its subsidiary, EDC Chile Limitada, as evidence of its financial support for EDC Chile Limitada's participation in the bids for geothermal concession areas by the Chilean Government.

EDC also issued letters of credit in favor of its subsidiaries in Peru, namely, EDC Quellaapacheta and EDC Energia Verde Peru S.A.C. at \$0.27 million each as evidence of EDC's financial support for the geothermal authorizations related to the exploration drilling activities of the said entities.

- h. Compensation of key management personnel are as follows:

	2015	2014	2013
Other short-term employee			
benefits	\$23,922	\$22,918	\$18,246
Retirement benefits (see Note 21)	1,447	1,709	1,676
Share-based payments of EDC	(117)	176	281
	\$25,252	\$24,803	\$20,203

In 2003, the Parent Company issued stock options to certain employees (including senior executives) of First Gen Group, FPH and an associate. The contractual life of the stock options granted in 2003 has ended on July 1, 2013. No further grants/awards have been made under the ESOP in 2015, 2014 and 2013.

Terms and Conditions of Transactions with Related Parties. As mentioned above, except for the letters of credit issued by EDC in favor of EDC Chile Limitada, EDC Quellaapacheta and EDC Energia Verde Peru S.A.C., and the Parent Company guarantees issued to FNPC and PMPC in relation to the ongoing construction of San Gabriel and Avion power plants, respectively, there have been no other guarantees provided for or received from any other related party during the years ended December 31, 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), due to related parties and consultancy fee receivables are as follows:

Related Party	Nature of Transactions	Terms	Transactions for the Years ended December 31		Net Amounts due from/to related parties as of December 31	
			2015	2014	2015	2014
Due from related parties (see Note 6)						
FPIC	Interest-free advances	Unsecured & payable by demand	\$–	(\$5)	\$772	\$772
LIRF	Interest-free advances	- do -	(151)	(300)	–	151
FGNEC	Interest-free advances	- do -	(8)	(16)	176	184
QRC	Interest-free advances	- do -	(217)	32	–	217
Others	Interest-free advances	- do -	(124)	(30)	1,073	1,197
			(\$500)	(\$319)	\$2,021	\$2,521
Due to related parties						
FGHC International Ltd.	Interest-free advances	Unsecured & payable by demand	\$–	\$–	\$145	\$145
Lopez Holdings	Donation to Lopez Museum	- do -	–	(112)	–	1
			\$–	(\$112)	\$145	\$146

No impairment loss was recognized on the amounts due from related parties for the years ended December 31, 2015, 2014 and 2013. This assessment is undertaken each financial year through review of the financial position of each of the related parties and the market in which the related party operates.

Due from/to related parties - Others are advances to/from FPH, 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

	2015	2014	2013
Fuel cost	\$725,774	\$856,796	\$969,778
Power plant operations and maintenance [see Note 26(h)]	206,824	167,899	151,520
Depreciation and amortization (see Notes 10 and 11)	176,231	153,233	149,296
Others (see Notes 8 and 13)	36,980	34,623	30,721
	\$1,145,809	\$1,212,551	\$1,301,315

General and Administrative Expenses

	2015	2014	2013
Staff costs	\$67,454	\$67,759	\$52,545
Professional fees	59,461	56,219	45,146
Insurance, taxes and licenses	38,813	45,664	34,683
Depreciation and amortization (see Notes 10 and 11)	9,744	10,677	9,887

(Forward)



	2015	2014	2013
Spare parts and supplies issued (see Note 7)	\$3,374	\$5,166	\$3,720
Repairs and maintenance	4,703	5,485	3,174
Provision for (reversal of) impairment of spare parts and supplies inventories (see Note 7)	1,567	(571)	2,915
Provision for impairment loss (see Notes 6 and 12)	2,137	1,344	1,421
Others (see Note 18)	26,054	18,449	15,725
	\$213,307	\$210,192	\$169,216

20. Financial Income (Expense)

Interest Income

	2015	2014	2013
Cash and cash equivalents (see Note 5)	\$9,747	\$5,899	\$8,892
DSRA (see Note 9)	104	—	—
Others	224	580	241
	\$10,075	\$6,479	\$9,133

Interest Expense and Financing Charges

	2015	2014	2013
Interest on:			
Long-term debt	\$146,243	\$145,623	\$127,927
Swap fees	12,449	13,236	14,899
Liability from litigation	175	176	185
Accretion on:			
Debt issuance costs (see Note 14)	6,732	7,426	5,685
Asset retirement obligation (see Note 15)	897	1,026	669
Unamortized debt issuance costs (see Note 15)	803	—	—
	\$167,299	\$167,487	\$149,365



21. Retirement Benefits

The following tables summarize the funded status and amounts recognized in the consolidated statements of financial position for the retirement plans and the components of net retirement benefit expense recognized as part of “Staff costs” in the “General and administrative expenses” account in the consolidated statements of income.

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

	2015	2014
Net retirement assets (see Note 12)	\$3,224	\$4,310
Net retirement and other post-employment benefits liabilities	(41,541)	(40,409)

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 statements 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 statements of financial position are as follows:

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

December 31, 2014

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Present value of defined benefit obligation	\$6,135	\$6,328	\$4,840	\$2,316	\$94,329	\$248	\$114,196
Fair value of plan assets	(7,320)	(6,752)	(7,425)	(2,432)	(54,168)	–	(78,097)
Net retirement liabilities (assets)	(\$1,185)	(\$424)	(\$2,585)	(\$116)	\$40,161	\$248	\$36,099

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

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

December 31, 2013

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

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

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

December 31, 2014

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Balances at beginning of year	\$6,180	\$6,115	\$5,560	\$2,452	\$85,987	\$239	\$106,533
Current service cost	1,059	628	608	155	5,387	51	7,888
Interest cost	271	249	247	99	3,740	14	4,620
Benefits paid	—	—	(4)	—	(3,515)	—	(3,519)
Actuarial losses (gains) due to:							
Experience adjustments	(73)	400	(329)	(58)	3,113	(25)	3,028
Changes in financial assumptions	(1,257)	(1,017)	(1,207)	(315)	317	(29)	(3,508)
Foreign exchange adjustments	(45)	(47)	(35)	(17)	(700)	(2)	(846)
Balances at end of year	\$6,135	\$6,328	\$4,840	\$2,316	\$94,329	\$248	\$114,196



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

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

December 31, 2014

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Total
Balances at beginning of year	\$5,887	\$4,234	\$5,489	\$1,827	\$48,627	\$66,064
Interest income	279	194	244	74	2,112	2,903
Return on plan assets, excluding interest income	1,209	2,376	1,752	549	2,658	8,544
Contributions paid	—	—	—	—	4,666	4,666
Benefits paid	—	—	(4)	—	(3,493)	(3,497)
Foreign exchange adjustments	(55)	(52)	(56)	(18)	(402)	(583)
Balances at end of year	\$7,320	\$6,752	\$7,425	\$2,432	\$54,168	\$78,097
Actual return on plan assets	\$1,488	\$2,570	\$1,996	\$623	\$4,770	\$11,447

The First Gen Group expects to contribute \$6.8 million to its defined benefit retirement plan in 2016.

Retirement plans

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

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

The plans' assets and investments by each class as of December 31, 2015 and 2014 are as follows:

	2015	2014
Investments quoted in active market		
Quoted equity investments		
Industrial - electricity, energy, power and water	\$12,080	\$18,098
Holding firms	11,106	5,869
Financials - banks	3,512	5,260
Property	1,367	1,650
Services - telecommunications	879	459
Industrial - food, beverage, and tobacco	637	1,593

(Forward)



	2015	2014
Transportation services	\$422	\$379
Mining	237	32
Industrial - construction, infrastructure allied services	210	317
Retail	203	180
Services - casinos and gaming	106	401
Golf country club	83	71
	30,842	34,309
Investments in debt instruments:		
Government securities	19,677	12,883
Investments in corporate bonds	9,561	14,777
	29,238	27,660
Investment in mutual funds	278	390
Unquoted investments:		
Cash and cash equivalents	12,833	15,078
Receivables and other assets	1,183	691
Liabilities	(27)	(31)
	13,989	15,738
Fair value of plan assets	\$74,347	\$78,097

- 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 4.62% to 5.80% and have maturities from 2016 to 2023;
- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 2.90% to 11.70% and have maturities from 2016 to 2037; and
- Investment in equity securities pertain to listed shares in PSE and include investments in the following securities:

	Relationship	2015	2014
Lopez Holdings	Intermediate parent company	\$5,349	\$1,789
FPH (Voting common stocks)	Parent company	3,380	2,811
First Gen:	Reporting entity		
Voting common stocks		2,753	3,023
Non-voting preferred stocks		6,947	6,926
ABS-CBN Holdings Corporation (ABS-CBN)	Affiliate	35	192
		\$18,464	\$14,741

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

For the year ended December 31, 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.



For the year ended December 31, 2014, unrealized gains arising from investments in FPH, First Gen and ABS-CBN, amounted to \$0.7 million, \$2.4 million, and \$0.03 million, respectively while unrealized loss arising from investment in Lopez Holdings amounted to \$0.4 million.

The details of the realized gains for the year ended December 31, 2015 are as follows:

Type of security:	First Gen	FGPC	FGP	FGHC
Investment in shares of stock	\$74	\$37	\$106	\$36
Investment in government securities	125	(19)	97	23
Investment in corporate debt instruments	9	4	16	6
	\$208	\$22	\$219	\$65

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, 2015 and 2014 are as follows:

	2015	2014
Discount rate	4.41%-5.65%	4.16% - 4.67%
Future salary increase rate	5%-8%	5% - 10%
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, 2015, assuming all other assumptions were held constant:

	Increase/Decrease in Percentage Point	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1%	(\$9,495)
	-1%	10,939
Future salary increases	+1%	10,651
	-1%	(9,501)
Medical costs trend	+1%	137
	-1%	(115)

For EDC, the estimated weighted average duration of benefit payment is 20 years in 2015, and 14 to 17 years in 2014, while the estimated weighted average duration of benefit payment for the Parent Company, FGHC, FGP, FGPC and others is 7 to 27 years in 2015.



Following are the information about the maturity profile of the defined benefit obligations as of December 31, 2015, 2014 and 2013:

	2015	2014	2013
Within the next 12 months	\$2,369	\$3,554	\$4,795
Between 2 and 5 years	5,281	34,880	24,791
Between 5 and 10 years	12,115	67,301	58,228
Between 10 and 15 years	19,079	100,852	100,792
Beyond 15 years and 20 years	13,656	81,961	91,581
More than 20 years	16,382	24,971	33,496

22. Income Tax

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

	2015	2014
Deferred income tax assets	\$27,831	\$27,874
Deferred income tax liabilities	(20,651)	(20,381)

The components of these deferred income tax assets (liabilities) as of December 31, 2015 and 2014 are as follows:

	2015	2014
Deferred income tax items recognized in the consolidated statements of income:		
Deferred income tax assets on:		
Impairment loss on property, plant and equipment	\$13,401	\$14,726
Unrealized foreign exchange losses - BOT power plants	12,697	15,716
Unrealized foreign exchange losses	4,223	—
Revenue generated during testing period of BGI power plant	3,269	3,440
Asset retirement obligations	2,643	1,975
Provision for uncollectivity of receivables from NPC	2,320	—
Allowance for impairment loss	1,038	1,003
Provision for impairment of spare parts and supplies inventories	698	585
Excess amortization of debt issuance costs under effective interest method over straight-line method	557	715
NOLCO	599	434
EDC Calamity losses	—	34
Others	5,253	3,809
	46,698	42,437

(Forward)



	2015	2014
Deferred income tax liabilities on:		
Difference between the carrying amounts of nonmonetary assets and their related tax bases	(\$18,111)	(\$12,462)
Difference in fair value versus cost of property, plant and equipment of EDC	(15,482)	(16,114)
Difference between fair value & book value resulting from Business Combination	(6,101)	(7,524)
Capitalized borrowing costs	(3,343)	–
Prepaid major spare parts	(1,410)	(1,673)
Capitalized asset retirement obligations	(1,178)	(1,050)
Capitalized costs and losses during commissioning period of the power plants	(434)	(475)
Difference in fair value versus cost of spare parts and supplies inventories	(312)	(348)
Unrealized foreign exchange gains	–	(3,661)
EDC Calamity losses	(43)	–
	(46,414)	(43,307)
Deferred income tax items recognized directly in other comprehensive income:		
Deferred income tax asset on derivative liabilities (see Note 25)	6,725	8,281
Others	171	82
	6,896	8,363
	\$7,180	\$7,493

- 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:

	2015	2014
NOLCO	\$123,513	\$143,879
MCIT	1,147	990
Accrual for retirement benefits	118	124
Others	261	1,103

As of December 31, 2015 and 2014, the taxable temporary differences representing the excess of the carrying amount of the investments in subsidiaries over the tax base amounted to \$205.3 million and \$79.6 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 2015, 2014 and 2013 includes the RCIT of FG Bukidnon, FGP and FGPC. In 2015 and 2014, FGPC & FGP computed its current income tax using Optional Standard Deduction (OSD) method. In 2013, FGPC computed its current income tax using OSD method.
- d. The balance of NOLCO as of December 31, 2015 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, 2015 may be applied as credit against future income tax liabilities of the Parent Company and certain subsidiaries.

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

Incurring for the Year Ended December 31	Available Until December 31	NOLCO		MCIT	
		<i>(In U.S. Dollar)(In Philippine Peso)</i>		<i>(In U.S. Dollar)(In Philippine Peso)</i>	
2013	2016	\$17,617	₱829,033	\$604	₱28,405
2014	2017	49,030	2,307,374	62	2,916
2015	2018	57,900	2,724,760	481	22,658
		\$124,547	₱5,861,167	\$1,147	₱53,979

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

	2015	2014	2013
Statutory income tax rate	30.00%	30.00%	30.00%
Income tax effect of:			
Foregone itemized deduction before reconciling items	9.17	7.35	8.92
Unrealized foreign exchange gains	3.18	0.13	4.57
Unrecognized deferred income tax asset on provision for impairment loss	(0.03)	—	1.78
Optional standard deduction	(11.67)	(9.02)	(9.74)
ITH incentives	(1.12)	(1.98)	(4.73)
Movement of temporary differences reversing during ITH	0.27	(0.03)	(0.44)
Effect of RE Law and change in tax rate	—	—	4.13
Others	(7.01)	(6.75)	(7.57)
Effective income tax rate	22.79%	19.70%	26.92%

- 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, PMPC received its Certificate of Registration with the BOI under the Omnibus Investment Code of 1987 as a new operator of 115 MW San Gabriel Avion Natural Gas-Fired Power Plant (the Avion Plant). Subject to specific terms and conditions PMPC 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. As of March 16, 2016, the commissioning of the Avion Plant is still on-going.
- 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 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. As of March 16, 2016, the construction of the San Gabriel Plant is substantially complete.



- 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

	2015	2014	2013
(a) Net income attributable to equity holders of the Parent Company	\$167,318	\$193,155	\$118,077
Less dividends on preferred stocks	(35,758)	(39,893)	(41,870)
(b) Net income available to common stocks	131,560	153,262	76,207
Add interest expense and accretion on debt issuance costs on Convertible Bonds (CBs)	—	—	544
(c) Net income available to common stocks adjusted for the effect of conversion of CBs	\$131,560	\$153,262	\$76,751
(d) Weighted average number of common stocks for basic earnings per share	3,581,395,541	3,319,209,765	3,344,124,939
Effect of conversion of CBs	—	—	7,149,684
(e) Weighted average number of common stocks for diluted earnings per share	3,581,395,541	3,319,209,765	3,351,274,623
Basic/Diluted Earnings Per Share (b/d)	\$0.037	\$0.046	\$0.023

In 2013, the conversion of the CBs has an anti-dilutive effect, thus, the diluted earnings per share is the same as the basic earnings per share. In February 2013, the CBs was fully redeemed.

In 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 and liquidity risk. The BOD reviews and approves policies for managing each of these risks as summarized below. First Gen Group's accounting policies in relation to derivative financial instruments are set out in Note 2 to the consolidated financial statements.

Interest Rate Risk

First Gen Group's exposure to the risk of changes in market interest rate relates primarily to First Gen Group's long-term debt obligations that are subject to floating interest rates, 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. Under the swap agreements, FGPC and FGP agreed to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed-upon notional principal amounts.

As of December 31, 2015 and 2014, approximately 70.0% and 65.6%, 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):

	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
	7.56% –					
Uncovered Facility*	7.96%	26.55	13.24	–	–	39.79
	1.28% –					
Term Loan Facility*	1.43%	8.27	18.49	60.34	–	87.10
Parent Notes Facility	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%	–	–	–	300.00	300.00
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%	2.29	4.59	4.59	49.21	60.68
¥4.0 billion	6.61%	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 and Allied Bank 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
<i>*Including effect of interest rate swap</i>						

*Including effect of interest rate swap

	2014					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%	\$16.84	\$41.03	\$88.33	\$93.88	\$240.08
Uncovered Facility*	7.56% – 7.96%	24.81	39.79	–	–	64.60
Term Loan Facility*	1.28% – 1.43%	6.32	16.55	20.44	50.12	93.43
Notes Facility	5.09%	4.00	49.50	42.50	–	96.00
Parent \$300 million Notes	6.50%	–	–	–	300.00	300.00
EDC \$300 million Notes	6.50%	–	–	–	300.00	300.00
Public Bonds						
Series 1	8.64%	190.07	–	–	–	190.07
Series 2	9.33%	–	78.26	–	–	78.26
IFC 1	7.40%	7.65	15.29	15.29	26.69	64.92
IFC 2	6.66%	5.62	11.23	11.23	33.63	61.71
FXCN						
₹3.0 billion	6.62%	0.67	1.34	1.34	62.05	65.40
₹4.0 billion	6.61%	0.89	1.79	1.79	82.74	87.21
FXR Bonds						
₹3.0 billion	4.16%	–	–	–	67.08	67.08
₹4.0 billion	4.73%	–	–	–	89.45	89.45
FNPC Term Facility	3.37%	–	11.85	15.79	67.13	94.77

(Forward)



	2014					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	
Floating Rate						
Long-term debts:						
Uncovered Facility	4.07%	\$8.27	\$13.26	\$—	\$—	\$21.53
Term Loan Facility	2.66%	19.67	51.45	63.56	155.88	290.56
Staple Financing	4.35%	29.07	84.42	—	—	113.49
PNB and Allied Bank Loan	5.00%	8.55	18.06	19.96	33.26	79.83
US\$80 million Term loan	2.05%	—	4.00	72.80	—	76.80
US\$175 million Refinanced Syndicated Term loan	2.01%	17.50	105.00	—	—	122.50
EBWPC Loans						
\$37.5 million Commercial Debt Facility	2.34%	0.71	3.02	3.90	27.87	35.50
\$150.0 million ECA Debt Facility	2.69%	2.78	11.82	15.29	109.12	139.01
₱5.6 billion Commercial Debt Facility	6.13% – 6.33%	2.31	9.83	12.72	90.75	115.61
<i>*Including effect of interest rate swap</i>						

*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, 2015 and 2014, with all other variables held constant, of First Gen Group's income before income tax and equity (through the impact of floating rate borrowings, derivative assets and liabilities):

	Increase (Decrease) in Basis Points	Increase (Decrease) on Income Before Income Tax	Increase (Decrease) on Equity
December 31, 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	—
December 31, 2014			
U.S. Dollar	+100	(\$8.23 million)	\$6.88 million
	-100	8.23 million	(13.23 million)
Philippine Peso	+100	(1.34 million)	—
	-100	1.34 million	—

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

Foreign Currency Risk

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, 2015 and 2014 that may affect the consolidated financial statements of First Gen Group (amounts in millions):

	2015								
	Original Currency								
	Philippine Peso- denominated Balances	Euro- denominated Balance	Japanese Yen- denominated Balance	Chilean Peso denominated Balance	New Zealand dollar denominated Balance	Sweden kroner denominated Balance	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.

US\$1=₱47.06, US\$1=€0.910, US\$1=¥120.327, US\$1=CHL₱/08.97, US\$1=SEK8.338, US\$1= NZD1.457, US\$1=SG\$1.404 and US\$1=GB£0.671 as of December 31, 2015.

	2014							
	Original Currency							
	Philippine Peso- denominated Balances	Euro- denominated Balance	Japanese Yen- denominated Balance	Chilean Peso denominated Balance	New Zealand dollar denominated Balance	Sweden kroner denominated Balance	Singapore Dollar denominated Balance	Equivalent U.S. Dollar Balances ¹
Financial Assets								
Loans and receivables:								
Cash and cash equivalents	₱13,755.5	€—	¥—	CHL₱151.1	NZ\$—	SEK—	SG\$—	\$307.6
Receivables	7,604.9	—	—	—	—	—	—	170.1
Long-term receivables	34.1	—	—	—	—	—	—	0.7
	21,394.5	—	—	151.1	—	—	—	478.4
AFS financial assets	201.6	—	—	—	—	—	—	4.5
Financial assets at FVPL	523.6	—	—	—	—	—	—	11.7
Total financial assets	22,119.7	—	—	151.1	—	—	—	494.6
Financial Liabilities								
Liabilities at amortized cost:								
Accounts payable and accrued expenses	7,522.5	6.4	117.5	—	0.3	1.6	0.1	177.6
Due to related parties	6.60	—	—	—	—	—	—	0.1
Dividends payable	896.9	—	—	—	—	—	—	20.1
Long-term debts	44,914.6	—	—	—	—	—	—	1,004.3
Total financial liabilities	53,340.6	6.4	117.5	—	0.3	1.6	0.1	1,202.1
Net financial liabilities (assets)	₱31,220.9	€6.4	¥117.5	(CHL₱151.1)	NZ\$0.3	SEK1.6	SG\$0.1	\$707.5

¹ US\$1=₱44.720, US\$1=€0.807, US\$1=¥120.395, US\$1=CHL₱605.658, US\$1=SEK7.865, US\$1=NZD1.292 and US\$1=SG\$1.327 as of December 31, 2014.



The following tables demonstrate, for the years ended December 31, 2015 and 2014, 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):

2015			
	Foreign Currency Appreciates (Depreciates) By	Increase (Decrease) on Income Before Income Tax	Increase (Decrease) on 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	—
Sweden 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	—
2014			
	Foreign Currency Appreciates (Depreciates) By	Increase (Decrease) on Income Before Income Tax	Increase (Decrease) on Equity
<i>(Amounts in Millions)</i>			
Philippine Peso	4%	\$0.05	(\$26.86)
	(4%)	(0.05)	29.10
European Euro	1%	(0.08)	0.07
	(1%)	0.08	(0.07)
Japanese Yen	10%	(0.09)	—
	(10%)	0.11	—
Chilean Peso	10%	(0.02)	—
	(10%)	0.03	—
Sweden Kroner	10%	(0.02)	—
	(10%)	0.02	—
Singapore Dollar	10%	(0.01)	—
	(10%)	0.01	—
New Zealand Dollar	10%	(0.02)	—
	(10%)	0.02	—

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

Foreign Currency Risk with Respect to U.S. Dollar. In the case of entities within First Gen Group with functional currency of Philippine Peso, 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 ₱47.06 to US\$1.00 and ₱44.72 to US\$1.00 as at December 31, 2015 and 2014, respectively.



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

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

	2015		2014	
	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	\$14.5	₱684.4	\$45.4	₱2,028.7
Cash on hand and in banks	3.8	179.4	7.1	318.2
AFS financial assets:				
Debt securities	2.8	129.6	2.9	130.1
Derivative assets designated as cash flow hedges	7.5	351.6	3.4	154.2
Total financial assets	\$28.6	₱1,345.0	\$58.8	₱2,631.2
Financial Liabilities				
Liabilities at amortized cost:				
Accounts payable	\$18.2	₱854.6	\$18.3	₱817.9
Long-term debt	654.3	30,789.8	661.8	29,597.6
Accrued interest on long-term debts	9.2	432.1	9.0	403.5
Derivative liabilities designated as cash flow hedges	4.3	202.5	3.8	169.7
Total financial liabilities	\$686.0	₱32,279.0	\$692.9	₱30,988.7

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, 2015 and 2014.

Change in Exchange Rate in U.S dollar against Philippine peso		Effect on	
		Income Before Income Tax	Equity
<i>(Amounts in Millions)</i>			
2015	10% (10%)	(₱2,835.75)	₱281.29
		2,835.75	(318.17)
2014	10% (10%)	(₱3,093.39)	₱269.78
		3,093.39	(383.23)

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



Credit Risk

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

In the case of EDC, the geothermal and power generation businesses trade with 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 the carrying amount.

With respect to credit risk arising from the other financial assets of First Gen Group, which comprise of cash and cash equivalents, excluding cash on hand, trade and other receivables, financial assets at FVPL, 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, 2015 and 2014.

	2015	2014
Financial assets accounted for as cash flow hedge		
Derivative assets	\$8,124	\$5,006
Financial assets at FVPL		
Designated as at FVPL	30,108	11,708
Loans and receivables		
Cash and cash equivalents*	727,940	670,739
Receivables:		
Trade	308,568	369,876
Due from related parties	2,021	2,521
DSRA	28,140	—
Others	6,893	14,588
Long-term receivables	695	763
Special deposits and funds	2,489	2,446
Other current assets	801	322
Total loans and receivables	1,077,547	1,061,255
AFS financial assets		
Debt securities	5,497	5,811
Equity securities	598	591
Proprietary club membership shares	1,014	1,014
Total AFS financial assets	7,109	7,416
	\$1,122,888	\$1,085,385

*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, 2015 and 2014:

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

*Excluding cash on hand

	2014						
	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*	\$670,739	\$–	\$–	\$–	\$–	\$–	\$670,739
Trade receivables	278,201	29,837	60,085	1,753	–	2,038	371,914
Due from related parties	2,521	–	–	–	–	–	2,521
Other receivables	13,484	739	333	32	–	–	14,588
Long-term receivables	763	–	–	–	–	1,782	2,545
Special deposits and funds	2,446	–	–	–	–	–	2,446
Other current assets	322	–	–	–	–	–	322
AFS financial assets:							
Debt securities	5,811	–	–	–	–	–	5,811
Equity securities	591	–	–	–	–	–	591
Proprietary club membership shares	1,014	–	–	–	–	–	1,014
Financial assets at FVPL -							
Derivative assets	11,708	–	–	–	–	–	11,708
Financial assets accounted for as cash flow hedge -							
Derivative assets	5,006	–	–	–	–	–	5,006
Total	\$992,606	\$30,576	\$60,418	\$1,785	\$–	\$3,820	\$1,089,205

*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, 2015 and 2014, substantially all financial assets 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, 2015 and 2014:

	2015	2014
Trade receivables from Meralco	\$156,124	\$181,152
Trade receivables from NPC and TransCo	40,002	83,615
Total credit concentration risk	\$196,126	\$264,767
Total receivables	\$317,482	\$386,985
Credit concentration percentage	61.78%	68.42%

Liquidity Risk

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

In addition, First Gen Group has short-term deposits and available credit lines with certain banking institutions. FGP and FGPC, in particular, each maintain a 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, 2015 and 2014, 19.7% and 19.1%, 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, 2015 and 2014 based on the contractual undiscounted payments:

	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	\$730,463	\$-	\$-	\$-	\$-	\$730,463
Trade receivables	-	247,642	35,366	23,160	2,400	308,568
DSRA	28,140	-	-	-	-	28,140
Total loans and receivables	758,603	247,642	35,366	23,160	2,400	1,067,171
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	\$2,400	\$1,073,364
Financial liabilities:						
Accounts payable and accrued expenses*	\$114,701	\$240,724	\$-	\$-	\$-	\$355,425
Due to related parties	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	114,846	294,437	414,461	1,528,989	1,836,879	4,189,612
Derivative contract receipts	-	-	(2,839)	(10,639)	(292)	(13,770)
Derivative contract payments	-	-	11,028	26,403	581	38,012
Total financial liability accounted for as cash flow hedges	-	-	8,189	15,764	289	24,242
Total financial liabilities	\$114,846	\$294,437	\$422,650	\$1,544,753	\$1,837,168	\$4,213,854

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

	2014					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	\$673,893	\$-	\$-	\$-	\$-	\$673,893
Trade receivables	-	308,038	60,085	1,753	-	369,876
Total loans and receivables	673,893	308,038	60,085	1,753	-	1,043,769
Derivative contract receipts	-	-	380	4,741	541	5,662
Derivative contract payments	-	-	(1,300)	(4,074)	(356)	(5,730)
Total financial assets accounted for as cash flow hedge	-	-	(920)	667	185	(68)
AFS financial assets:						
Debt securities	5,811	-	-	-	-	5,811
Total financial assets	\$679,704	\$308,038	\$59,165	\$2,420	\$185	\$1,049,512
Financial liabilities:						
Accounts payable and accrued expenses*	\$32,681	\$224,814	\$-	\$-	\$-	\$257,495
Due to related parties	146	-	-	-	-	146
Dividends payable	-	20,056	-	-	-	20,056
Long-term debts	-	21,031	463,810	1,372,241	1,885,095	3,742,177
Total liabilities carried at amortized cost	32,827	265,901	463,810	1,372,241	1,885,095	4,019,874
Derivative contract receipts	-	(9,746)	(1,134)	(12,164)	(1,935)	(24,979)
Derivative contract payments	-	10,091	12,841	34,097	3,915	60,944
Total financial liability accounted for as cash flow hedges	-	345	11,707	21,933	1,980	35,965
Total financial liabilities	\$32,827	\$266,246	\$475,517	\$1,394,174	\$1,887,075	\$4,055,839

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



Capital Management

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

First Gen Group manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust the capital structure, First Gen Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2015 and 2014.

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.

	2015	2014
Long-term debts (current and non-current portions)	\$2,962,799	\$2,845,038
Equity attributable to equity holders of the Parent		
Company	\$1,598,304	\$1,498,081
Non-controlling interests	407,179	414,525
Total equity	\$2,005,483	\$1,912,606
Total debt and equity	\$4,968,282	\$4,757,644
Debt ratio	60:40	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, 2015 and 2014, 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, 2015 and 2014 that are carried in the consolidated financial statements:

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Financial assets accounted for as cash flow hedges - Derivative assets	\$8,124	\$8,124	\$5,005	\$5,005
Financial assets at FVPL - Designated at FVPL	30,108	30,108	11,708	11,708
Loans and receivables:				
Cash and cash equivalents	730,463	730,463	673,893	673,893
Receivables:				
Trade	308,568	308,568	369,876	369,876
Due from related parties	2,021	2,021	2,521	2,521
Others	6,893	6,893	14,588	14,588
Long-term receivables	695	687	763	718
Special deposits and funds	2,489	2,489	2,446	2,446
DSRA	28,140	28,140	-	-
Other current assets	801	801	322	322
Total loans and receivables	1,080,070	1,080,062	1,064,409	1,064,364

(Forward)



	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
AFS financial assets -				
Debt securities	\$5,497	\$5,497	\$5,811	\$5,811
Equity securities	598	598	591	591
Proprietary club membership shares	1,014	1,014	1,014	1,014
Total AFS financial assets	7,109	7,109	7,416	7,416
	\$1,125,411	\$1,125,403	\$1,088,538	\$1,088,493
Financial Liabilities				
Financial liabilities carried at amortized cost:				
Accounts payable and accrued expenses*	\$375,006	\$375,006	\$302,465	\$302,465
Dividends payable	15,967	15,967	20,056	20,056
Due to related parties	145	145	146	146
Long-term debts	2,962,799	3,253,695	2,845,038	3,258,600
Total financial liabilities at amortized cost	3,353,917	3,644,813	3,167,705	3,581,267
Financial liability accounted for as cash flow hedges - Derivative liabilities	26,493	26,493	33,347	33,347
	\$3,380,410	\$3,671,306	\$3,201,052	\$3,614,614

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

Long-term Receivables

The fair value of long-term receivables was computed by discounting the expected cash flows using the applicable rates of 3.89% and 3.06% in 2015 and 2014, 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 0.6460% to 1.6270% and 0.2523% to 1.6590% as of December 31, 2015 and 2014, 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, 2015 and 2014 ranging from 0.3940% to 2.4040% and 0.111% to 2.515%, 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 11.27% on December 31, 2015 and 1.76% to 6.71% on December 31, 2014. 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 and the prevailing credit adjusted PDST-F interest rates 2.54% to 3.45% in 2014.



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.

	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 at FVPL – Designated as at FVPL	30,108	—	30,108	—
Financial liabilities accounted for as cash flow hedges -Derivative liabilities	26,493	—	26,493	—
	2014			
	Fair value	Level 1	Level 2	Level 3
Loans and receivables:				
Long-term receivables	\$718	\$—	\$—	\$718
AFS financial assets:				
Debt securities	5,811	5,811	—	—
Equity securities	591	591	—	—
Financial assets accounted for as cash flow hedges - Derivative assets	5,006	—	5,006	—
Financial assets at FVPL – Designated as at FVPL	11,708	—	11,708	—
Financial liabilities accounted for as cash flow hedges -Derivative liabilities	33,347	—	33,347	—

As of December 31, 2015 and 2014, 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, 2015 and 2014 (amounts in millions). The notional amount is the basis upon which changes in the value of derivatives are measured.

	2015			2014		
	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives Designated as Accounting Hedges						
Freestanding derivatives:						
Interest rate swaps	\$—	\$26.50	\$500.13	\$1.56	\$29.21	\$398.11
Cross currency swaps	8.12	—	\$110.00	3.45	3.79	\$110.00
Foreign currency forwards	—	—	—	—	0.35	€8.00
Total derivatives	\$8.12	\$26.50		\$5.01	\$33.35	
Presented as:						
Current	\$1.24	\$0.11		\$0.49	\$0.42	
Noncurrent	6.88	26.39		4.52	32.93	
Total derivatives	\$8.12	\$26.50		\$5.01	\$33.35	



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 statements of income.

Foreign Currency Swap Contracts

A foreign currency swap is an agreement to exchange amounts in different currencies based on the spot rate at trade date and to re-exchange the same currencies at a future date based on an agreed rate.

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 statements of income.

For the years ended December 31, 2014 and 2013, EDC recognized a \$0.2 million gain and \$0.3 million gain, respectively, 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 statements of income.

EDC did not enter into any foreign currency swap transaction in 2015 and 2014.

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, 2015 and 2014, the aggregate negative fair values of the interest rate swaps that were deferred to “Cumulative translation adjustments” account in the consolidated statements of financial position amounted to \$15.5 million (net of related deferred income tax effect of \$6.7 million) and \$20.4 million (net of related deferred income tax effect of \$8.8 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.

As of December 31, 2015 and 2014, the positive fair values of the interest rate swaps that were deferred to “Cumulative translation adjustments” account in the consolidated statements of financial position amounted \$0.5 million (net of related deferred income tax effect of \$0.2 million) and \$1.2 million (net of related deferred income tax effect of \$0.4 million), respectively.

There was no ineffective portion recognized in the consolidated statements of income for the years ended December 31, 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, 2015 and 2014 are as follows:

	2015	2014
Notional amounts	\$350,134	\$398,106
Cumulative mark-to-market losses	(22,192)	(29,207)
Cumulative mark-to-market gains	653	1,558

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

	2015	2014
Fair value at beginning of year	(\$27,649)	(\$31,386)
Fair value changes taken into equity during the year	(6,339)	(10,539)
Fair value changes realized during the year	12,449	14,276
Fair value at end of year	(21,539)	(27,649)
Deferred income tax effect on cash flow hedges	6,462	8,295
Fair value deferred into equity	(\$15,077)	(\$19,354)

Fair value changes during the year, net of deferred income tax, are recorded in the consolidated statements of comprehensive income, and under the “Cumulative translation adjustments” account in the consolidated statements of financial position. The fair value changes realized during the year were taken into “Interest expense and financing charges” account in the consolidated



statements of income. This pertains to the net difference between the fixed interest paid/accrued and the floating interest received/accrued on the interest rate swap agreements as at financial reporting date.

For the years ended December 31, 2015 and 2014, fair value changes taken to the consolidated statements of income amounted to \$12.4 million and \$14.3 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	43.60	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, 2015 and 2014, the outstanding aggregate notional amount of EDC's NDCCS amounted to \$75.0 million and \$93.6 million, respectively. For the years ended December 31, 2015 and 2014, the aggregate fair value changes on these NDCCS amounting to \$0.3 million gain and \$0.2 million loss, respectively, were recognized under "Cumulative translation adjustments" account in the consolidated statements of financial position.

Interest Rate Swap - EBWPC

In the last quarter of 2014, EBWPC entered into four (4) interest rate swaps. This is to partially hedge the interest rate risks on its \$150 million ECA and \$37.5 million 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.

Pertinent details of the IRS are as follows:

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

The maturity date of the interest rate swaps coincides with the maturity date of the Foreign Facility.

As of December 31, 2015 and 2014, the outstanding aggregate notional amount of EBWPC's interest rate swap amounted to \$147.0 million and \$150.0 million, respectively. For the years ended December 31, 2015 and 2014, the aggregate negative fair value changes on these interest rate swaps amounting to \$4.5 million and \$3.8 million, respectively, were recognized under "Cumulative translation adjustments" account in the consolidated statements of financial position.

Hedge Effectiveness Results

Since the critical terms of the hedged 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 \$5.7 million gain as of December 31, 2015 and \$3.0 million loss as of December 31, 2014 were recognized under "Cumulative translation adjustments" account in the consolidated statements of financial position. No ineffective portion was recognized in the consolidated statements of income for the years ended December 31, 2015 and 2014.

As of December 31, 2015 and 2014, the net movement of changes made to "Cumulative translation adjustments" account for EDC's cash flow hedges are as follows:

	2015	2014
Balances at beginning of year	(\$3,710)	(\$1,065)
Fair value changes taken into equity during the year	5,727	(2,980)
Fair value changes realized during the year	(2,091)	1,516
Foreign exchange losses realized taken to the consolidated statements of income	(3,874)	(1,181)
	(3,948)	(3,710)
Deferred income tax effect on cash flow hedges	(99)	(352)
Balances at end of year	(\$4,047)	(\$4,062)

Foreign Currency Forwards - FGPC and FGP

On October 31, 2014, FGPC and FGP both entered into several currency forwards with ING Bank N.V. Manila Branch to purchase European Euro at fixed Euro to U.S. dollar exchange rates. FGPC and FGP designated these derivatives as effective hedging instruments that will address the risk on variability of cash flows due to foreign exchange fluctuations in Euro to U.S. dollar



exchange rates related to its Euro denominated liabilities arising from the monthly operations and maintenance fees to SPOI.

Under the agreements, FGPC and FGP are obligated to buy Euro from ING amounting to €2.5 million and €1.5 million, respectively, based on the agreed strike exchange rates. The settlement of each of the forward contract is from January 6, 2015 up to February 3, 2015 which coincides with the settlement of the outstanding and forecasted monthly payables to SPOI.

As of December 31, 2015 and 2014, the outstanding notional amounts of the foreign currency forward contracts designated as cash flow hedges amounted to nil and €8.0 million, respectively. The aggregate negative fair value of the foreign currency forward contracts that was deferred to “Cumulative translation adjustments” account in the consolidated statements of financial position amounted to nil and \$0.2 million (net of related deferred income tax effect of \$0.1 million) as of December 31, 2015 and 2014.

As of December 31, 2015 and 2014, the net movements in the fair value changes of foreign currency forwards of FGPC and FGP are as follows:

	2015	2014
Notional amount	€–	€8,000,000
Mark-to-market loss	\$–	(\$345)
Fair value at beginning of year	(\$345)	\$–
Fair value change taken into other comprehensive income during the year	(437)	(345)
Fair value change realized during the year	782	–
Fair value at end of year	–	(345)
Less deferred income tax effect	–	103
Fair value at end of year deferred into equity	\$–	(\$242)

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 \$296.4 million, \$297.2 million and \$270.7 million for the years ended December 31, 2015, 2014 and 2013. Total power sold to Meralco by FGP and FGPC (which already includes the fixed capacity fees and fixed operating and maintenance fees mentioned above) amounted to \$1,076.5 million, \$1,205.2 million and \$1,292.7 million for the years ended December 31, 2015, 2014 and 2013.

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 February 15, 2010, FG Bukidnon received the decision from the ERC dated November 16, 2009 which modified some of the terms of the PSA. On March 2, 2010, FG Bukidnon filed a Motion for Reconsideration (MR) with the ERC. While still awaiting the ERC's reply to the MR, FG Bukidnon applied the ERC's revised rate for its sale to CEPALCO starting March 2010. On September 9, 2010, FG Bukidnon received the ERC order dated August 16, 2010 partially approving FG Bukidnon's MR. This approved tariff was used starting September 2010. On October 19, 2010, FG Bukidnon filed a motion for clarification on the effectivity of the ERC order dated August 16, 2010.

On May 5, 2011, FG Bukidnon received the ERC order dated April 4, 2011 which clarified that the ERC order dated August 16, 2010 should be applied retroactively from March 2010. FG Bukidnon was able to recover from CEPALCO ₱1.76 million of under-recoveries covering the period March 2010 to August 2010.

On June 14, 2012, FG Bukidnon signed a Transmission Service Agreement with NGCP for the latter's provision of the necessary transmission services to FG Bukidnon. The charges under this agreement are as provided in the Open Access Transmission Service Rules and/or applicable ERC orders/issuances. Under the PSA, these transmission-related charges shall be passed through to CEPALCO.

FG Hydro

FG Hydro had contracts which were originally transferred by NPC to FG Hydro as part of the acquisition of PAHEP/MAHEP for the supply of electric energy with several customers within the vicinity of Nueva Ecija. All contracts expired as of December 31, 2010.

In 2010, upon renegotiation with the customers and as stipulated by the ERC, the expired contracts were renewed except for the contract with Pantabangan Municipal Electric System (PAMES). FG Hydro shall generate and deliver to these customers the contracted energy on a monthly basis. FG Hydro is bound to service these customers for the remainder of the stipulated terms, the range of which falls between December 2010 and December 2020.



Upon expiration, these contracts may be renewed upon renegotiation with the customers and approval by the ERC. As of December 31, 2015, there are four remaining long-term power supply agreements being serviced by FG Hydro.

Details of the existing contracts are as follows:

Related Contract	Expiry Date	Other Development
Nueva Ecija II Electric Cooperative, Inc., Area 1 (NEECO II -Area 1)	August 25, 2018	The ERC granted a provisional approval on the PSA between FG Hydro and NEECO II-Area 1 on October 7, 2013 with a pending final resolution of the application for the approval thereof.
Nueva Ecija II Electric Cooperative, Inc., Area 2 (NEECO II –Area 2)	December 25, 2016	The ERC granted a provisional approval on the PSA between FG Hydro and NEECO II-Area 2 on August 2, 2010 with a pending final resolution of the application for the approval thereof.
Edong Cold Storage and Ice Plant (ECOSIP)	December 25, 2020	An agreement was signed by FG Hydro and ECOSIP in November 2010 for the supply of power in the succeeding 10 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 10 years.
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 BGI in December 2014 for the delivery of electricity to two 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 PPAs amounted to \$278.9 million (₱12.6 billion), \$296.4 million (₱13.4 billion) and \$271.3 million (₱12.3 billion) in 2015, 2014 and 2013, respectively.

- 49.0 MW Nasulo

EDC's Nasulo power plant has an existing PSA with San Miguel Energy Corporation (SMEC) for 2.6 MW. The PSA provides, among others, that SMEC shall pay EDC a base price per kilowatt-hour of electricity delivered subject to inflation adjustments. The PSA is for a period of ten (10) years, which commenced on November 26, 2014 and will end on December 25, 2024.

Revenue from sale of electricity covered by the PSA with SMEC amounted to \$2.3 million (₱103.3 million), \$0.3 million (₱11.1 million) and nil in 2015, 2014 and 2013, respectively.

GCGI

With GCGI's takeover of Palinpinon and Tongonan Power Plants effective October 23, 2009, Schedule X of the Asset Purchase Agreement with PSALM provides for the assignment of 12 NPC PSAs to GCGI. As of December 31, 2015, the following Transition Supply Contract (TSCs) remained:

Customers	Contract Expiration
Dynasty Management & Development Corp. (DMDC)	March 25, 2016
Philippine Foremost Milling Corp. (PFMC)	March 25, 2016

As of December 31, 2015, GCGI has a total of 22 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

(Forward)



Customers	Contract Start	Contract Expiration
<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

* With Provisional Authority from the ERC as of December 31, 2015.

** NONECO is formerly known as V.M.C. Rural Electric Service Cooperative, Inc. (VRESCO).

Coordination with ERC is on-going to secure the Final Authority for the filed applications for the approval of the PSAs with distribution utility customers. 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. On the other hand, GCGI's PSA with FGES for the 2 MW supply to Alturas Group of Companies (AGC) was assigned to ULGEI effective December 26, 2015 with amended provisions.

Total revenue from sale of electricity under the PSCs and PSAs amounted to \$246.6 million (₱11.2 billion), \$231.5 million (₱10.5 billion) and \$221.8 million (₱10.0 billion) in 2015, 2014 and 2013, respectively.

BGI

As of December 31, 2015 BGI's outstanding PSAs are as follows:

Customers	Contract Start	Contract Expiration
Camarines Sur II Electric Cooperative, Inc.	January 26, 2013	January 25, 2018
FGES	June 26, 2013	January 25, 2016
First Philippine Industrial Corp.	January 26, 2013	December 25, 2018
MERALCO*	November 25, 2014	December 25, 2019

*Contract effectivity is subject to certain conditions

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.

Two (2) PSAs with FG Hydro expired on June 25, 2015 and December 25, 2015.

Total revenue from the sale of electricity amounted to \$93.2 million (₱4.2 billion), \$80.4 million (₱3.6 billion) and \$16.7 million (₱758.3 million) in 2015, 2014 and 2013, 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

ULGEI was incorporated on June 23, 2010. ULGEI, a wholly-owned subsidiary of EDC, had been declared as one of the seven Highest Ranking Bidders for the maximum allowable 40 MW per bidder in the Selection and Appointment of the Independent Power Producer Administrators (IPPA) for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPPs), and thereafter, as the Highest Ranking Bidder to administer the Bulk Energy of the ULGPPs, which is the capacity in excess of the 240 MW allotted for the Strips of Energy. The bidding was conducted by the PSALM on November 7, 2013, one day before Super



Typhoon Yolanda made landfall and severely affected the facilities of EDC, NGCP and various distribution utilities in Central Visayas. Consequently, ULGEI has written to PSALM that it cannot accept the award of the winning bids as the physical and economic conditions underlying the bidding process and the IPPA Administration Agreements required to be executed pursuant thereto have been dramatically altered by the severe and widespread destruction caused by Super Typhoon Yolanda in the Eastern and Western Visayas regions.

In February 2014, PSALM has written ULGEI informing of the following:

1. ULGEI was selected as the Winning Bidder for 40 MW Strips of Energy of the ULGPP at the bidded rate/price; and,
2. PSALM accepted ULGEI's decision not to accept the award as Winning Bidder for the Bulk Energy of the ULGPP, subject to subsequent determination/evaluation of the forfeiture of ULGEI's Bid Security and ULGEI's qualification to participate further in the rebidding process for said Bulk Energy.

In December 2014, the IPPA Contract for the strips of energy was turned over to ULGEI, and in 2015, ULGEI entered into a PSA with the following customers:

Customers	Contract Start	Contract Expiration
Visayan Electric Company	Upon ERC approval	Dec. 25, 2021
Camarines Sur IV Electric Cooperative, Inc.	Aug. 26, 2015	Dec. 25, 2015
Bohol Light Company, Inc.	Aug. 26, 2015	Aug. 25, 2021
SMEC	Sept. 17, 2015	Nov. 15, 2015
FGES	Dec. 26, 2015	Dec. 25, 2023

FGES

On May 16, 2013, FGES entered into a PSA with GCGI for 2 MW monthly energy supply, primarily from its geothermal energy power plant, starting June 25, 2013 until June 25, 2023. The said contracted energy is intended to serve the contracted energy requirement of the RSC with its contestable customer, AGC. On December 21, 2015, the PSA was pre-terminated by FGES and GCGI effective December 26, 2015. To fulfill the contracted energy requirement of the RSC with AGC, FGES entered into a PSA with ULGEI for a 2 MW monthly energy supply starting December 26, 2015.

On May 20, 2013, FGES entered into a PSA with BGI for 6 MW monthly energy supply, primarily from its geothermal energy power plant, from June 25, 2013 until January 25, 2016. The said contracted energy is intended to serve the contracted energy requirement of the RSC with another contestable customer, Taiheiyō Cement Philippines Inc. (TCPI).

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, 2015 and 2014, 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

The DOE approved the application of EDC for the 20-year extension of the Tongonan, Palinpinon and Bacon-Manito GSCs. The extension is embodied in the fourth amendment to the GSCs dated October 30, 2003. The amendment extended the Tongonan GSC from May 15, 2011 to May 16, 2031, while the Palinpinon and Bacon-Manito GSCs are extended from October 16, 2011 to October 17, 2031.



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.

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.

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

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.

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

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

For the BacMan steam supply, 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 PNOG 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 \$201.8 million in 2015, \$291.5 million in 2014, and \$241.0 million in 2013 for FGP; and \$408.3 million in 2015, \$529.3 million in 2014, and \$595.8 million in 2013 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 GSPAs 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. As of December 31, 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, 2015, 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)

g. SESCOs of EDC

As of December 31, 2015, EDC holds five (5) SESCO's with the DOE. Each SESCO has a contract period of 25 years and will expire between 2039 and 2040. The WESC's cover the following projects:

Projects	DOE Certificates of Registration
1) 4 MW Burgos, Ilocos Norte	SESC 2014-07-088 (expiring in 2039)
2) Murcia, Negros Occidental	SESC 2015-03-113 (expiring in 2040)
3) President Roxas, North Cotabato	SESC 2015-03-114 (expiring in 2040)
4) Matalam, North Cotabato	SESC 2015-03-119 (expiring in 2040 and renewable for another 25 years)
5) Bogo, Cebu	SESC 2015-06-234 (expiring in 2040 and renewable for another 25 years)

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.



O&M charges include Euro, U.S. dollar and Philippine peso components. The Euro denominated charge is hedged using foreign currency forwards to minimize the risk of foreign exchange fluctuations (see Note 25). Total O&M costs (shown as part of the “Power plant operations and maintenance” in the “Costs of sale of electricity” account in the consolidated statements of income) amounted to \$27.7 million in 2015, \$31.1 million in 2014, and \$26.2 million in 2013.

As of December 31, 2015 and 2014, certain O&M charges amounting to \$69.5 million and \$43.1 million, respectively, which relate to major spare parts that are expected to be replaced during the next scheduled major maintenance outage, were presented as part of the “Other noncurrent assets” account in the consolidated statements of financial position (see Note 12).

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.

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 (see Note 11). As of March 16, 2016, FGPC is still in the process of transferring the substation upgrades in Calaca, as well as the 230 kilovolts (kV) Santa Rita to Calaca transmission line, to NPC.

Maintenance services related to the transmission line are rendered by MIESCOR, a subsidiary of Meralco, on the 230 kV transmission line from the Santa Rita plant to the Calaca Substation in Batangas under the Transmission Line Maintenance Agreement. This involves the monthly payment of \$0.02 million (₱0.8 million) as retainer fee and \$0.08 million (₱3.4 million) for every six-month period as service fee, with both fees subject to periodic adjustment as set forth in the agreement. The amount of compensation for additional services requested by FGPC outside the scope of the agreement is subject to mutual agreement between FGPC and MIESCOR. Total operations and maintenance expense (shown as part of the “Power plant operations and maintenance” in the “Costs of sale of electricity” account in the consolidated statements of income) amounted to \$0.6 million in 2015, \$0.5 million in 2014, and \$0.5 million in 2013.



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 revenue from TransCo recognized in 2015 from the Burgos Wind Power Plants and Solar Power Plants amounted to \$45.8 million (₱2.1 billion) and ₱49.3 million (\$1.1 million), respectively.

Total revenue from PEMC recognized in 2015 from the Burgos Wind Power Plants amounted to \$6.2 million (₱279.6 million).

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 16, 2016, 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 Supreme Court (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 16, 2016, 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 (P12 million) per year. FGPC, claiming exemption from said RPT, appealed the assessment to the Provincial Local Board of Assessment Appeals (LBAA) and filed a Petition in August 2003 praying (1) that the Notices of Assessment and Tax Bills issued by the Provincial Assessor be recalled and revoked; and (2) that the Provincial Assessor



drop from the Assessment Roll the 230 kV transmission lines from Sta. Rita to Calaca in accordance with Section 206 of the Local Government Code (LGC). FGPC argued that the T-Line does not constitute real property for RPT purposes, and even assuming that the T-Line is regarded as real property, FGPC is still not liable for RPT as it is NPC/TransCo, a government-owned and controlled corporation (GOCC) engaged in the generation and/or transmission of electric power, which has actual, direct and exclusive use of the T-Line. Pursuant to Section 234 (c) of the LGC, a GOCC engaged in the generation and/or transmission of electric power and which has actual, direct and exclusive use thereof, is exempt from RPT.

FGPC sought, and was granted, a preliminary injunction by the Regional Trial Court (Branch 7) of Batangas City (RTC) to enjoin the Provincial Treasurer of Batangas City from collecting the RPT pending the decision of the LBAA. Despite the injunction, the LBAA issued an Order requiring FGPC to pay the RPT within 15 days from receipt of the Order. FGPC filed an appeal before the Central Board of Assessment Appeals (CBAA) assailing the validity of the LBAA order. The CBAA in December 2006 set aside the LBAA Order and remanded the case to the LBAA. The LBAA was directed to proceed with the case on the merits without requiring FGPC to first pay the RPT on the questioned assessment. The LBAA case remains pending.

On May 23, 2007, the Province filed with the Court of Appeals (CA) a Petition for Review of the CBAA Resolution. The CA dismissed the petition in June 2007; however, it issued another Resolution in August 2007 reinstating the petition filed by the Province. In a decision dated March 8, 2010, the CA dismissed the petition for lack of jurisdiction.

In connection with the prohibition case pending before the RTC which issued the preliminary injunction, the Province filed a Motion to Dismiss in May 2011 which was denied by the RTC in an Order dated November 2011. However, FGPC was directed to amend its petition to include the Provincial Assessor as a party respondent. The Province filed a Motion for Reconsideration of this Order, which was denied by the RTC. On November 21, 2012, FGPC filed its Compliance with Amended Petition to implead the Provincial Assessor of Batangas. Pre-trial is set to continue in April 2016.

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 \$14.8 million (₱669.6 million), \$13.8 million (₱610.9 million), and \$11.8 million (₱498.2 million) in 2015, 2014 and 2013, respectively.

As of December 31, 2015 and 2014, future minimum rental payments under the non-cancelable operating leases are as follows:

	2015	2014
Within one year	\$3,620	\$2,437
After one year but not more than five years	5,509	2,264
After five years	184	250
	\$9,313	\$4,951

o. 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 oil leak was found in the basement of the West Tower Condominium. The petition was brought by the West Tower Condominium Corporation purportedly on behalf of its unit owners and in representation of the inhabitants of Barangay Bangkal, Makati City. The petitioners sought the issuance of a Writ of Kalikasan to protect the constitutional rights of the Filipino people to a balanced and healthful ecology, and prayed that the respondents permanently cease and desist from committing acts of negligence in the performance of their functions as a common carrier; continue to check the structural integrity of the entire 117-km white oil pipeline and replace the same; make periodic reports on findings with regard to the said pipeline and their replacement of the same; be prohibited from opening the white oil pipeline and allowing its use until the same has been thoroughly checked and replaced; rehabilitate and restore the environment, especially Barangay Bangkal and West Tower Condominium, at least to what it was before the signs of the leak became manifest; open a special trust fund to answer for similar contingencies in the future; and be temporarily restrained from operating the said pipeline until final resolution of the case.

On November 19, 2010, the SC issued a Writ of Kalikasan with Temporary Environmental Protection Order (TEPO) directing the respondents to: (i) make a verified return of the Writ within a non-extendible period of ten days from receipt thereof; (ii) cease and desist from operating the pipeline until further orders from the court; (iii) check the structural integrity of the whole span of the pipeline, and in the process apply and implement sufficient measures to prevent and avert any untoward incident that may result from any leak in the pipeline; and (iv) make a report thereon within 60 days from receipt thereof.

The Parent Company and its impleaded directors and officers filed a verified Return in November 2010, and a Compliance in January 2011, explaining that the Parent Company is not the owner and operator of the pipeline, and is not involved in the management, day-to-day operations, maintenance and repair of the pipeline. For this reason, neither the Parent Company nor any of its directors and officers has the capability, control, power or responsibility to do anything in connection with the pipeline, including to cease and desist from operating the same.

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 Parent Company not be held solidarily liable under the TEPO; and (v) that without prejudice to the outcome of the civil and criminal cases filed against respondents, the individual directors and officers of FPIC and 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 Parent 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 16, 2016, 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 Parent Company violated Republic Act No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 8749 (Philippine Clean Air Act of 1999) and Its Implementing Rules and Regulations, and RA 9275 (Philippine Clean Water Act of 2004). The complaint sought payment by the Defendants of actual damages comprising incurred rentals for alternative dwellings, incurred additional transportation and gasoline expenses and deprived rental income; recompense for diminished or lost property values to enable the buying of new homes; incurred expenses in dealing with the emergency; moral damages; exemplary damages; a medical fund; and attorney's fees.

The Parent Company filed its Answer in May 2011, in which it was argued that the case is not an environmental case under the Rules of Procedure for Environmental Cases, but an ordinary civil case for damages under the Rules of Court for which the appropriate filing fees should be paid before the court can acquire jurisdiction thereof. In an Order dated August 22, 2011, Makati City RTC (Branch 158) Judge Eugene Paras ruled that the complaint is an ordinary civil action for damages and that the Plaintiff should pay the appropriate filing fees in accordance with the Rules of Court within 10 days from receipt of the Order. The other individual plaintiffs were ordered dropped as parties in the case. The Plaintiffs filed a Motion to Inhibit Judge Paras as well as a Motion for Reconsideration of the Order. In an Order dated October 17, 2011, the court reiterated that it has no jurisdiction over the case and ordered the referral of the case to the Executive Judge for re-raffle.



In an Order dated December 1, 2011, Judge Elpidio Calis of the Makati City RTC (Branch 133) declared that the records of the case have been transferred to his court. 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 16, 2016, 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 the Parent Company and one of the Respondents. The other Respondent-Directors of the Parent Company verified the Verified Manifestation and adopted the factual allegations and defenses in the Counter-Affidavit of Respondent Puno.

Makati City Prosecutor Feliciano Aspi *motu proprio* (on his own) inhibited himself from the case on the ground that he had previously worked for the counsel of the Parent Company. Complainant then filed with the Department of Justice (DOJ) a petition for change of venue, which petition was granted by way of Department Order No. 63 dated January 18, 2012, which designated Manila Senior Assistant City Prosecutor Raymunda Apolo as special investigating prosecutor for the case.

In an Order dated February 3, 2012, Makati City Prosecutor Aspi ordered the consolidation of the case with another case entitled Anthony M. Mabasa et al. vs. Roberto B. Dimayuga et al. for violation of Article 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 16, 2016, the case remains pending.



Bayan Muna Representatives, et al. vs. ERC and Meralco (G.R. No. 210245)
NASECORE, et al. vs. Meralco, ERC and DOE (G.R. No. 210255)
Meralco vs. Philippine Electricity Market Corporation (PEMC), et al (G.R. No. 210502)
Supreme Court
Manila

In these cases the 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 the Parent Company, 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.

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 First Gen 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 is seeking 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.

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.

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. 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 been delayed and is expected to take place in the first half of 2016.



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 of 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. Consequently, on October 27, 2014, BOI approved the assignment of Puyo and Bubunawan hydropower projects and issued the corresponding Certificates of Registration under FGen Puyo and FGen Bubunawan, respectively.

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. As of March 16, 2016, both FG Prime and FG Premier are still waiting for the DOE approval regarding their respective requests.

FG Luzon

On March 10, 2011, a Memorandum of Agreement ("MOA") covering the development of the proposed Balintingon 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.

FNPC

On December 16, 2013, FNPC, the project company of the San Gabriel project, signed the following contracts for the development of an approximately 450 MW (nominal) net capacity combined-cycle gas-fired power plant to be located in Santa Rita, Batangas City and adjacent to the existing Santa Rita and San Lorenzo plants. The San Gabriel project, which is intended to serve the mid-merit and, potentially, the base load requirements of the Luzon Grid, is expected to be in commercial operations in June 2016.

Salient points of the FNPC contracts are as follows:

Contract	Counterparty	Salient points
Equipment Supply Contract	Siemens AG	This contract pertains to the engineering, design and supply of equipment composed mainly of the Siemens 8000H gas turbine, steam turbine, Heat Recovery Steam Generator, generator, control systems, high voltage equipment, condenser and auxiliaries.
(Forward)		



Contract	Counterparty	Salient points
Construction Services Contract	Siemens, Inc.	This contract pertains to the design, installation, testing and commissioning of the San Gabriel power plant.
Operation and Maintenance Agreement	Siemens Power Operations, Inc. (SPOI)	This agreement pertains to the 10-year operation, maintenance, management and repair services of San Gabriel I power plant. SPOI is responsible for the day-to-day administration of the power plant, maintaining adequate inventory of spare parts, accessories and consumables, and shall operate, maintain and repair the plant in accordance with Good Utility Practice.
Service Agreement with the Employer's Representative	Parsons Brinckerhoff Philippines, Inc.	PB Philippines, Inc. will act as the Employer's Representative for FNPC in the implementation of the Equipment Supply and Construction Services Contracts with Siemens. The Employer's Representative manages the two contracts for FNPC such that San Gabriel power plant is built according the specifications and guarantees in the contracts.

FGES

On May 16, 2013, FGES entered into a RSC with AGC for a 2 MW monthly supply of electric energy from June 26, 2013 to January 25, 2016. On May 20, 2013, FGES has likewise entered into a RSC with another contestable customer, TCPI, for a 6 MW monthly supply of electric energy from June 26, 2013 until January 25, 2016. Under the respective RSCs, the basic energy charges for each billing period are inclusive of the generation charge and retail supply charge.

Electric Power Industry Reform Act (EPIRA)

R.A. No. 9136, otherwise known as the EPIRA, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector, which include among others: the functional unbundling of the generation, transmission, distribution and supply sectors; the privatization of the generating plants and other disposable assets of the NPC, including its contracts with IPP; the unbundling of electricity rates; the creation of a WESM; and the implementation of open and nondiscriminatory access to transmission and distribution systems.

WESM

WESM Luzon has already been commercially operating for almost 9 years since its commencement on June 26, 2006. Annual average Luzon spot prices ranged from approximately ₱4.34/kWh, ₱4.66/kWh, and ₱3.58/kWh for 2013, 2014, and 2015 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 ₱3.01/kWh, ₱3.64/kWh, and ₱3.42/kWh for 2013, 2014, and 2015 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 1st phase only end users with an average monthly peak demand of 1 MW for the 12 months immediately preceding the start of RCOA, shall have a choice of power supplier, as a contestable customer. Later, in the 2nd phase, the peak demand threshold will be lowered to 0.75 MW, and will continue to be periodically lowered until the household demand level is reached.

In a joint statement issued by the DOE and ERC, dated September 27, 2012, 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.

Last November 2015, the ERC issued drafts of revised RCOA Rules. This revision, if implemented, shall reduce the level of Mandatory Contestability from 1,000 kW to 750 kW by June 26, 2016. On the same date, the draft revised RCOA Rules also intends to remove Local RES licenses and RES licenses of DU affiliates.

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 are:

1. Senate Bill (SB) No. 2167: An Act Amending Section 47 of R.A. No. 9136, Otherwise Known As the EPIRA
2. SB No. 2059: An Act Amending R.A. No. 9136, Otherwise Known As the EPIRA
3. House Bill (HB) No. 4822: An Act Amending R.A. No. 9136 or the EPIRA and Providing for Needed Additional Reforms in the Energy Sector for the Protection of Electricity Consumers Against Market Power Abuse and Unwarranted Power Rates Increases, And For Other Purposes
4. HB No. 4479: An Act Amending Certain Provisions of R.A. No. 9136 Otherwise Known as an Act Ordaining Reforms in the EPIRA and for Other Purposes.
5. HB No. 3958: An Act Amending R.A. No. 9136, Otherwise Known as the EPIRA and for Other Purposes
6. Joint Resolution Authorizing The President Of The Philippines, His Excellency Benigno S. Aquino III, To Effectively Address The Projected Electricity Imbalance In The Luzon Grid From March 1, 2015 To July 31, 2015, And Providing The Terms And Conditions Therefore

The aforementioned bills passed their respective first readings and are currently being deliberated in the committees.

First Gen Group cannot provide any assurance whether these proposed amendments will be enacted in their current form, or at all, or when any amendment to the EPIRA will be enacted. Proposed amendments to the EPIRA, including the above bills, as well as other legislation or regulation could have a material impact on the First Gen Group's business, financial position and financial performance.

Certificates of Compliance (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 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. Such COCs are valid for a period of 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 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.

Renewable Energy Law: 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 Php 0.0406 / kWh for 2014 and 2015

RE Technology	Installation targets (MW)	Approved Rates ¹ (₱/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

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

EDC

Pursuant to EDC's two-year share buyback program, on January 8, 2016, EDC purchased 3,700,000 of its own common stocks from the market at an average price of ₱5.6394 per share. Subsequently, on January 11, 2016, EDC purchased an additional 900,000 common stocks at an average price of ₱5.5475 per share.

On February 2, 2016, BGI received the International Court of Arbitration of the International Chamber of Commerce (ICC) Tribunal's Phase 1 Award dated February 1, 2016, wherein Weir Engineering Services Limited (Weir) was ordered to pay BGI \$4.4 million pursuant to the favorable determination by PB Philippines Inc. that sums are owed by Weir to BGI under the *Contract for Works – Completion of Works to Steam Turbine and Generator of Units 1, 2 and 3* dated March 29, 2012. Weir was also ordered to reimburse BGI for the legal costs incurred amounting to \$0.9 million. Weir has paid \$4.4 million and \$0.9 million on February 9, 2016 and February 23, 2016, respectively.

On February 16, 2016, DOE issued the Certificate of Endorsement (COE) for FIT Tariff Eligibility for the Burgos Solar Phase 2 project. The COE confirms that the 2.66 MW Burgos Solar Phase 2 Projects commenced commercial operations on January 19, 2016, consistent with its filings. However, it will only start earning revenue on January 20, 2016 as this is its WESM membership effectivity date.

On March 9, 2016, the board of directors of EDC declared cash dividends amounting to ₱0.0008 per share on the preferred stocks in favor of its preferred stockholders and a cash dividend of ₱0.14 per share on the common stocks in favor of its common stockholders of record as of March 23, 2016, payable on or before April 12, 2016.

PMPC

EPC Contracts with IEG Group

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

Execution of Completion Works Agreement (CWA) with MTU-BB

On March 16, 2016, PMPC executed a CWA with MTU-BB for the completion of remaining commissioning works for the Avion Plant. MTU BB is a subsidiary of publicly-listed MTU Aero Engines AG, and is one of the leading maintenance providers for GE's LM series of aero derivative industrial gas turbines worldwide – including the LM6000 gas turbines that will be used in the Avion Plant.



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

No. of Stockholders

356

Annual Meeting (Month / Day)

2nd Wed 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.

APR 04 2013





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

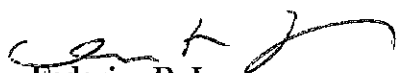
March 16, 2016

Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

The management of First Gen Corporation (the "Company") is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015 and 2014, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.



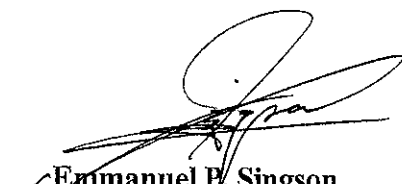
Federico R. Lopez

Chairman and Chief Executive Officer



Francis Giles B. Puno

President and Chief Operating Officer



Emmanuel P. Singson
SVP, CFO and Treasurer

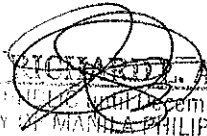


APR 01 2016

SUBSCRIBED AND SWORN TO before me this ____ day of April 2016, affiants exhibited to me their Community Tax Certificate Nos. as follows:

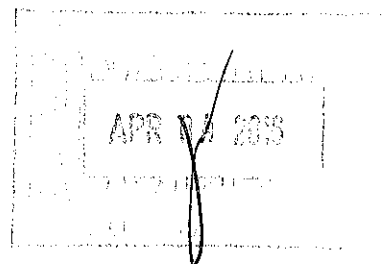
	<u>CTC No.</u>	<u>Date/Place Issued</u>
Federico R. Lopez	16690297	January 28, 2016 / Pasig City
Francis Giles B. Puno	16698320	February 2, 2016 / Pasig City
Emmanuel P. Singson	02326579	January 8, 2016 / Pasig City

Doc. No. 236
Page No. 48
Book No. 52
Series of 2016.


ATTY. RICHARD D. ANOLIN
NOTARY PUBLIC until December 31, 2016
PASIG CITY - METRO MANILA PHILIPPINES
MCLE LIFETIME NO. 05179/02 25 05/MLA
PTR NO. 4922461 01/05/16 Mia.
Roll No. 33496
MCLE COMPLIANCE NO. IV-00238501 8/16/14
RICHARD D. ANOLIN AND ASSOCIATES LAW OFFICE
JALISCO OF MANILA BLDG.
3RD FLOOR VILLEGAS ST.,
PASIG CITY, MANILA TEL. 525-05-36
E-MAIL: ANDYRICHARDANOLIN@yahoo.com

INDEPENDENT AUDITORS' REPORT

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



Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of First Gen Corporation, which comprise the parent company statements of financial position as at December 31, 2015 and 2014, and the parent company statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of these parent company financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these parent company financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the parent company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the parent company financial statements.

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



Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of First Gen Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 21 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 parent company 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 parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Joanna Feliza C. Go

Partner

CPA Certificate No. 0114122

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

April 8, 2014, valid until April 7, 2017

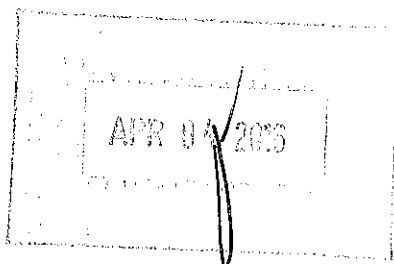
Tax Identification No. 219-674-288

BIR Accreditation No. 08-001988-103-2014,

March 10, 2014, valid until March 9, 2017

PTR No. 5321642, January 4, 2016, Makati City

March 16, 2016

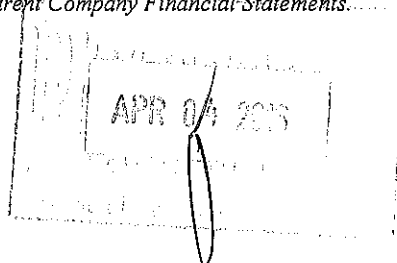


FIRST GEN CORPORATION**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

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

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 18 and 19)	\$225,218	\$198,462
Due from related parties (Notes 14, 18 and 19)	47,029	40,328
Financial assets at fair value through profit or loss (FVPL) (Notes 6, 18 and 19)	8,555	—
Other current assets (Notes 7, 14, 18 and 19)	7,973	6,401
Total Current Assets	288,775	245,191
Noncurrent Assets		
Investments and deposits (Notes 8 and 14)	2,616,123	2,453,351
Property and equipment (Notes 9 and 15)	896	971
Other noncurrent assets (Note 16)	1,308	2,108
Total Noncurrent Assets	2,618,327	2,456,430
TOTAL ASSETS	\$2,907,102	\$2,701,621
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 10, 11, 18 and 19)	\$12,540	\$8,785
Dividends payable (Notes 12, 18 and 19)	15,967	20,056
Due to related parties (Notes 14, 18 and 19)	95,734	134,042
Current portion of:		
Long-term debts (Notes 11, 18 and 19)	5,697	3,595
Advances from subsidiaries (Notes 14, 18 and 19)	71,536	40,989
Total Current Liabilities	201,474	207,467
Noncurrent Liabilities		
Long-term debts - net of current portion (Notes 11, 18 and 19)	489,843	388,081
Advances from subsidiaries - net of current portion (Notes 14, 18 and 19)	203,372	443,175
Total Noncurrent Liabilities	693,215	831,256
Total Liabilities	894,689	1,038,723
Equity (Notes 12 and 13)		
Redeemable preferred stock	69,345	69,345
Common stock	75,123	74,728
Additional paid-in capital	1,165,366	1,052,282
Retained earnings	788,218	519,530
Cost of stocks held in treasury:		
Redeemable preferred stock	(85,639)	—
Common stock	—	(52,987)
Total Equity	2,012,413	1,662,898
TOTAL LIABILITIES AND EQUITY	\$2,907,102	\$2,701,621

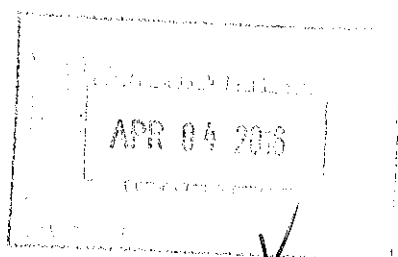
See accompanying Notes to Parent Company Financial Statements.



FIRST GEN CORPORATION**PARENT COMPANY STATEMENTS OF INCOME**

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

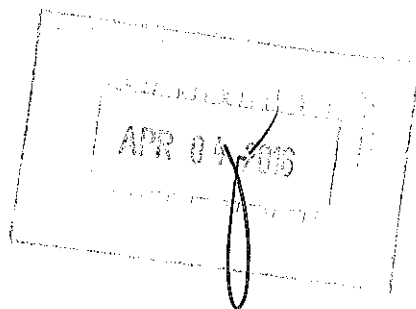
	Years Ended December 31	
	2015	2014
REVENUES		
Dividend income (Note 14)	\$381,767	\$222,371
Consultancy fee (Note 14)	8,864	4,075
	390,631	226,446
GENERAL AND ADMINISTRATIVE EXPENSES		
(Notes 9, 14, 15 and 16)	(16,390)	(16,593)
FINANCIAL INCOME (EXPENSES)		
Interest income (Note 5)	2,117	1,781
Interest expense and financing charges (Notes 11, 14 and 15)	(42,084)	(45,415)
	(39,967)	(43,634)
OTHER INCOME (CHARGES)		
Foreign exchange gains (losses) - net	(1,933)	20
Mark-to-market gain on financial assets at FVPL		
(Notes 6, 18 and 19)	37	-
Others	10	6
	(1,886)	26
INCOME BEFORE INCOME TAX	332,388	166,245
PROVISION FOR INCOME TAX (Note 17)	136	65
NET INCOME	\$332,252	\$166,180

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	
	2015	2014
NET INCOME	\$332,252	\$166,180
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)	662	2,538
TOTAL COMPREHENSIVE INCOME	\$332,914	\$168,718

See accompanying Notes to Parent Company Financial Statements.

FIRST GEN CORPORATION

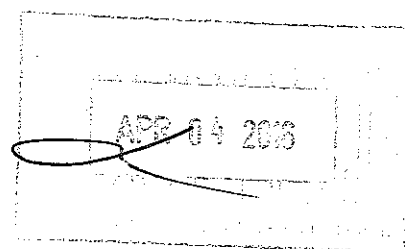
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	Capital Stock (Notes 12 and 13)		Additional Paid-in Capital	Re-measurement of Retirement Benefits (Note 16)	Retained Earnings (Note 12)	Cost of Stocks Held in Treasury (Notes 12 and 13)		Total Equity
	Redeemable Preferred Stock	Common Stock				Common Stock	Redeemable Preferred Stock	
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
BALANCES AT DECEMBER 31, 2013	\$69,345	\$74,728	\$1,052,282	\$-	\$417,383	(\$52,987)	\$-	\$1,560,751
Total comprehensive income	-	-	-	2,538	166,180	-	-	168,718
Re-measurement gains on retirement benefits closed to retained earnings (Note 16)	-	-	-	(2,538)	2,538	-	-	-
Cash dividends on common stocks (Note 12)	-	-	-	-	(26,678)	-	-	(26,678)
Cash dividends on preferred stocks (Note 12)	-	-	-	-	(39,893)	-	-	(39,893)
BALANCES AT DECEMBER 31, 2014	\$69,345	\$74,728	\$1,052,282	\$-	\$519,530	(\$52,987)	\$-	\$1,662,898

See accompanying Notes to Parent Company Financial Statements.

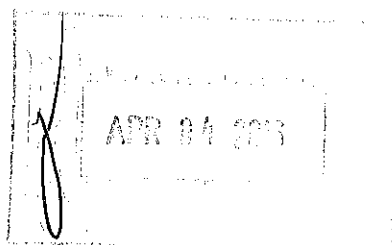


FIRST GEN CORPORATION**PARENT COMPANY STATEMENTS OF CASH FLOWS**

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

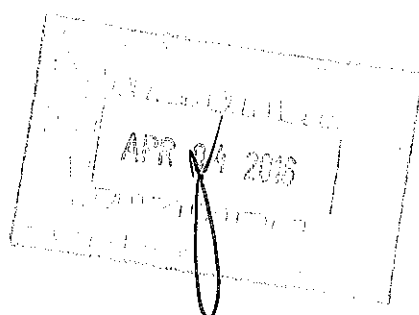
	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$332,388	\$166,245
Adjustments for:		
Dividend income (Note 14)	(381,767)	(222,371)
Interest expense and financing charges (Note 15)	42,084	45,415
Unrealized foreign exchange gains	(2,757)	(100)
Interest income (Note 5)	(2,117)	(1,781)
Depreciation and amortization (Notes 9 and 15)	364	307
Mark-to-market gain on financial assets at FVPL (Note 6)	(37)	-
Operating loss before working capital changes	(11,842)	(12,285)
Decrease (increase) in:		
Due from related parties	(8,072)	9,815
Net retirement benefits asset	842	1,061
Other current assets	45	(452)
Decrease in accounts payable and accrued expenses	(3,997)	(6,098)
Net cash used in operations	(23,024)	(7,959)
Interest received	2,117	1,781
Income taxes paid	(136)	(65)
Net cash flows used in operating activities	(21,043)	(6,243)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments and deposits (Note 8)	(159,672)	(137,772)
Investment in financial assets at FVPL (Note 6)	(99,476)	-
Property and equipment (Note 9)	(292)	(363)
Dividends received (Note 14)	382,326	221,812
Sale of financial assets at FVPL (Note 6)	89,873	-
Decrease (increase) in other noncurrent assets	618	(600)
Proceeds from disposal of property and equipment	3	17
Net cash flows from investing activities	213,380	83,094
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Long-term debts (Note 11)	(96,000)	(2,500)
Cash dividends to preferred shareholders (Note 12)	(39,606)	(40,074)
Cash dividends to common shareholders (Note 12)	(28,468)	(26,678)
Interest expense and financing charges	(24,403)	(24,213)
Buyback of Series "F" preferred stocks (Note 12)	(85,639)	-

(Forward)



	Years Ended December 31	
	2015	2014
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 payments to subsidiaries and related parties	(255,930)	(90,743)
Net cash flows used in financing activities	(165,242)	(184,208)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(339)	(6)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,756	(107,363)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	198,462	305,825
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	\$225,218	\$198,462

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).

As of December 31, 2015 and 2014, FPH directly and indirectly owns 66.2% of the common stocks of First Gen and 100% of First Gen's voting preferred stocks. FPH is 46.50% and 45.92%-owned by Lopez Holdings Corporation (Lopez Holdings), a publicly-listed Philippine-based entity, as at December 31, 2015 and 2014, 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. There are 356 common stockholders of record of First Gen and 3,660,943,557 common stocks issued and outstanding (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 Board of Directors (BOD) on March 16, 2016. The same parent company financial statements were approved and authorized for issuance by the BOD on March 16, 2016.

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.

The parent company financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The parent company financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS) 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 PFRS, 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 accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS which the Parent Company has adopted starting January 1, 2015.



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

- Philippine Accounting Standards (PAS) 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments), requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments have no impact on the Parent Company since it has no defined benefit plan with contributions from employees or third parties.

Improvements to PFRSs (2010-2012 Cycle)

These improvements are effective from July 1, 2014 and the Parent Company has applied these amendments for the first time in the parent company financial statements. Unless otherwise stated, the following amendments have no material impact on the Parent Company's financial position or performance:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition must contain a service condition;
 - A performance target must be met while the counterparty is rendering service;
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
 - A performance condition may be a market or non-market condition; and
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. The Parent Company shall consider this amendment for future business combinations.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The amendments are to be applied retrospectively. This improvement has no impact to the Parent Company since the



reconciliation of segment assets to total assets has been consistently disclosed in prior years as this is reported to the BOD, the Parent Company's chief operating decision maker (CODM).

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method Proportionate Restatement of Accumulated Depreciation and Amortization*, clarifies that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment is to be applied retrospectively.
- PAS 24, *Related Party Disclosures - Key Management Personnel*, clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments are to be applied retrospectively.

Improvements to PFRSs (2011-2013 Cycle)

The Parent Company applied these improvements for the first time in the parent company financial statements. Unless otherwise stated, the following improvements have no impact on the Parent Company's financial position or performance:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*, clarifies that joint arrangements, not just joint ventures, are outside the scope of PFRS 3. It further clarifies that this scope exception applies only to the financial statements of the joint arrangement itself. The amendment is applied prospectively.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*, clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable). The amendment is applied prospectively.
- PAS 40, *Investment Property*, clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively.

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, 2015 and 2014, the Parent Company has financial assets at FVPL, AFS financial assets 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). The Parent Company has no financial assets or financial liabilities at FVPL as of December 31, 2014.

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, 2015 and 2014.

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, 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." As of December 31, 2014, classified under loans and receivables are cash and cash equivalents, amounts due from related parties, dividend receivable, 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, 2015 and 2014.

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, 2015 and 2014.

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 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, 2015 and 2014.

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, 2015 and 2014.

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, 2015 and 2014.

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.

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:

<u>Asset Type</u>	<u>Number of Years</u>
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, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized. Leasehold improvements are amortized over the lease term or the economic life of the related asset, whichever is shorter.

An item of property 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.

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

Leases

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

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

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



Leases where the lessor retains substantially all the risks and benefits of ownership of the 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 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

The following are the new and revised accounting standards and interpretations that will become effective subsequent to December 31, 2015. Except as otherwise indicated, the Parent Company does not expect the adoption of these new and amended PAS, PFRS and Philippine Interpretations to have any significant impact on the Parent Company's financial statements.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments) clarify that the exemption in PFRS 10 from presenting consolidated financial statements applied to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Parent Company since none of the entities within the Parent Company is an investment entity nor does the Parent Company has investment entity associates or joint ventures.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments), will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments have no impact on the Parent Company's financial position or performance.



- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments), requires that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

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

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

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

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The amendment has no impact on the Parent Company's financial position or performance.



- PAS 16 and PAS 41, *Agriculture - Bearer Plants* (Amendments), change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments have no impact on the Parent Company as the Parent Company does not have any bearer plants.
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments), clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are not expected to have any impact to the Parent Company given that the Parent Company has not used a revenue-based method to depreciate its non-current assets.

Improvements to PFRSs (2012-2014 Cycle)

The Annual Improvements to PFRSs are effective for annual periods beginning on or after January 1, 2016 contain non-urgent but necessary amendments to the following standards:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment is to be applied prospectively. The amendment has no impact on the Parent Company's financial position or performance.
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts* requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment has no impact on the Parent Company's financial position or performance.
- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*, clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The



amendments are to be applied retrospectively. The amendment has no impact on the Parent Company's financial position or performance.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendments are to be applied prospectively. The amendment has no impact on the Parent Company's financial position or performance.
- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*, clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendments are to be applied retrospectively. The amendment has no impact on the Parent Company's financial position or performance.

Effective January 1, 2018

- PFRS 9, *Financial Instruments* (2014 or final version) reflects all phases of the financial instruments project and replaces PAS 39. 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 comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Parent Company did not early adopt PFRS 9.

The adoption of PFRS 9 may 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 adoption may also have an effect on the Parent Company's application of hedge accounting and amount of its credit losses. The Parent Company will continue to monitor developments in this reporting standard and assess its impact on or need for adoption.

- IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 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 IFRS 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 IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption permitted. The Parent Company is currently assessing the impact of IFRS 15.



Effective January 1, 2019

- IFRS 16 *Leases* was issued by the International Accounting Standards Board (IASB) on January 13, 2016, which replaces IAS 17, the current lease standard, and related Interpretations.

Under the new lease standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the asset and related liabilities for most of leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Lease 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 IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual period beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either the full retrospective approach or a modified retrospective approach, with options to use certain transition reliefs. The Parent Company is currently assessing the impact of IFRS 16.

Deferred Effectivity

- Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the Parent Company's financial position or performance.

3. Significant Accounting Judgments and Estimates

The preparation of the parent company financial statements in accordance with PFRS 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 First Philippine Realty Corporation (FPRC) and Rockwell Land Corporation (Rockwell), subsidiaries 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, 2015 and 2014. The carrying values of due from related parties and consultancy fee receivables amounted to \$49.1 million and \$41.3 million as of December 31, 2015 and 2014, respectively (see Notes 7, 14, 18 and 19).

b. *Impairment of non-financial assets*

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, 2015 and 2014. The carrying values of property and equipment amounted to \$0.9 million and \$1.0 million as of December 31, 2015 and 2014, respectively (see Note 9).

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, 2015 and 2014.

The carrying values of investments and deposits as of December 31, 2015 and 2014 amounted to \$2,616.1 million and \$2,453.4 million, respectively (see Note 8).

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, 2015 and 2014 amounted to \$0.9 million and \$1.0 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, 2015 and 2014, the Parent Company recognized deferred income tax assets amounting to \$0.4 million. The Parent Company also has temporary differences, carryforward benefits of unused NOLCO and excess MCIT totaling to \$106.4 million and \$91.6 million as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 \$1.0 million and \$1.2 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 in 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 14 geothermal contract areas each granting EDC exclusive rights to explore, develop, and utilize the corresponding resources in the relevant contract area. EDC conducts commercial operations in four (4) out of its 14 geothermal contract areas. Likewise, EDC, owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 4.16 MW Burgos Solar Power Plant (Burgos Solar) both situated in Burgos, Ilocos Norte, which achieved commercial operations in November 2014 and March 2015, respectively. As of December 31, 2015, Burgos Wind and Burgos Solar power plants are entitled to Feed-in Tariff (FIT) rates. On June 18, 2015, the Parent Company purchased 16.0 million and 13.0 million Series "B" voting preferred stocks of Prime Terracota Holdings Corp. (Prime Terracota)



owned by Quialex Realty Corp. (QRC) and Employees Retirement Plan of Lopez, Inc. (Lopez Inc. Retirement Fund) [LIRF], respectively. As of December 31, 2015, the Parent Company's direct voting interest in Prime Terracota increased from 73.4% to 100.0%, and its effective voting interest in EDC likewise increased from 50.9% to 67.0% through Prime Terracota; 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 80.0% effective economic interest as of December 31, 2015.

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 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; close to 36.8% of EDC's total revenues in 2015 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, 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.

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	(\$1,683,856)	\$226,446
Segment expenses	(609,133)	(331,028)	(281,363)	(11,214)	(38,160)	1,254,612	(16,286)
Segment results	170,666	94,353	377,987	25,406	(29,008)	(429,244)	210,160
Interest income	11,414	4,903	3,523	641	6,264	(24,964)	1,781
Interest expense and financing charges	(33,696)	(13,365)	(80,758)	(3,884)	(56,050)	142,338	(45,415)
Depreciation and amortization	(38,613)	(22,120)	(93,137)	(9,505)	(535)	163,603	(307)
Other income (charges) – net	1,230	16,733	63,164	(73)	2,403	(83,431)	26
Income (loss) before income tax	111,001	80,504	270,779	12,585	(76,926)	(231,698)	166,245
Benefit from (provision for) income tax	(32,041)	(20,266)	(26,047)	(408)	742	77,955	(65)
Net income (loss)	\$78,960	\$60,238	\$244,732	\$12,177	(\$76,184)	(\$153,743)	\$166,180

* 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, 2014.



Other financial information of the business segments are as follows:

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.

As of December 31, 2014							
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	\$329,610	\$224,040	\$520,620	\$34,079	\$435,364	(\$1,298,522)	\$245,191
Noncurrent assets	471,012	362,099	2,153,936	135,970	5,567,188	(6,233,775)	2,456,430
Total assets	\$800,622	\$586,139	\$2,674,556	\$170,049	\$6,002,552	(\$7,532,297)	\$2,701,621
Current liabilities	\$214,833	\$110,205	\$393,427	\$14,685	\$306,718	(\$832,401)	\$207,467
Noncurrent liabilities	320,220	355,305	1,335,980	72,004	1,068,934	(2,321,187)	831,256
Total liabilities	\$535,053	\$465,510	\$1,729,407	\$86,689	\$1,375,652	(\$3,153,588)	\$1,038,723

*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, 2014.

5. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash in banks (see Notes 18 and 19)	\$20,785	\$10,178
Short-term deposits (see Notes 18 and 19)	204,433	188,284
	\$225,218	\$198,462

Cash and cash equivalents earn interest at the respective bank deposit rates ranging from 0.12% to 1.80% and 0.12% to 1.85% as of December 31, 2015 and 2014, 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, 2015 and 2014, total interest income earned from cash and cash equivalents amounted to \$2.1 million and \$1.8 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 gain on the securities amounting to \$0.04 million were taken up in the statement of income for the year ended December 31, 2015.

In 2015, the movement of the financial assets at FVPL account is as follows:

Additions for the year	\$99,476
Redemption for the year	(89,873)
Realized income for the year	79
Trustee fees	(6)
Foreign exchange adjustments	(1,158)
Mark-to-market gain on financial assets at FVPL	37
Balance at end of year	<u>\$8,555</u>

7. Other Current Assets

This account consists of:

	2015	2014
CWTs	\$4,542	\$3,574
Consultancy fee receivables [see Note 14(c)]	2,066	980
Prepayments	265	155
Dividends receivable	—	559
Others	1,100	1,133
	<u>\$7,973</u>	<u>\$6,401</u>

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	
	2015	2014
First Gen Renewables, Inc. (FGRI) ¹⁴	100	100
Unified Holdings Corporation (Unified)	100	100
AlliedGen Power Corp. (AlliedGen)	100	100
First Gen Luzon Power Corp. (FG Luzon)	100	100
First Gen Visayas Hydro Power Corporation (FG Visayas)	100	100
First Gen Mindanao Hydro Power Corporation (FG Mindanao)	100	100
First Gen Ecopower Solutions, Inc. (FG Ecopower) ¹	100	100

(Forward)



	Percentage of Voting Interest	
	2015	2014
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) ¹⁴	100	100
Prime Meridian Powergen Corporation (Prime Meridian) ³	100	100
Goldsilk Holdings Corp. (Goldsilk) ^{7, 14}	100	100
Dualcore Holdings, Inc. (Dualcore) ^{7, 14}	100	100
Onecore Holdings, Inc. (Onecore) ^{7, 14}	100	100
FG Mindanao Renewables Corp. (FMRC) ⁸	100	100
FGen Northern Mindanao Holdings, Inc. (FNMHI) ⁸	100	100
FGen Tagoloan Hydro Corporation (FG Tagoloan) ⁹	100	100
FGen Tumalaong Hydro Corporation (FG Tumalaong) ⁹	100	100
FGen Puyo Hydro Corporation (FG Puyo) ¹⁰	100	100
FGen Bubunawan Hydro Corporation (FG Bubunawan) ¹⁰	100	100
FGen Cabadbaran Hydro Corporation (FG Cabadbaran) ¹⁰	100	100
First Gas Holdings Corporation (FGHC) ¹⁴	100	100
FGP ^{4, 14}	100	100
First Natgas Power Corp. (FNPC) ⁵	100	100
FGPC ^{6, 14}	100	100
First Gas Pipeline Corporation (FG Pipeline) ^{6, 14}	100	100
FGLand Corporation (FG Land) ^{6, 14}	100	100
FGEN LNG Corporation (FGEN LNG) ¹¹	100	100
First Gen LNG Holdings Corporation (LNG Holdings)	100	100
First Gen Meridian Holdings, Inc. (FGEN Meridian)	100	100
FGen Power Ventures, Inc. (FGEN Power Ventures)	100	100
FGen Casecanan Hydro Power Corp. (FGEN Casecanan)	100	100
FGen Power Holdings, Inc. (Power Holdings)	100	100
FGen Prime Holdings, Inc. (Prime Holdings)	100	100
FGen Eco Solutions Holdings, Inc. (FGESHI)	100	100
FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings)	100	100
FGen Reliable Energy Holdings, Inc. (FG Reliable Energy)	100	100
FGen Power Solutions, Inc. (FG Power Solutions)	100	100
FGen Vibrant Blue Sky Holdings, Inc. (FGVBSHI)	100	100
FGen Aqua Power Holdings, Inc. (FG Aqua Power)	100	100
FGen Natural Gas Supply, Inc. (FGen NatGas Supply) ¹⁵	100	—
FGen Power Operations, Inc. (FPOI) ¹⁶	100	—
FGen Fuel Line Systems, Inc. (FGen Fuel Line) ¹⁷	100	—
Prime Terracota ¹³	100	73
FG Hydro ^{12, 13}	40	40
FGen Northern Power Corp. (FGen Northern Power) ¹⁸	—	100

¹Through FGESHI

²Through FGRI

³Through FGEN Meridian

⁴Through Unified

⁵Through AlliedGen

⁶Through FGHC

⁷Through Blue Vulcan

⁸Through FG Mindanao

⁹Through FMRC

¹⁰Through FNMHI

¹¹Through LNG Holdings

¹²The Parent Company has 40% direct voting interest in FG Hydro while its effective economic interest is 80.0% through Prime Terracota.

¹³On 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 the LIRF, respectively. As of December 31, 2015, the Parent Company's direct voting interest in Prime Terracota increased from 73.4% to 100.0% and its effective voting interest in EDC likewise increased from 50.9% to 67.0% through Prime Terracota.

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

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, 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, 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, 2015 and 2014, Prime Terracota's subsidiaries include the following companies:

	Percentage of Voting Interest	
	2015	2014
Red Vulcan Holdings Corporation (Red Vulcan)	100	100
EDC*	60	60
First Gen Hydro Power Corporation (FG Hydro)	60	60
EDC Drillco Corporation (EDC Drillco)	60	60
EDC Geothermal Corp. (EGC)	60	60
Green Core Geothermal Inc. (GCGI)	60	60
Bac-Man Geothermal Inc. (BGI)	60	60
Unified Leyte Geothermal Energy Inc. (ULGEI)	60	60
Southern Negros Geothermal, Inc. (SNGI)***	60	60
EDC Mindanao Geothermal, Inc. (EMGI)***	60	60
Bac-Man Energy Development Corporation (BEDC)***	60	60
Kayabon Geothermal, Inc. (KGI)***	60	60
Mount Apo Renewable Inc. (MAREI)**	60	60
EDC Wind Energy Holdings, Inc. (EWEHI)****	60	60
EDC Burgos Wind Power Corporation (EBWPC)	60	60
EDC Pagudpud Wind Power Corporation (EPWPC)***	60	60
EDC Bayog Burgos Wind Power Corporation (EBBWPC)**	60	60
EDC Pagali Burgos Wind Power Corporation (EPBWPC)**	60	60
EDC Bright Solar Energy Holdings, Inc. (EBSEHI)****	60	60
EDC Bago Solar Power Corporation (EBSPC)**	60	60
EDC Burgos Solar Corporation (EBSC)**	60	60
EDC Chile Limitada	60	60
EDC Holdings International Limited (EHIL)****	60	60
Energy Development Corporation Hong Kong Limited EDC HKL)****	60	60
EDC Chile Holdings SPA***	60	60
EDC Geotermica Chile***	60	60
EDC Peru Holdings S.A.C.****	60	60
EDC Geotermica Peru S.A.C.***	60	60
EDC Quellaapacheta***	60	60
EDC Geotermica Del Sur S.A.C.***	60	60

(Forward)



	Percentage of Voting Interest	
	2015	2014
EDC Energia Azul S.A.C.***	60	60
Geotermica Crucero Peru S.A.C.***	42	42
EDC Energia Perú S.A.C.***	60	60
Geotermica Tutupaca Norte Peru S.A.C.***	42	42
EDC Energia Geotérmica S.A.C.***	60	60
EDC Progreso Geotérmico Perú S.A.C.***	60	60
Geotermica Loriscota Peru S.A.C.***	42	42
EDC Energia Renovable Perú S.A.C.***	60	60
EDC Soluciones Sostenibles Ltd	60	60
EDC Energia Verde Chile SpA	60	60
EDC Energia de la Tierra SpA	60	60
EDC Desarrollo Sostenible Ltd.	60	60
EDC Energia Verde Peru SAC	60	60
PT EDC Indonesia***	57	57
PT EDC Panas Bumi Indonesia ***	57	57

^{*}The Parent Company's economic interest in EDC is 50.55% and 50.29% as of December 31, 2015 and 2014, respectively.

^{**}Incorporated in 2014 and has not yet started commercial operations

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

^{****}Serves as an investment holding company

As of December 31, 2015 and 2014, all subsidiaries of EDC HKL remained non-operating.

Associates

	Percentage of Voting Interest	
	2015	2014
First Gen Northern Energy Corp. (FGNEC) ¹	33	33
Buang Private Power Corporation (BPPC) ²	37	37
FGen Northern Power ³	40	100

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

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

³On July 7, 2015, Conal 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, 2015 and 2014 are as follows:

	2015	2014
Investments in shares of stock:		
Subsidiaries	\$2,457,516	\$2,352,920
Associates (net of accumulated provision for impairment loss)	220	220
	2,457,736	2,353,140
Deposits for future stock subscriptions	158,387	100,211
	\$2,616,123	\$2,453,351



Movements of investments in shares of stock are as follows:

	2015	2014
Acquisition cost of investments:		
Balance at beginning of year	\$2,356,906	\$2,265,656
Conversion of deposits to investments	100,147	90,159
Conversion of advances to investments	3,100	—
Additions	1,349	1,091
	2,461,502	2,356,906
Less accumulated provision for impairment loss	3,766	3,766
Balance at end of year	\$2,457,736	\$2,353,140

As of December 31, 2015 and 2014, 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:

	2015	2014
AlliedGen	\$103,901	\$38,574
FGEN Meridian	41,432	41,445
FGESHI	10,079	—
LNG Holdings	2,975	17,598
Northern Terracotta	—	2,582
FG Visayas	—	12
	\$158,387	\$100,211

Movements of deposits for future stock subscriptions are as follows:

	2015	2014
Balance at beginning of year	\$100,211	\$53,689
Additions for the year	158,323	136,681
Conversion of deposits to investment	(100,147)	(90,159)
Balance at end of year	\$158,387	\$100,211

AlliedGen

In 2015 and 2014, the Parent Company made deposits for future stock subscriptions amounting to \$103.9 million and \$43.8 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 May 12, 2014, the Parent Company and AlliedGen executed a Deed of Assignment to assign its deposits for future stock subscriptions amounting to \$5.3 million (₱236.2 million) for 236,180 preferred stocks as full payment for the balance of the original 2,000,000 preferred stocks subscribed last December 6, 2013.



On December 6, 2013, the BOD of AlliedGen approved the increase in authorized capital stock of AlliedGen from ₱100.0 million to ₱900.0 million divided into 1,000,000 common stocks with a par value of ₱100.0 a share, and 8,000,000 preferred stocks with a par value of ₱100.0 a share. On January 21, 2014, the Philippine SEC approved the increase in authorized capital stock of AlliedGen.

On the same date, the Philippine SEC approved the subscription of the Parent Company to 2,000,000 preferred stocks and the subscription was paid through the conversion of the Parent Company's outstanding deposits for future stock subscriptions. The Parent Company paid-up the subscription amount of \$40.5 million (₱1,763.8 million) for 1,763,820 preferred stocks.

FGEN Meridian

In 2015 and 2014, the Parent Company made deposits for future stock subscriptions amounting to \$41.4 million and \$72.7 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 July 28, 2014, the BOD of FGEN Meridian approved the increase in authorized capital stock of FGEN Meridian from ₱100,000 to ₱550.0 million divided into 50,000,000 common stocks with a par value of ₱1.0 a share, and 5,000,000 preferred stocks with a par value of ₱100.0 a share. On December 23, 2014, the Philippine SEC approved the increase in authorized capital stock of FGEN Meridian.

On the same date, the Philippine SEC approved the subscription of the Parent Company to 12,500,000 common stocks with a par value of ₱1.0 a share, and 1,250,000 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 \$31.2 million (₱1,375.0 million).

FGESHI

In 2015, the Parent Company made deposits for future stock subscriptions amounting to \$10.1 million 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 partially paid through the conversion of the Parent Company's then outstanding advances amounting to \$3.1 million (₱137.1 million).



LNG Holdings

In 2015 and 2014, the Parent Company made deposits for future stock subscriptions amounting to \$3.0 million and \$17.6 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 (₱746.0 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.

Northern Terracotta

In 2014, the Parent Company made deposits for future stock subscriptions amounting to \$2.6 million to Northern Terracotta for conversion to a fixed number of stocks.

On December 15, 2014, the BOD of Northern Terracotta approved the Parent Company's subscription to 111,000 preferred stocks with a par value of ₱100.0 a share at a subscription price of \$2.6 million (₱111.0 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. On April 23, 2015, the Philippine SEC issued a notice of confirmation on Northern Terracotta's application.

On November 21, 2013, the BOD of Northern Terracotta approved the Parent Company's subscription to 389,000 preferred stocks with a par value of ₱100.0 a share at a subscription price of \$9.6 million (₱389.3 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. On December 18, 2013, Northern Terracotta submitted its application to the Philippine SEC. On January 24, 2014, the Philippine SEC issued a notice of confirmation on Northern Terracotta's application.

Prime Terracota

On November 21, 2013, the BOD of Prime Terracota approved the Parent Company's subscription to 1,031,000 Class "C" preferred stocks with a par value of ₱10.0 a share at a subscription price of \$2.4 million (₱103.1 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. On December 18, 2013, Prime Terracota submitted its application to the Philippine SEC. On January 24, 2014, the Philippine SEC issued a confirmation on Prime Terracota's application.



FG Hydro

In 2014, FG Hydro declared and paid cash dividends to its redeemable Series B preferred stock shareholders amounting to \$8.6 million (₱378.2 million). In 2015 and 2014, FG Hydro also declared and paid cash dividends to its common shareholders amounting to \$2.9 million (₱128.0 million) and \$6.2 million (₱280.0 million), 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, 2015 and 2014, the investment in BPPC amounted to \$0.2 million.

FGNEC

On July 22, 2015, the BOD and 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

	2015				Total
	Buildings and Building Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	
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

	2014				Total
	Buildings and Building Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	
Cost					
Balance at beginning of year	\$340	\$828	\$1,058	\$191	\$2,417
Additions	—	185	178	—	363
Disposals	—	(54)	(6)	—	(60)
Balance at end of year	340	959	1,230	191	2,720
Accumulated Depreciation and Amortization					
Balance at beginning of year	119	449	764	153	1,485
Depreciation and amortization (see Note 15)	18	153	136	—	307
Disposals	—	(37)	(6)	—	(43)
Balance at end of year	137	565	894	153	1,749
Net Book Value	\$203	\$394	\$336	\$38	\$971

No borrowing costs were capitalized for the years ended December 31, 2015 and 2014.

10. Accounts Payable and Accrued Expenses

This account consists of:

	2015	2014
Accounts payable	\$385	\$377
Accrued interest and financing costs (see Note 11)	7,027	5,867
Others	5,128	2,541
	\$12,540	\$8,785

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.



11. Long-term Debts

This account consists of long-term debts as follows:

	2015	2014
\$300.0M Notes	\$297,053	\$296,773
\$200.0M Term Facility	198,487	-
\$100.0M Notes Facility	-	94,903
Total	495,540	391,676
Less current portion	5,697	3,595
Noncurrent portion	\$489,843	\$388,081

\$300.0 Million Notes

On October 9, 2013, the Parent Company issued a \$250.0 million, U.S. Dollar denominated Senior Unsecured Notes (the "Notes") due on October 9, 2023 at the rate of 6.50% per annum, payable semi-annually in arrears on April 9 and October 9 of each year. On October 31, 2013, additional Notes of \$50.0 million were issued and consolidated to form a single series with the Notes. The \$50.0 million Notes are identical in all respects to the original Notes, other than with respect to the date of issuance and issue price. The Notes are issued in registered form in amounts of US\$200,000 and integral multiples of \$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, 2015 and 2014, the Parent Company is in compliance with the terms of the Notes.



The movements of the unamortized debt issuance costs account are as follows:

	2015	2014
Balances at beginning of year	\$3,227	\$3,489
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 15)	(280)	(262)
Balances at end of year	\$2,947	\$3,227

\$200.0 Million Term Facility

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

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

In addition, the facility imposes standard loan covenants on the Parent Company and requires the Parent Company to maintain a debt service coverage ratio of at least 1.2:1 and a debt-to-equity ratio of at most 2.5:1. The obligations of the Parent Company under this Term Loan Agreement are unsecured. As of December 31, 2015 and 2014, the Parent Company is in compliance with the terms of the Term Loan Agreement.

In 2015, the movement of the unamortized debt issuance costs account is as follow:

Balance at inception of the loan	\$1,662
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 15)	(149)
Balance at end of year	\$1,513

\$100.0 Million Notes Facility

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

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

On October 11, 2012, the Parent Company and BDO executed 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.

In addition, the Notes Facility imposed standard loan covenants on the Parent Company and required the Parent Company to maintain a debt service coverage ratio of at least 1.2:1 and a debt-to-equity ratio of at most 2.5:1. The obligations of the Parent Company under the Notes Facility were unsecured. As of September 29, 2015 and December 31, 2014, the Parent Company was in compliance with the terms of the Notes Facility Agreement.

The movements of the unamortized debt issuance costs account are as follows:

	2015	2014
Balances at beginning of year	\$1,097	\$1,497
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 15)	(294)	(400)
Unamortized debt issuance costs charged directly to the "Interest expense and financing charges" account (see Note 15)	(803)	—
Balances at end of year	\$—	\$1,097

12. Equity

a. Capital Stock

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

	Number of Shares	
	2015	2014
Redeemable preferred stock (Series "B")		
- ₱0.50 par value		
Authorized	1,000,000,000	1,000,000,000
Issued	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	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
Redeemable preferred stock (Series "G")		
- ₱10.00 par value		
Authorized	135,000,000	135,000,000
Issued	133,750,000	133,750,000
(Forward)		



	Number of Shares	
	2015	2014
Common stock - ₱1 par value		
Authorized	5,000,000,000	5,000,000,000
Issued:		
Balances at beginning of year	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	3,643,320,457

As of December 31, 2015, the Parent Company's redeemable preferred stock consists of the following:

- The Series "B" preferred stocks have voting rights, entitled to cumulative dividends of two centavos (₱0.02) a share and redeemable at the option of the Parent Company and redeemable at issue price.
- The Series "E" preferred stocks have voting rights, entitled to receive dividends at one centavo (₱0.01) a share and redeemable at the option of the Parent Company.
- The Series "F" preferred stocks have non-voting rights except in the cases provided by law, issue value of one hundred pesos (₱100) a share, dividend rate of 8.0% on the issue price, entitled to receive cumulative dividends, and redeemable at the option of the Parent Company.
- 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 December 31, 2015.

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 BOD on May 12, 2014. Total payments made for the buyback of the Series "F" redeemable preferred stocks amounted to \$85.6 million.

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

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

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.



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, 2015 and 2014, total unpaid cash dividends on preferred stocks declared amounting to \$16.0 million (₱751.4 million) and \$20.1 million (₱896.9 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 \$85.6 million and \$53.0 million as of December 31, 2015 and 2014, respectively.

c. Treasury Stocks

As of December 31, 2014, the Parent Company has common stocks held in treasury totaling to 279,406,700 shares amounting to \$53.0 million.

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" 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" preferred stocks amounted to ₱4.0 billion pp(\$85.6 million) [see Note 1].

13. Share-based Payment Plans

Employee Stock Purchase Plan (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, 2015 and 2014, 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 \$381.8 million and \$222.4 million for the years ended December 31, 2015 and 2014, respectively, which are shown as "Dividend income" in the parent company statements of income. Such dividends were declared by the following subsidiaries:

	2015	2014
BVHC	\$283,285	\$98,361
FGHC	53,641	63,417
Unified	34,800	39,733
FG Hydro	2,865	14,844
Others	7,176	6,016
	\$381,767	\$222,371

- 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, 2015 and 2014, advances from FGPC including accrued interest amounted to \$95.3 million and \$108.1 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.

As of December 31, 2015 and 2014, advances from Goldsilk including accrued interest amounted to nil and \$200.0 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, 2015 and 2014, the advances from FGP including accrued interest amounted to \$179.6 million and \$176.1 million, respectively, are recorded under the "Advances from subsidiaries" account in the parent company statements of financial position.

- 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).

Consultancy fees amounted to \$8.9 million and \$4.1 million for the years ended December 31, 2015 and 2014, respectively. The Parent Company has outstanding receivables from EDC related to the foregoing amounting to \$2.1 million and \$1.0 million as of December 31, 2015 and 2014, 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 its office premises where its new principal office is located from Rockwell. Total rent expense included under "Others" in the "General and administrative expenses" account in the parent company statements of income amounted to \$0.03 million in 2015 (see Note 15). As of December 31, 2015, future minimal rental payments under the non-cancellable operating lease with Rockwell amounted to \$0.07 million within one year and \$0.26 million after one year but not more than five years.
- f. The Parent Company leased its office premises where its previous principal office was located from FPRC. 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 years ended December 31, 2015 and 2014 (see Note 15).
- g. 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 PMPC, which is the operating company of the 97 MW Avion power plant, under such terms and conditions as the Parent Company's duly authorized representatives may deem necessary, proper or convenient in the best interests of the Parent Company and its relevant subsidiary. On 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, 2015 and December 31, 2014, the Parent Company issued guarantees totaling to \$6.9 million and \$6.4 million, respectively, in favor of the Board of Investments (BOI), to guarantee the payment of customs duties waived in the event that FNPC and/or PMPC does not comply with the terms and conditions of their respective Certificates of Authority specifically on the installation and permanent use of imported capital equipment, spare parts and accessories that will be installed in the San Gabriel and Avion power plants. The guarantees shall remain in force until the BOI lifts the same upon compliance by FNPC and PMPC of its obligations under their respective Certificates of Authority.

- h. The Executive Stock Option Plan (ESOP) of the Parent Company was made available to certain employees of FPH, certain subsidiaries and associates. There are no share-based payment transactions among the employees of FPH, certain subsidiaries and associates of the Parent Company in 2015 as the ESOP granted in 2003 already expired in July 2013.
- i. Compensation of key management personnel are as follows:

	2015	2014
Short-term employee benefits	\$4,999	\$5,323
Retirement benefits (see Note 16)	488	620
	\$5,487	\$5,943

Terms and Conditions of Transactions with Related Parties. As mentioned above, except for the Parent Company guarantees issued to FNPC and PMPC in relation to the ongoing construction of San Gabriel and Avion power plants, respectively, there have been no other guarantees provided for or received from any other related party in 2015 and 2014.

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, 2015 and 2014. 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	
			2015	2014	2015	2014
Due from related parties						
		Unsecured and				
FGEN LNG	Interest-free advances	receivable on demand	\$5	\$670	\$634	\$632
FGESHI	- do -	- do -	5	3,151	89	3,157
FGHC	- do -	- do -	—	—	9,554	9,554
Red Vulcan	- do -	- do -	273	919	10,317	10,367
Prime Meridian	- do -	- do -	83	—	79	—
Northern Terracotta	- do -	- do -	4,553	3,976	10,935	7,164
FG Mindanao	- do -	- do -	116	945	2,541	2,559
FPH	- do -	- do -	—	—	759	799
FG Luzon	- do -	- do -	314	381	1,113	858
FPIC*	- do -	- do -	—	—	731	770
FG Prime	- do -	- do -	743	500	1,767	1,119

(Forward)



Related Party	Nature of Transactions	Terms	Transactions for the Years Ended December 31		Balances as of December 31	
			2015	2014	2015	2014
FG Land	- do -	- do -	\$1,939	\$-	\$1,887	\$-
Prime Terracota	- do -	- do -	85	896	751	1,118
Allied Gen	- do -	- do -	80	-	381	322
Blue Vulcan	- do -	- do -	359	-	348	-
FGNEC	- do -	- do -	365	5	176	184
FG Visayas	- do -	- do -	17	7	198	192
FG Premier	- do -	- do -	-	92	195	206
Goldsilkl	- do -	- do -	979	220	1,145	217
FNPC	- do -	- do -	116	-	199	98
FGPC	- do -	- do -	-	1	90	96
FG Cabadbaran	- do -	- do -	11	23	88	81
FG Puyo	- do -	- do -	692	12	729	69
FG Bukidnon	- do -	- do -	1	-	51	53
FG Bubunawan	- do -	- do -	688	59	753	108
LNG Holdings	- do -	- do -	3	68	67	68
FNMHCI	- do -	- do -	1	-	21	22
FGES	- do -	- do -	451	-	428	-
FGMRC	- do -	- do -	1	-	4	5
FG Ecopower	- do -	- do -	1	254	190	200
FGEN Power Ventures	- do -	- do -	110	287	383	282
FG Tumalaong	- do -	- do -	1	1	6	6
FG Tagoloan	- do -	- do -	366	2	362	6
FGen Meridian	- do -	- do -	106	-	23	1
FG Visayas Energy	- do -	- do -	1	-	13	\$12
FGEN Northern Power	- do -	- do -	10	-	8	1
FPRC	Rent expense	Payable monthly	1	1	-	-
Others**	- do -	- do -	15	9	14	2
			\$12,491	\$12,479	\$47,029	\$40,328
Due to related parties						
Onecore	Interest-free advances	Unsecured and payable on demand	\$1	\$-	\$76,363	\$76,362
Blue Vulcan	- do -	- do -	-	11,611	11,613	11,255
FGP	- do -	- do -	10	-	7,250	7,240
FGRI	- do -	- do -	-	729	357	376
FGHC International Ltd.*	- do -	- do -	-	-	145	145
FG Pipeline	- do -	- do -	-	7	6	7
Dualcore	- do -	- do -	-	13,314	-	38,657
			\$11	\$25,661	\$95,734	\$134,042
Advances from subsidiaries***						
FGP	Interest-bearing loan	Unsecured and payable by installment	\$3,539	\$3,779	\$179,630	\$176,091
FGPC	- do -	- do -	4,845	5,427	95,278	108,073
Goldsilkl	- do -	Unsecured and payable at maturity	-	3,400	-	200,000
			\$8,384	\$12,606	\$274,908	\$484,164
Other current assets (see Note 7)						
EDC	Consultancy fees	Unsecured and receivable on demand	\$8,864	\$4,075	\$2,066	\$980

* 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

	2015	2014
Staff costs	\$8,953	\$8,445
Professional fees	2,326	2,325
Transportation and travel	1,377	1,162
Taxes and licenses	1,070	2,102
Advertising	426	149
Depreciation and amortization (see Note 9)	364	307
Donations	17	132
Others (Note 14)	1,857	1,971
	\$16,390	\$16,593

Staff Costs

	2015	2014
Salaries and wages	\$8,165	\$7,394
Retirement benefits (see Note 16)	788	1,051
	\$8,953	\$8,445

Interest Expense and Financing Charges

	2015	2014
Interest on:		
Long-term debts (see Note 11)	\$30,077	\$28,995
Advances from subsidiaries (see Note 14)	10,481	15,758
Accretion of debt issuance costs on:		
Unamortized debt issuance costs (see Note 11)	803	—
Long-term debts (see Note 11)	723	662
	\$42,084	\$45,415

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, 2015 and 2014.

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:

	2015	2014
Present value of defined benefit obligation	\$5,463	\$6,135
Fair value of plan assets	(6,467)	(7,320)
Net retirement benefits asset	(\$1,004)	(\$1,185)

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

	2015	2014
Current service cost	\$865	\$1,059
Net interest	(77)	(8)
Retirement benefits expense	\$788	\$1,051

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

	2015	2014
Balances at beginning of year	\$6,135	\$6,180
Current service cost	865	1,059
Interest cost	261	271
Actuarial gains (losses) due to:		
Experience adjustments	395	(73)
Changes in financial assumptions	(1,286)	(1,257)
Changes in demographic assumptions	(616)	—
Foreign exchange adjustments	(291)	(45)
Balances at end of year	\$5,463	\$6,135

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

	2015	2014
Balances at beginning of year	\$7,320	\$5,887
Interest income	338	279
Return on plan assets, excluding interest income	(846)	1,209
Foreign exchange adjustments	(345)	(55)
Balances at end of year	\$6,467	\$7,320
Actual return on plan assets	(\$508)	\$1,488

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 2016 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, 2015 and 2014 are as follows:

	2015	2014
Investments quoted in active market		
Quoted equity investments:		
Holding firms	\$2,115	\$989
Financials - banks	1,021	1,124
Industrial - electricity, energy, power and water	—	1,730
	3,136	3,843
Investments in debt instruments:		
Government securities	1,850	2,087
Investments in corporate bonds	192	193
	2,042	2,280
Unquoted investments:		
Cash and cash equivalents	1,266	1,168
Receivables and other assets	31	38
Liabilities	(8)	(9)
	1,289	1,197
Fair value of plan assets	\$6,467	\$7,320

- 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 2016 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 2016 to 2037; and
- As of December 31, 2015 and 2014, investment in equity securities consist of investments in the following securities:

Issuer	Relationship	2015	2014
Lopez Holdings	Intermediate parent company	\$926	\$989
FPH (Voting common stocks)	Parent Company	1,189	1,730
Others	NA	1,021	1,124
		\$3,136	\$3,843

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, 2015, unrealized loss arising from investments in Lopez Holdings and FPH amounted to \$0.1 million and \$0.2 million, respectively.

For the year ended December 31, 2014, unrealized gain arising from investments in FPH amounted to \$0.3 million, and unrealized loss arising from investment in Lopez Holdings amounted to \$0.1 million.



The details of the realized gains for the years ended December 31, 2015 and 2014 based on the type of securities are as follows:

	2015	2014
Investment in government securities	\$125	\$104
Investment in shares of stock	74	119
Investment in corporate debt instruments	9	13
	\$208	\$236

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:

	2015	2014
Discount rate	5.02%	4.68%
Future salary increase rate	8.00%	10.00%

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, 2015, assuming if all other assumptions were held constant:

	Increase/Decrease in Percentage Point	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1%	(\$425)
	-1%	482
Future salary increases	+1%	\$490
	-1%	(440)

The Parent Company estimated that the weighted average duration of benefit payment is 12.83 years in 2015.

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

	2015	2014
Within the next 12 months	\$500	\$466
Between 2 and 5 years	1,296	1,285
Between 5 and 10 years	4,836	5,680
Between 10 and 15 years	6,198	9,800
Beyond 15 years and 20 years	5,022	8,450
More than 20 years	4,029	7,848



17. Income Tax

The components of the deferred income tax asset (liabilities) as of December 31, 2015 and 2014 are as follows:

	2015	2014
Deferred income tax liabilities on:		
Excess of the unamortized debt issuance cost under effective interest rate method over straight-line method	(\$86)	(\$78)
Net retirement benefits asset	(301)	(355)
	(387)	(433)
Deferred income tax asset on NOLCO	387	433
	\$-	\$-

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:

	2015	2014
NOLCO	\$105,610	\$90,566
MCIT	783	991
Others	-	54

As of December 31, 2015 and 2014, the taxable temporary differences representing the excess of the carrying amount of the investments in subsidiaries over the tax base amounted to \$205.3 million and \$79.6 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 2015 and 2014 amounting to \$0.1 million and \$0.07 million, respectively, represents MCIT.

The balance of NOLCO as of December 31, 2015 may be used by the Parent Company as additional deductions against the future taxable income. Similarly, the MCIT balance as of December 31, 2015 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:

Incurred 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)
2013	2016	\$6,973	₱328,144	\$589	₱27,717
2014	2017	50,289	2,366,587	62	2,916
2015	2018	49,638	2,335,958	132	6,226
		\$106,900	₱5,030,689	\$783	₱36,859



Movements in NOLCO are as follows:

	2015		2014	
	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>
Balances at January 1	\$92,012	₱4,114,755	\$73,513	₱3,263,609
Additions	49,638	2,335,958	52,920	2,366,587
Expirations	(30,175)	(1,420,024)	(34,135)	(1,515,441)
Foreign exchange adjustments	(4,575)	—	(286)	—
	\$106,900	₱5,030,689	\$92,012	₱4,114,755

Movements in MCIT are as follows:

	2015		2014	
	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>
Balances at January 1	\$991	₱44,316	\$993	₱44,082
Additions	132	6,226	62	2,916
Expirations	(291)	(13,683)	(61)	(2,682)
Foreign exchange adjustments	(49)	—	(3)	—
	\$783	₱36,859	\$991	₱44,316

A reconciliation between the statutory income tax due and effective income tax due follows:

	2015	2014
Provision for income tax computed at the statutory tax rate of 30%	\$99,716	\$49,873
Adjustments resulting from:		
Permanent differences	(115,142)	(67,234)
Effect of using 2% MCIT	14,929	17,138
Unrealized foreign exchange losses	580	21
Movement of unrecognized DTA	54	267
Translation difference	(1)	—
Provision for income tax	\$136	\$65

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, 2015 and 2014, approximately 87.7% and 84.1%, 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):

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						
2014						
	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\$100M Notes Facility	5.09%	4.00	49.50	42.50	-	96.00
Advances from subsidiaries:						
FGP*	2.50%	26.31	51.96	64.18	32.09	174.54
Floating Rate						
Advances from FGPC*	5.80%	12.69	30.25	35.62	29.08	107.64
* 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.



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, 2015 and 2014, the Parent Company's total financial assets amounted to \$282.9 million and \$239.8 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, 2015 and 2014:

	2015	2014
Loans and receivables:		
Cash and cash equivalents	\$225,218	\$198,462
Due from related parties	47,029	40,328
Consultancy fee receivables (under "Other current assets" account)	2,066	980
Financial assets at FVPL	8,555	—
	\$282,868	\$239,770

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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 and 2014 that may affect the parent company financial statements (amounts in millions):

	2015		2014	
	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	₱366	\$8	₱620	\$14
Consultancy fee receivables (under "Other current assets" account)	97	2	44	1
Due from related parties	1,455	31	1,589	36
Financial assets at FVPL	402,598	8,555	—	—
Total financial assets	404,516	8,596	2,253	51
Financial Liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses	143	3	130	3
Dividends payable	751	16	897	20
Total financial liabilities	894	19	1,027	23
Net Financial Assets	₱403,622	\$8,577	₱1,226	\$28

In translating these Philippine peso-denominated monetary assets and liabilities into U.S. Dollar, the exchange rates used were ₱47.06 to \$1.00 and ₱44.72 to \$1.00, the Philippine peso-U.S. Dollar closing exchange rates for December 31, 2015 and 2014, respectively.

The following table sets out, for the years ended December 31, 2015 and 2014, 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.

	2015		2014	
Change in exchange rate (in Philippine Peso against U.S. Dollar)	3%	(3%)	4%	(4%)
	<i>(Amounts in Millions)</i>			
Increase (decrease) in income (loss) before income tax	(249.8)	265.3	(1.0)	1.1

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, 2015 and 2014, 20.4% and 17.9%, 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, 2015 and 2014 based on the contractual undiscounted payments:

	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
	\$233,773	\$-	\$-	\$-	\$-	\$233,773
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
	\$133,521	\$23,921	\$73,613	\$388,394	\$514,493	\$1,133,942

* Excluding local and other taxes and payable to government agencies.

	2014					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	\$198,462	\$-	\$-	\$-	\$-	\$198,462
Financial liabilities:						
Accounts payable and accrued expenses*	\$700	\$-	\$-	\$-	\$-	\$700
Dividends payable	-	20,056	-	-	-	20,056
Due to related parties	134,042	-	-	-	-	134,042
Long-term debts	-	4,471	24,203	180,314	379,138	588,126
Advances from subsidiaries	-	-	45,378	389,848	101,247	536,473
	\$134,742	\$24,527	\$69,581	\$570,162	\$480,385	\$1,279,397

* 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, 2015 and 2014. The Parent Company was able to meet its capital management



objectives as of December 31, 2015 and 2014.

As of December 31, 2015 and 2014, the Parent Company considers its total equity of \$2,012.4 million and \$1,662.9 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.

	2015	2014
Accounts payable and accrued expenses	\$12,540	\$8,785
Dividends payable	15,967	20,056
Due to related parties	95,734	134,042
Long-term debts	495,540	391,676
Advances from subsidiaries	274,908	484,164
Total liabilities	894,689	1,038,723
Total equity	2,012,413	1,662,898
Debt to equity ratio	44:56	62:38

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, 2015 and 2014, 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, 2015 and 2014 that are carried in the parent company financial statements:

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	\$225,218	\$225,218	\$198,462	\$198,462
Due from related parties	47,029	47,029	40,328	40,328
Consultancy fee receivables (under "Other current assets" account)	2,066	2,066	980	980
Financial assets at FVPL	8,555	8,555	—	—
	\$282,868	\$282,868	\$239,770	\$239,770
Financial Liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses**	\$10,240	\$10,240	\$6,567	\$6,567
Dividends payable	15,967	15,967	20,056	20,056
Due to related parties	95,734	95,734	134,042	134,042
Long-term debts	495,540	523,056	391,676	418,171
Advances from subsidiaries*	274,908	277,947	484,164	498,655
	\$892,389	\$922,944	\$1,036,505	\$1,077,491

*Carrying value includes accrued interest as of December 31, 2015 and 2014.

**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, 2015 and 2014 ranging from 0.394% to 2.404% and 0.084% to 2.195%, 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 0.646% to 1.469% and 0.252% to 1.659% in 2015 and 2014, respectively.

Financial Instruments Carried at Fair Value

As of December 31, 2015, the fair value measurement of financial assets at FVPL is categorized under Level 2 of fair value hierarchy. The Parent Company has no financial instruments under Level 1 and Level 3.

The Parent Company has no financial instruments carried at fair value as of December 31, 2014.

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 oil leak was found in the basement of the West Tower Condominium.

The petition was brought by the West Tower Condominium Corporation purportedly on behalf of its unit owners and in representation of the inhabitants of Barangay Bangkal, Makati City. The petitioners sought the issuance of a *Writ of Kalikasan* to protect the constitutional rights of the Filipino people to a balanced and healthful ecology, and prayed that the respondents permanently cease and desist from committing acts of negligence in the performance of their functions as a common carrier; continue to check the structural integrity of the entire 117-km white oil pipeline and replace the same; make periodic reports on findings with regard to the said pipeline and their replacement of the same; be prohibited from opening the white oil pipeline and allowing its use until the same has been thoroughly checked and replaced; rehabilitate and restore the environment, especially Barangay Bangkal and West Tower



Condominium, at least to what it was before the signs of the leak became manifest; open a special trust fund to answer for similar contingencies in the future; and be temporarily restrained from operating the said pipeline until final resolution of the case.

On November 19, 2010, the SC issued a *Writ of Kalikasan* with Temporary Environmental Protection Order (TEPO) directing the respondents to: (i) make a verified return of the Writ within a non-extendible period of ten days from receipt thereof; (ii) cease and desist from operating the pipeline until further orders from the court; (iii) check the structural integrity of the whole span of the pipeline, and in the process apply and implement sufficient measures to prevent and avert any untoward incident that may result from any leak in the pipeline; and (iv) make a report thereon within 60 days from receipt thereof.

The Parent Company and its impleaded directors and officers filed a verified Return in November 2010, and a Compliance in January 2011, explaining that the Parent Company is not the owner and operator of the pipeline, and is not involved in the management, day-to-day operations, maintenance and repair of the pipeline. For this reason, neither the Parent Company nor any of its directors and officers has the capability, control, power or responsibility to do anything in connection with the pipeline, including to cease and desist from operating the same.

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 Parent Company not be held solidarily liable under the TEPO; and (v) that without prejudice to the outcome of the civil and criminal cases filed against respondents, the individual directors and officers of FPIC and Parent Company not be held liable in their individual capacities.

Petitioners filed a Motion for Partial Reconsideration 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 Parent Company and the directors and officers of Parent Company and FPIC also be held liable under the Writ of Kalikasan and the TEPO.

In a Compliance dated January 25, 2013, FPIC submitted to the SC a Certification signed by 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 16, 2016, 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 Parent Company violated Republic Act No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 8749 (Philippine Clean Air Act of 1999) and Its Implementing Rules and Regulations, and RA 9275 (Philippine Clean Water Act of 2004). The complaint sought payment by the Defendants of actual damages comprising incurred rentals for alternative dwellings, incurred additional transportation and gasoline expenses and deprived rental income; recompense for diminished or lost property values to enable the buying of new homes; incurred expenses in dealing with the emergency; moral damages; exemplary damages; a medical fund; and attorney's fees.

The Parent Company filed its Answer in May 2011, in which it was argued that the case is not an environmental case under the Rules of Procedure for Environmental Cases, but an ordinary civil case for damages under the Rules of Court for which the appropriate filing fees should be paid before the court can acquire jurisdiction thereof. In an Order dated August 22, 2011, Makati City RTC (Branch 158) Judge Eugene Paras ruled that the complaint is an ordinary civil action for damages and that the Plaintiff should pay the appropriate filing fees in accordance with the Rules of Court within 10 days from receipt of the Order. The other individual plaintiffs were ordered dropped as parties in the case. The Plaintiffs filed a Motion to Inhibit Judge Paras as well as a Motion for Reconsideration of the Order. In an Order dated October 17, 2011, the court reiterated that it has no jurisdiction over the case and ordered the referral of the case to the Executive Judge for re-raffle.

In an Order dated December 1, 2011, Judge Elpidio Calis of the Makati City RTC (Branch 133) declared that the records of the case have been transferred to his court. 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 16, 2016, 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 the Parent Company and one of the Respondents. The other Respondent-Directors of the Parent Company verified the Verified Manifestation and adopted the factual allegations and defenses in the Counter-Affidavit of Respondent Puno.

Makati City Prosecutor Feliciano Aspi *motu proprio* (on his own) inhibited himself from the case on the ground that he had previously worked for the counsel of the Parent Company. Complainant then filed with the Department of Justice (DOJ) a petition for change of venue, which petition was granted by way of Department Order No. 63 dated January 18, 2012, which designated Manila Senior Assistant City Prosecutor Raymunda Apolo as special investigating prosecutor for the case.

In an Order dated February 3, 2012, Makati City Prosecutor Aspi ordered the consolidation of the case with another case entitled Anthony M. Mabasa et al. vs. Roberto B. Dimayuga et al. for violation of Article 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 16, 2016, the case remains pending.

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 First Gen 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 is seeking 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.

21. 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, 2015:

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	₱345,882,353	₱41,505,882
Others	484,884	58,186
	₱346,367,237	₱41,564,068

Sale of services pertains to gross receipts/collections on revenues from consultancy services to affiliates (i.e., lodged under the account "Consultancy fee" in the parent company statement of income).

The Parent Company has no VAT exempt and/or VAT zero-rated sales/receipts for the year 2015.

b. Input VAT credits claimed in the Parent Company's VAT returns

	Amounts in Philippine Peso
Balance at the beginning of year	₱1,188,265
Current year's domestic purchases/payments for:	
Services lodged under other accounts	20,208,744
Capital goods subject to amortization	1,086,625
Capital goods not subject to amortization	218,673
Goods other than resale or manufacture	173,362
Total input VAT available applied against output VAT	22,875,669
Add: Payments during the year	19,484,762
Total	42,360,431
Less: Total input VAT (including amount of payments during the year) claimed against output VAT	41,564,068
Excess input VAT to be carried over to the following period	₱796,363



Documentary Stamp Tax (DST)

The DST paid/ accrued for the year on the following transactions:

Transactions	DST
Issuance of debt instruments	₱46,196,000
Advances to (from) related parties	22,025,750
Insurance	309,586
Issuance of shares of stocks	88,116
Others	15,649
	<u>₱68,635,101</u>

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, 2015:

	Amounts in Philippine Peso
Taxes and licenses lodged under operating expenses:	
Documentary stamp tax	₱22,350,985
Fringe benefit tax	17,164,764
PSE fees	2,510,386
Business taxes and permits	1,620,847
SEC fees	100,640
Real property tax	23,738
Others	161,390
	<u>43,932,750</u>
Taxes and licenses on long-term debt lodged under debt issuance costs:	
Documentary stamp tax	46,196,000
Taxes and licenses on issuance of common shares lodged under additional paid-in capital:	
Documentary stamp tax	88,116
	<u>₱90,216,866</u>

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	₱107,718,629
Expanded withholding taxes	109,462,925
Final withholding taxes	279,250,694
Withholding value-added tax	1,262,117
	<u>₱497,694,365</u>



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, 2015.

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, 2015.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE

The Stockholders and the Board of Directors
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, 2015 and 2014 and have issued our report thereon dated March 16, 2016. 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, 2015 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-A (Group A),
April 8, 2014, valid until April 7, 2017

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001988-103-2014,

March 10, 2014, valid until March 9, 2017

PTR No. 5321642, January 4, 2016, Makati City

March 16, 2016



FIRST GEN CORPORATION

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS DECEMBER 31, 2015

List of Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations Committee (PIC) Q&A's effective as of December 31, 2015:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment	✓		
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities - Applying the Consolidation Exception*	Not Early Adopted		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not Early Adopted		
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts*	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Disclosure Initiatives*	Not Early Adopted		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

*Standards and interpretations which will become effective subsequent to December 31, 2015.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors			✓
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation*	Not Early Adopted		
	Amendments to PAS 16: Bearer Plants*	Not Early Adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Early Adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

*Standards and interpretations which will become effective subsequent to December 31, 2015.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization*			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants*	Not Early Adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	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			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓

*Standards and interpretations which will become effective subsequent to December 31, 2015.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Standards and interpretations which will become effective subsequent to December 31, 2015.*

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 years ended December 31, 2015 and 2014.

