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SEC Registration Number

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(Company's Full Name)

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

Rachel R. Hernandez

(Contact Person)

449-6281

(Company Telephone Number)

1	2
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Month

3	1
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Day

SEC Form 17Q

FORM TYPE

2nd Wed of May

Month

Day

Fiscal Year

Annual Meeting

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

360

Total No. of Stockholders

\$1,711,797 (in thousands)

Domestic

\$641,104 (in thousands)

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2018**
2. Commission identification number **A1998-18260**
3. BIR Tax Identification No. **202-464-633-000**
4. Exact name of issuer as specified in its charter **FIRST GEN CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization **Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
6th Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City 1604
8. Issuer's telephone number, including area code **(632) 449-6400**
9. Former name, former address and former fiscal year, if changed since last report **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of June 30, 2018)
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Common stocks	3,651,952,357 shares
Bonds	None

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

Yes ☒ No ☐

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

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

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Attached to this report as **Annex “A”** is the Corporation’s unaudited interim condensed consolidated financial statements as of June 30, 2018 (with comparative audited figures as at December 31, 2017) and for the six-month periods ended June 30, 2018 and 2017.

The unaudited interim condensed consolidated financial statements for the six months ended June 30, 2018 have been prepared in accordance with Philippine Financial Reporting Standards (“PFRS”) specific to Philippine Accounting Standard 34, Interim Financial Reporting and hence do not include all of the information required in the December 31, 2018 annual audited consolidated financial statements.

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

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

The following discussion and analysis of the Company’s consolidated financial performance for the six months ended June 30, 2018 should be read in conjunction with its unaudited interim condensed consolidated financial statements and the accompanying notes as at June 30, 2018 and the audited consolidated financial statements as at December 31, 2017. The primary objective of this MD&A is to help the readers understand the dynamics of the Company’s business and the key factors underlying its financial results. Hence, our MD&A is comprised of a discussion of its core business, and analysis of the results of operations for each business segment. This section also focuses on key statistics from the unaudited consolidated financial statements and pertains to known risks and uncertainties relating to the power industry in the Philippines where we operate up to the stated reporting period.

This report also contains information that may constitute “forward-looking statements.” Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “plan,” “foresee,” “will,” and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future - including statements relating to revenue growth and statements expressing general views about future operating results - are forward-looking statements. Such forward-looking statements are made based on management’s current expectations or beliefs as well as assumptions made by, and information currently available to, management. First Gen does not make express or implied representations or warranties as to the accuracy and completeness of the information contained herein and shall not accept any responsibility or liability (including any third party liability) for any loss or damage, whether or not arising from any error or omission in compiling such information or as a result of any party’s reliance or use of such information. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company’s historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Risk Factors Affecting the Company’s Results of Operations and elsewhere in this report and in our Annual Report on Form 17-A for the year ended December 31, 2017, and those described from time to time in our future reports filed with the Philippine Securities and Exchange Commission (SEC).

The financial information appearing in this report and in the accompanying unaudited interim condensed consolidated financial statements is stated in United States dollars. All references to “U.S. dollars,” “US\$” or “dollars” are to the lawful currency of the United States; all references to “Philippine pesos,” “Php” or “pesos” are to the lawful currency of the Philippines; and all references to “Euro” or “€” are to the lawful currency of the European Union. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited interim condensed consolidated financial statements were made based on the exchange rate quoted through the Philippine Dealing System as at June 30, 2018.

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

BUSINESS OVERVIEW

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

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

- (i) First Gas Power Corporation (FGPC), which operates the 1,000 MW Santa Rita natural gas-fired power plant;
- (ii) FGP Corp. (FGP), which operates the 500 MW San Lorenzo natural gas-fired power plant;
- (iii) Prime Meridian PowerGen Corporation (PMPC), which operates the 97 MW Avion natural gas-fired power plant;
- (iv) First NatGas Power Corp. (FNPC), which operates the 420 MW San Gabriel natural gas-fired power flex plant;
- (v) FG Bukidnon Power Corporation (FG Bukidnon), which operates the 1.6 MW FG Bukidnon mini-hydroelectric power plant;
- (vi) Energy Development Corporation (EDC), with an aggregate installed capacity of approximately 1,339.8 MW of geothermal, wind, and solar power; and
- (vii) 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 Terracotta Holdings Corporation (Prime Terracotta) and Red Vulcan Holdings Corporation (Red Vulcan). First Gen has a 40.0% direct economic interest in FG Hydro.

Prior to September 30, 2017, the Company also directly and indirectly owned 1.98 billion common shares in EDC, of which 986.34 million common shares were held through its wholly-owned subsidiary, Northern Terracotta Power Corporation (Northern Terracotta). The 1.98 billion common shares were equivalent to a 10.6% economic interest in EDC. Following the successful tender offer conducted by Philippines Renewable Energy Holdings Corporation (PREHC), which settled on September 29, 2017, to acquire up to 47.5% of EDC's common shares, First Gen and Northern Terracotta participated and sold 9.0% of their combined 10.6% economic stake in EDC.

After the tender offer, the Company's total economic stake in EDC is 41.6%, of which 40.0% is held through Red Vulcan while the remaining 1.6% is held through First Gen directly and Northern Terracotta. Moreover, First Gen holds a 61.1% voting interest in EDC post the tender offer, of which 60.0% is held through Red Vulcan. The Company will continue to consolidate EDC given its controlling voting stake in EDC.

The following discussion focuses on the results of operations of First Gen and its power generating companies. As of June 30, 2018, 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 indirectly holds a 40.0% economic interest as stated above.

- Since the acquisition of the entire outstanding capital stock of Bluespark Management Limited (Bluespark) (formerly Lisbon Star Management Limited) on May 30, 2012 by Blue Vulcan Holdings Corporation (Blue Vulcan), a wholly-owned subsidiary of First Gen, the Company now beneficially owns 100.0% of First Gas Holdings Corporation (FGHC), FGP, and FNPC, (collectively referred to as the "First Gas Group") through its intermediate holding companies.
- FGHC was incorporated on February 3, 1995 as a holding company for the development of natural gas-fired power plants and other non-power gas related businesses. The company was 60.0% owned by First Gen and 40.0% owned by Dualcore Holdings Inc. (Dualcore) [formerly BG Consolidated Holdings (Philippines), Inc. (BG)] prior to the acquisition of the non-controlling stake of BG in the natural gas projects in May 2012. As a result of the transaction, First Gen effectively owns 100.0% of FGHC. FGHC wholly-owns FGPC, the project company of the 1,000 MW Santa Rita power plant.
- FGPC is the project company of the Santa Rita power plant. The company was incorporated on November 24, 1994 to develop the 1,000 MW combined-cycle natural gas-fired power plant located in Santa Rita, Batangas City within the First Gen Clean Energy Complex (FGEN Clean Complex). The company started full commercial operations on August 17, 2000. FGPC generates electricity for Meralco under a 25-year Power Purchase Agreement (PPA). In order to fulfill its responsibility to operate and maintain the power plant, FGPC has an existing agreement with Siemens Power Operations, Inc. (SPOI), a 100.0% subsidiary of Siemens AG, to act as the operator under an Operations & Maintenance Agreement (O&M Agreement).

- Unified Holdings Corporation (Unified) was incorporated on March 30, 1999 as the holding company of First Gen's 60.0% equity share in FGP, the project company of the 500 MW San Lorenzo Power Plant. First Gen owns 100.0% of Unified.
 - FGP is the project company of the San Lorenzo power plant. The company was established on July 23, 1997 to develop a 500 MW combined-cycle natural gas-fired power plant in Santa Rita, Batangas City, adjacent to the 1,000 MW Santa Rita power plant inside the FGEN Clean Complex. The company started full commercial operations on October 1, 2002. It is likewise operated by SPOI under a separate O&M Agreement and generates electricity under a separate 25-year PPA with Meralco.
- AlliedGen Power Corp. (AGPC) was incorporated and registered with the SEC on February 14, 2005. AGPC wholly-owns FNPC, the project company of the 420 MW San Gabriel natural gas-fired flex power plant (San Gabriel). AGPC is a wholly-owned subsidiary of First Gen.
 - FNPC is the project company of San Gabriel. San Gabriel is adjacent to the existing Santa Rita and San Lorenzo power plants inside the FGEN Clean Complex in Santa Rita, Batangas City. The San Gabriel plant is capable of serving both the base load to mid-merit requirements of the Luzon Grid. San Gabriel went into commercial operations in November 2016 and was a 100.0% merchant plant until end-June 2018. In March 2018, it was awarded a six-year Power Supply Agreement (PSA) by Meralco for 414 MW of San Gabriel's baseload capacity. The sale of electricity to Meralco commenced in July 2018 following the grant of a provisional approval for FNPC's contract with Meralco that was received from the Energy Regulatory Commission (ERC). The PSA will expire on February 23, 2024 and can be extended upon mutual agreement with Meralco.
- Prime Meridian PowerGen Corporation (PMPC) was incorporated and registered with the SEC on August 8, 2011. The company is a wholly-owned subsidiary of First Gen. PMPC is the operating company of the 97 MW Avion open-cycle natural gas-fired power plant (Avion) that is likewise located adjacent to the existing natural gas-fired power plants inside the FGEN Clean Complex. The Avion plant is using General Electric's LM6000 PC Sprint aero-derivative gas turbines and has the capability to burn natural gas or diesel. The plant went into commercial operations in September 2016. It is currently a 100.0% merchant plant.
- 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 (RE) market. On June 17, 2014, the SEC approved the Plan and Articles of Merger between FGRI and Bluespark that was executed on April 29, 2014 following the majority vote of the board of directors and by the vote of the stockholders owning and representing more than two-thirds of the outstanding capital stock of constituent corporations on April 24, 2014. As a result of the merger, FGRI became the surviving corporation and is now 99.1% effectively-owned by Blue Vulcan. FGRI effectively owns a 40.0% voting and economic interest in the 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. (CEPALCO) via the National Grid Corporation of the Philippines (NGCP) line.
- Prime Terracota was incorporated on October 17, 2007 as the holding company of Red Vulcan. Red Vulcan was incorporated on October 5, 2007 as the holding company for First Gen's 60.0% voting 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 represent a 40.0% economic interest in EDC, while the combined common and preferred shares represent 60.0% of the voting rights in EDC. EDC is the Philippines' largest producer of geothermal energy, operating 12 geothermal power plants in the four geothermal service contract areas where it is principally involved in: (i) the production of geothermal steam for sale to subsidiaries; and, (ii) the generation and sale of electricity through EDC-owned geothermal power plants to National Power Corporation (NPC) and various offtakers. Likewise, EDC owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 6.82 MW Burgos Solar Project (Burgos Solar) both situated in Burgos, Ilocos Norte. In 2017, a total of 3.63 MW of rooftop solar projects were commissioned in Gaisano Capital Iloilo – 1.03 MW in January, 1.38 MW in September, and the remaining 1.22 MW in November 2017.

As of June 30, 2018, the Company's voting stake in Prime Terracotta is equivalent to 100.0%. Following the tender offer by PREHC which closed on September 29, 2017, the Company's total voting and economic interests in EDC are 61.1% and 41.6%, respectively, via the Company's direct stake in EDC and its stakes in Red Vulcan and Northern Terracotta.

- 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). 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 (BOD) approved the sale of 60.0% of FG Hydro to EDC and the divestment was completed in November 2008. As a result of the divestment, First Gen's direct voting and economic interests in FG Hydro were reduced to 40.0%. Moreover, the completion of the rehabilitation and upgrade project of Pantabangan hydroelectric power plant's Units 1 and 2 in 2010 increased the power generation capacity of PMHEPP by 20 MW to 132 MW. FG Hydro likewise rehabilitated the Masiway plant to address equipment obsolescence specifically on the excitation, protection and generator systems as well as the main step-up transformer of Masiway were replaced in 2015. Following the tender offer for EDC's shares in 2017, the Company's effective economic stake in FG Hydro is equivalent to 65.0% as of June 30, 2018.
- First Gen Energy Solutions, Inc. (FGES) was incorporated and registered with the SEC on November 24, 2006. As a wholly-owned subsidiary of First Gen, FGES markets and sells electricity generated by First Gen and EDC to address the power requirements of Contestable Customers. In addition, it provides value-added services relevant to its core business. FGES holds a Retail Electricity Supplier (RES) license effective for a period of five years from May 2016 until May 2021. With the commencement of Retail Competition and Open Access (RCOA), FGES' RES business has a total contracted demand of 89.4 MW from 28 contestable customers as of June 30, 2018.

Principal Products or Services

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

The following is a summary of First Gen's products/services and their markets as of June 30, 2018:

Company	Principal products/services	Market	Effective Contribution to Consolidated Revenues* of First Gen
FGPC	- Power generation	MERALCO	\$327.2 million
FGP	- Power generation	MERALCO	\$166.3 million
FNPC	- Power generation	WESM	\$91.5 million
PMPC	- Power generation	WESM	\$13.8 million (or ₱713.1 million)
FG Bukidnon	- Power generation	CEPALCO	\$0.4 million (or ₱19.7 million)
FG Hydro	- Power generation	WESM / NGCP/ various cooperatives	\$22.9 million (or ₱1,177.4 million)
EDC	EDC holds service contracts with the Department of Energy (DOE) corresponding to 15 geothermal contract areas EDC, through its subsidiary, EBWPC, operates the 150 MW wind project in Burgos, Ilocos Norte. EDC also owns and operates the 6.82 MW Burgos Solar power plant.	NPC (for power generation & steam sales), WESM, NGCP, electric cooperatives and industrial customers pursuant to the PPAs, PSAs and contracts, and Feed-in Tariff (FiT)	\$291.4 million** (or ₱15,013.6 million)

	EDC operates the 3.63 MW rooftop solar project in Iloilo City		
FGES	- Retail energy supply	Contestable Customers	\$25.3 million (or ₱1,302.0 million)

* Pertains to revenues from sale of electricity only

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

Note: The Philippine Peso balances of PMPC, FG Bukidnon, FG Hydro, EDC, and FGES were translated to U.S. Dollar using the weighted average rate of US\$1.00:₱51.526 for the period ended June 30, 2018. FGPC, FGP and FNPC have the U.S. Dollar as its functional currency.

New Product / Service

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

Competition

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

The successful privatization of NPC assets and NPC-IPP contracts in Luzon and Visayas, coupled with the integration of the Luzon and Visayas grids under the WESM, and the initial commercial operations of the RCOA in June 2013, introduced new players and opened competition in the power industry. The Aboitiz group and the San Miguel group are the Company's closest competitors, while conglomerates, such as the Ayala group, have entered the industry.

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

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

Raw Materials and Suppliers

Company	Sources of raw materials	Supplier of raw materials
FGPC/FGP/ PMPC/FNPC*	- natural gas / liquid fuel*	Malampaya consortium composed of Shell Philippine Exploration, B.V., Chevron Malampaya, LLC and PNOG Exploration Corporation
FG Bukidnon	- water	The plant is a run-of-river facility
FG Hydro	- water	Water release is generally determined by National Irrigation Administration (NIA)

EDC	- steam	Developed by EDC by virtue of Presidential Decree (P.D.) No. 1442. However, as stated above, the Geothermal Service Contracts (GSCs) of EDC (previously governed by P.D. No. 1442) were replaced by Geothermal Renewable Energy Service Contracts (GRESs) effective October 23, 2009.
	- solar	EDC operates the 6.82 MW Burgos Solar Power Plant, which is located within the vicinity of EBWPC, and the 3.63 MW Gaisano Rooftop Solar project, which is in Iloilo City.
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.

* FNPC only runs on natural gas

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

Meralco is FGPC and FGP's sole offtaker via 25-year PPA's, while NPC comprises close to 36.8% of EDC's revenues from sale of electricity through existing long-term PPAs in the first half of 2018.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

As at June 30, 2018 and December 31, 2017

And For the Six-Month Periods Ended June 30, 2018 and 2017

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

Selected Financial Data

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

	June 2018	June 2017 (as restated)	Change	YoY %
	(Unaudited)			
Revenues from sale of electricity	\$938,850	\$853,995	\$84,855	9.9%
Operating income	\$241,042	\$254,782	(\$13,740)	-5.4%
Consolidated net income	\$120,601	\$101,142	\$19,459	19.2%
Net income attributable to equity holders of the Parent Company	\$84,861	\$57,993	\$26,868	46.3%

	June 2018	Dec. 2017	Change	YoY %
	(Unaudited)	(Audited)		
Total assets	\$5,307,774	\$5,500,860	(\$193,086)	-3.5%
Long-term debt (including current portion)	\$2,352,901	\$2,512,687	(\$159,786)	-6.4%

Key Performance Indicators

	30-Jun-18	30-Jun -17
EBITDA ⁽¹⁾	\$348,802	\$359,679
EPS ⁽²⁾	\$0.020	\$0.012
RNI ⁽³⁾	\$115,464	\$85,573
FCF ⁽⁴⁾	\$250,255	\$260,915
Plant Capacity ⁽⁵⁾	3,490.4 MW	3,477.3 MW

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

(2) Earnings per Share (EPS). The Company computes EPS as attributable net income to equity holders of the Company minus preferred dividends, and then the difference is divided by the period's weighted average common shares.

- (3) *Recurring Net Income (RNI).* The Company computes RNI as net income subtracted by non-recurring items, such as loan and swap extinguishment costs, proceeds from liquidated damages, insurance claims, input VAT claims written-off, one-time gains and losses, movements in deferred income taxes, unrealized foreign exchange differences, and MTM gains (loss) on derivative transactions.
- (4) *Free Cash Flows (FCF).* The Company computes FCF as the sum of movements in net cash flow from operations, net cash flow from investing, and effects of exchange rate.
- (5) *Plant Capacity:* The Company computes the Plant Capacity as total consolidated capacity in megawatts (MW).

- EBITDA declined in the first half of 2018 by \$10.9 million, or 3.0% to \$348.8 million. The decline was mainly due to a \$26.4 million decrease in EDC's revenue contributions, which was primarily a result of damages caused by typhoon Urduja in December 2017; this was supplemented by typhoon and earthquake-related expenses amounting to \$13.9 million for the recovery of the Unified Leyte and the Tongonan plants. EDC's lower revenues and higher calamity-related expenses mainly contributed to a \$43.7 million decline in EDC's EBITDA.

This decline was partially offset by a \$30.2 million increase in contributions from FNPC and PMPC driven by their higher dispatch as a result of improved spot market prices due to a number of unplanned plant outages in the grid in the first half of 2018. The natural gas plants' higher dispatch was supplemented by the absence of a 20-day Malampaya outage in February 2017, and a temporary shutdown of the gas plants following the Batangas earthquake in April 2017.

- EPS significantly increased by \$0.008 per share, or 66.7% to \$0.020 per share in the first half of 2018 from \$0.012 per share in the first half of 2017 due to an increase in the natural gas plants' attributable earnings contribution, which was driven by their higher combined generation and improved spot market prices that benefited the merchant gas plants. This was further supplemented by lower interest expenses following several deleveraging initiatives.

The increase was partially offset by EDC's soft performance as a result of the two natural calamities that struck the Unified Leyte and the Tongonan plants in 2017, made worse by the lower earnings of FG Hydro due to the absence of ancillary earnings in the first quarter of 2018 following the ASPA expiration in February 2017. The higher foreign exchange losses of the Group likewise partially offset the increase.

- RNI significantly improved by \$29.9 million, or 34.9% to \$115.5 million in the first half of 2018 from \$85.6 million in the same period last year. The robust growth was mainly attributable to FNPC and PMPC's higher income contributions from higher dispatch as a result of improved spot market prices due to a number of unplanned plant outages in the grid in the first half of 2018 compared to same period last year. This was further supplemented by the Parent Company's lower interest expense, as well as FGPC and FGP's higher Net Dependable Capacity (NDC) and lower recurring interest expenses. The increase in RNI was partially offset by lower contributions from EDC due to lower volume sales caused by typhoon Urduja, and FG Hydro's lower revenues as its ancillary revenues only started in the second quarter of 2018 following the expiration of its ASPA in February 2017.
- FCF decreased by \$10.7 million, or 4.1% to \$250.2 million in the first half of 2018 from \$260.9 million in the same period last year. The decline was mainly due to lower operating income contributions from the Unified Leyte and the Tongonan plants that were struck by natural calamities in the latter half of 2017. The decrease was supplemented by higher trade receivables from Meralco as a result of FGPC's higher dispatch, and from the Philippine Electricity Market Corporation (PEMC) due to the merchant gas plants' stronger volume sales. These were partially offset by an increase in fuel payables for Malampaya gas, as well as payables for the natural gas plants' liquid fuel importation. The decrease was further offset by lower capital expenditures and EDC's receipt of insurance claim proceeds in the first half of 2018.
- Plant Capacity increased following EDC's Tongonan capacity upgrade due to a rehabilitation of its units which increased Tongonan's total capacity by 10.5 MW to 123 MW in October 2017. The increase in capacity was likewise due to a 2.60 MW addition to EDC's Gaisano Rooftop Solar project. These were the 614 kW Passi and 762 kW Kalibo rooftop solar which were commissioned in September 2017, while the 614 kW Oton and 614 kW Balasan were commissioned in November 2017.

Review of June 30, 2018 operations vs. June 30, 2017 operations

The First Gen Group generated a consolidated net income of \$120.6 million in the first half of 2018, a \$19.5 million or 19.2% increase from the \$101.1 million posted in the first half of 2017. Consolidated revenues from the sale of electricity reached \$938.9 million in the first half of 2018, \$84.9 million or 9.9% higher than the \$854.0 million posted in the same period last year.

Net Income Attributable to Equity Holders of the Parent Company

The net income attributable to the equity holders of the Parent Company grew by \$26.9 million, or 46.3% to \$84.9 million in the first half of 2018, compared to \$58.0 million recognized in the same period last year. The increase in attributable net income was mainly due to the higher contributions of the following subsidiaries:

- FGPC's net income contribution increased by \$23.0 million, or 85.6% to \$49.8 million in the first half of 2018 from \$26.8 million in the same period last year. This was primarily due to the absence of a one-time interest rate swap termination cost amounting to \$13.4 million and an unamortized debt issuance cost (DIC) write-off amounting to \$2.1 million from the prepayment of its previously outstanding loan. This was further supplemented by FGPC's higher NDC in the first half of 2018 (1,100.0 MW in the first half of 2018 compared to 1,069.6 MW in 2017), as well as its lower staff costs during the period.
- FNPC contributed a net income of \$9.0 million in the first half of 2018, a \$22.5 million or 166.6% positive reversal from the \$13.5 million net loss booked in the first half of 2017. The reversal was primarily due to higher volume sales from higher spot market prices, mainly driven by a number of plant outages in the grid in the first half of 2018. The higher volume sales was likewise a result of full operations in the first half of 2018 compared to the same period in 2017 when there was a 20-day Malampaya outage in February 2017, as well as a temporary shutdown from the April 2017 Batangas earthquake. This was partially offset by a \$3.0 million increase in unrealized foreign exchange losses following the greater depreciation of the Philippine Peso against the U.S. Dollar.
- PMPC likewise had a positive reversal to net income contribution of \$2.0 million in the first half of 2018, a \$4.1 million or 194.2% increase from the \$2.1 million net loss booked in the same period last year. This was due to its higher volume sales from higher spot market prices, which was mainly driven by a number of plant outages in the grid in the first half of 2018. PMPC's higher dispatch was likewise a result of full operations in the first half of 2018 compared to the same period in 2017 when there was 20-day Malampaya outage in February 2017.
- The increases were partly offset by EDC's lower net income contribution, which declined by \$18.6 million, or 40.5% to \$27.4 million in the first half of 2018 from \$46.0 million in the same period last year. The decline was primarily due to Unified Leyte and Tongonan's lower revenue contribution and higher cost of sales due to damages from the two natural calamities that struck the plants in the second half of 2017, as well as its higher foreign exchange losses brought by the greater depreciation of the Philippine Peso vis-à-vis the U.S. Dollar in the first half of 2018. This was partially offset by EDC's insurance proceeds for damages caused by typhoon Yolanda and the July 2017 earthquake that hit EDC's Leyte site, and lower interest expenses from the partial redemption of its Dollar-denominated Bond in April and October 2017. The buyback of debt is in line with EDC's initiative of reducing its foreign currency exposure.
- FG Hydro's net income contribution likewise declined by \$1.7 million, or 24.4% to \$5.2 million in the first half of 2018 compared to \$6.9 million in the first half of 2017, primarily due to the absence of ancillary service revenues in the first quarter of 2018 following its ASPA expiration in February 2017. The lower revenues from ancillary service was partially offset by higher contracted volumes and higher spot market prices in the first half of 2018, as well as FG Hydro's lower income tax rate of 10.0% (as an RE developer) that commenced in February 2017.
- FGP's net income contribution declined by \$3.4 million, or 16.3% to \$17.3 million in the first half of 2018 from \$20.7 million in the same period last year. This was primarily due to a \$3.8 million increase in FGP's provision for deferred income tax as a result of the depreciation of the Peso against the U.S. Dollar. This was partially tempered by its higher NDC of 561.1 MW in the first half of 2018 compared to 538.4 MW in the same period in 2017.

FIRST GEN MATERIAL CHANGES IN FINANCIAL CONDITION
(June 30, 2018 vs. June 30, 2017)

CONSOLIDATED STATEMENTS OF INCOME

Horizontal and Vertical Analyses of Material Changes for the periods ended June 30, 2018 and 2017

	June 30, 2018	June 30, 2017 (As restated)	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			2018 vs. 2017	2018 vs. 2017	June 30, 2018	June 30, 2017 (As restated)
Revenues from sale of electricity	\$938,850	\$853,995	\$84,855	9.9%	100.0%	100.0%
TOTAL REVENUES	938,850	853,995	84,855	9.9%	100.0%	100.0%
OPERATING EXPENSES						
Costs of sale of electricity	(610,468)	(507,940)	(102,528)	20.2%	-65.0%	-59.5%
General and administrative expenses	(87,340)	(91,273)	3,933	-4.3%	-9.3%	-10.7%
Sub-total	(697,808)	(599,213)	(98,595)	16.5%	-74.3%	-70.2%
FINANCIAL INCOME (EXPENSE)						
Interest income	8,549	3,657	4,892	133.8%	0.9%	0.4%
Interest expense and financing charges	(66,881)	(98,005)	31,124	-31.8%	-7.1%	-11.5%
Sub-total	(58,332)	(94,348)	36,016	-38.2%	-6.2%	-11.0%
OTHER INCOME (CHARGES)						
Proceeds from insurance claims	11,301	-	11,301	100.0%	1.2%	0.0%
Foreign exchange losses – net	(28,048)	(7,051)	(20,997)	297.8%	-3.0%	-0.8%
Mark-to-market gains (loss) on derivatives – net	(821)	75	(896)	-1194.7%	-0.1%	0.0%
Mark-to-market gain (loss) on financial assets at FVPL – net	(432)	346	(778)	-224.9%	0.0%	0.0%
Loss on loan extinguishment	-	(8,047)	8,047	-100.0%	0.0%	-0.9%
Others – net	(924)	492	(1,416)	-287.8%	-0.1%	0.1%
Sub-total	(18,924)	(14,185)	(4,739)	33.4%	-2.0%	-1.7%
INCOME BEFORE INCOME TAX	163,786	146,249	17,537	12.0%	17.4%	17.1%
Provision for Income Tax						
Current	34,842	40,345	(5,503)	-13.6%	3.7%	4.7%
Deferred	8,343	4,762	3,581	75.2%	0.9%	0.6%
	43,185	45,107	(1,922)	-4.3%	4.6%	5.3%
NET INCOME	\$120,601	\$101,142	\$19,459	19.2%	12.8%	11.8%
Net income attributable to:						
Equity holders of the Parent Company	\$84,861	\$57,993	\$26,868	46.3%	9.0%	6.8%
Non-controlling Interests	\$35,740	\$43,149	(\$7,409)	-17.2%	3.8%	5.1%

Revenues from sale of electricity

The following table shows the composition of First Gen Group's consolidated revenues by platform for the periods ended June 30, 2018 and 2017:

Revenue Mix	June 2018	%	June 2017 (as restated)	%	Changes	%
Natural gas	\$598,912	63.8%	\$490,138	57.4%	\$108,774	22.2%
Geothermal/Wind/Solar	291,394	31.0%	317,774	37.2%	(26,380)	-8.3%
Hydro	23,218	2.5%	25,152	2.9%	(1,934)	-7.7%
Others*	25,326	2.7%	20,931	2.5%	4,395	21.0%
	938,850	100.0%	853,995	100.0%	84,855	9.9%

* net of intercompany sales between FGES and GCGI / BGI

Revenues for the first half of 2018 increased by \$84.9 million, or 9.9% to \$938.9 million compared to \$854.0 million in the first half of 2017. The increase was due to the movements per platform as explained in detail below:

Natural Gas

The increase in total consolidated revenues was mainly due to the platform's \$108.8 million, or 22.2% increase in revenues to \$598.9 million in the first half of 2018 from \$490.1 million in first half of 2017. This was primarily due to Avion and San Gabriel, which contributed a combined \$105.4 million in 2018 from only \$44.4 million in the first half of 2017, as the plants experienced higher volume sales and better spot prices driven by a number of plant outages in the grid. San Gabriel's dispatch improved at 63.5% for the first half of 2018 versus 29.1% for the same period in 2017, while Avion's dispatch was at 24.1% in the first half of 2018 versus 16.4% for the same period in 2017. This was further supplemented by the higher revenues of Santa Rita and San Lorenzo power plants which had higher NDC in the first half of 2018 versus the same period in 2017 (combined average NDC of 1,661.0 MW compared to 1,608.0 MW in 2017), and higher average gas prices (an average of \$8.2/MMBtu for the first half of 2018 compared to an average of \$7.4/MMBtu for the same period last year). The increase was further supplemented by the absence of a 20-day Malampaya outage in February 2017, as well as the temporary shutdown of plants following the April 2017 Batangas earthquake.

The foregoing increases were slightly offset by the lower dispatch of the San Lorenzo power plant of 74.5% in the first half of 2018 compared to 77.4% in the same period last year due to a lower dispatch request from Meralco in the first half of 2018.

Geothermal/Wind/Solar ("GWS")

There was a \$26.4 million decrease in revenues from the GWS platform (EDC consolidated revenues ex-FG Hydro), or an 8.3% decrease to \$291.4 million in the first half of 2018 from \$317.8 million in the first half of 2017. The movement was principally driven by the lower revenue contribution of the Unified Leyte and the Tongonan plants as a result of damages brought about by typhoon Urduja. The decrease was partially offset by higher revenue contributions from Nasulo, Burgos Wind and Solar, Mindanao, and Siklab due to higher volume sales, further supplemented by BacMan and Mindanao's improved selling prices.

Hydro

Revenues from the Hydro platform decreased by \$1.9 million, or 7.7% to \$23.2 million in the first half of 2018 from \$25.1 million in same period last year. The decline was primarily due to the absence of ancillary service revenues in the first quarter of 2018, following its ASPA expiration in February 2017. This was likewise due to FG Bukidnon's lower revenues for the first half of 2018 when it experienced lower dispatch from lower water levels. These were partially offset by FG Hydro's higher contracted volume sales, as well as its higher revenues from spot market sales as a result of better spot prices in the first half of 2018.

Others

Others increased by \$4.4 million, or 21.0% to \$25.3 million in the first half of 2018 from \$20.9 million in the first half of 2017 as a result of FGES' higher contracted demand. As of June 30, 2018, FGES has a total contracted demand of 89.4 MW from 28 customers compared to 75.9 MW from 27 customers in the same period in 2017. FGES' revenues are from supply charges and power sold.

Costs of sale of electricity

The details of the Group's consolidated costs of sale of electricity for the periods ended June 30, 2018 and 2017 are summarized in the following tables:

<i>Cost of sale of electricity</i>	June 2018	%	June 2017 (as restated)	%	Changes	%
Fuel	\$369,027	60.5%	\$296,998	58.5%	\$72,029	24.3%
Depreciation and amortization	103,236	16.9%	100,323	19.7%	2,913	2.9%
Power plant O&M	114,731	18.8%	88,489	17.4%	26,242	29.7%
Others	23,474	3.8%	22,130	4.4%	1,344	6.1%
	610,468	100%	507,940	100%	102,528	20.2%

<i>Cost of sale of electricity</i>	June 2018	%	June 2017 (as restated)	%	Changes	%
Natural gas	\$437,357	71.7%	\$359,721	70.8%	\$77,636	21.6%
Geothermal/Wind/Solar	157,188	25.7%	135,660	26.7%	21,528	15.9%
Hydro	10,492	1.7%	9,148	1.8%	1,344	14.7%
Others	5,431	0.9%	3,411	0.7%	2,020	59.2%
	610,468	100%	507,940	100%	102,528	20.2%

The costs of sale of electricity for the period ended June 30, 2018 increased by \$102.5 million, or 20.2% to \$610.5 million for the first half of 2018 as compared to \$507.9 million for the first half of 2017. The increase was due to the movements per platform as explained in detail below:

Natural Gas

Costs of sale of electricity of the natural gas platform increased by \$77.6 million, or 21.6% to \$437.3 million in the first half of 2018 from \$359.7 million in the first half of 2017. The increase was mainly driven by a combined increase of \$48.3 million from Santa Rita and San Lorenzo brought about by the increase in fuel costs due to higher average gas prices (an average of \$8.2/MMBtu for the first half of 2018 compared to an average of \$7.4/MMBtu for the first half of 2017). This was partially offset by the lower dispatch of San Lorenzo (74.5% in the first half of 2018 compared to 77.4% in the same period last year).

The increase in the natural gas platform was further supplemented by the higher costs of sale from Avion and San Gabriel, which contributed a combined increase of \$29.3 million to \$76.5 million in the first half of 2018 from \$47.1 million in the same period last year. This was mainly due to the plants' higher dispatch in the first half of 2018 compared to the first half of 2017.

GWS

The costs of sale of electricity from the GWS platform increased by \$21.5 million, or 15.9% to \$157.2 million in the first half of 2018 from \$135.7 million for the same period of 2017. The increase is due to the platform's higher professional fees, repairs and maintenance costs for the recovery of the Unified Leyte and the Tongonan plants from damages brought by typhoon Urduja.

Hydro

The Hydro platform's costs of sale of electricity increased by \$1.3 million, or 14.7% to \$10.5 million for the first half of 2018 from \$9.1 million for the first half of 2017. The increase was mainly due to FG Hydro's increase in its replacement power purchases, as a result of its higher contracted demand in the first half of 2018.

Others

FGES' operating costs increased by \$2.0 million, or 59.2% to \$5.4 million for the first half of 2018 from \$3.4 million for the first half of 2017 due to its increase in contracted demand. FGES' contracted demand grew from 75.9 MW as of end-June 2017 to 89.4 MW as of end-June 2018.

G&A Expenses

G&A expenses decreased by \$3.9 million, or 4.3% to \$87.3 million in the first half of 2018 from \$91.3 million in the first half of 2017. This was primarily a result of EDC's lower taxes and licenses, further supplemented by First Gen's lower staff costs, and EDC's lower provision for doubtful accounts. The decline in G&A expenses was partially offset by EDC's higher professional fees due to purchased services for the recovery of its Unified Leyte and Tongonan plants from damages brought by natural calamities that hit these plants in 2017.

Interest income

Interest income significantly increased by \$4.9 million, or 133.8% to \$8.5 million in the first half of 2018 from \$3.6 million during the same period in 2017. The increase was mainly from the Parent's higher investible funds due to proceeds from FGPC's \$500.0 million loan refinancing in May 2017 and the EDC Tender Offer in September 2017.

Interest expense and financing charges

Interest expense and financing charges decreased by \$31.1 million, or 31.8% to \$66.9 million for the first half of 2018 from \$98.0 million in the same period last year. The decrease was primarily due to the absence of FGPC's one-time interest rate swap termination costs amounting to \$13.4 million and an unamortized DIC write-off amounting to \$2.1 million that were incurred when it fully prepaid its previously outstanding loan following its \$500.0 million debt refinancing in May 2017. This was supplemented by FGPC's lower interest rates as a result of its loan refinancing.

The lower interest expense was further supplemented by the Parent's lower outstanding debt as a result of the partial buyback and redemption (\$208.3 million of the Bond in total) of its \$300.0 million Bond in October and December 2017, lower loan balances after making scheduled repayments, as well as from EDC and FG Hydro's debt prepayments.

Foreign exchange losses – net

The First Gen Group recognized foreign exchange losses of \$28.0 million in the first half of 2018, a \$21.0 million or 297.8% increase from the \$7.1 million in unrealized foreign exchange losses incurred in the first half of 2017. This movement was primarily driven by the greater depreciation of the Philippine Peso against the U.S. Dollar in the first half of 2018 (from ₱49.930:\$1.00 as of end-2017 to ₱53.340:\$1.00 as of June 30, 2018) compared to the lower

depreciation of the Peso against the U.S. Dollar in the first half of 2017 (~~₱~~49.720:\$1.00 as of end-2016 versus ~~₱~~50.470:\$1.00 as of June 30, 2017).

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

For the first half of 2018, the net MTM loss on derivatives and MTM loss on financial assets at FVPL stood at \$1.3 million, a \$1.7 million reversal from the Group's \$0.4 million net MTM gain booked in the first half of 2017. The reversal was mainly due to EDC's derivative losses from its foreign currency forward contracts that it entered with various banks.

Other Income / Charges – net

Other income stood at \$10.4 million in the first half of 2018, a \$17.9 million or 237.3% positive reversal from the \$7.5 million loss booked in the first half of 2017. This positive reversal was due to EDC's \$11.3 million insurance claim proceeds on damages brought by typhoon Yolanda and the earthquake that struck the Leyte site in July 2017. The reversal was further supplemented by the absence of EDC's one-time loan extinguishment cost of \$8.0 million from the partial redemption (\$70.0 million) of its Dollar-denominated bond in the first half of 2017.

Provision for Income Tax

The provision for income tax recognized a decrease of \$1.9 million, or 4.3% to \$43.2 million for the first half of 2018 from \$45.1 million for the first half of 2017. The decrease was mainly due to EDC's lower taxable income for the first half of 2018 compared to 2017, as well as FG Hydro's lower taxable income, and its lower income tax rate of 10.0% (as a registered RE developer), which became effective in February 2017.

The lower current income tax provision in the first half of 2018 was partially offset by a higher provision for deferred income tax in the first half of 2018 by \$3.6 million to \$8.3 million in the first half of 2018, primarily due to the depreciation of the Philippine Peso against the U.S. Dollar.

Net Income

The First Gen Group generated a consolidated net income of \$120.6 million in the first half of 2018, \$19.5 million, or 19.2% higher than the \$101.1 million in the first half of 2017. The increase in net income was mainly due to the higher contributions of the following subsidiaries:

- FGPC's net income contribution increased by \$23.0 million, or 85.6% to \$49.8 million in the first half of 2018 from \$26.8 million in the same period last year. This was primarily due to the absence of a one-time interest rate swap termination cost amounting to \$13.4 million and an unamortized DIC write-off amounting to \$2.1 million from the prepayment of its previously outstanding loan. This was further supplemented by FGPC's higher NDC in the first half of 2018 (1,100.0 MW in the first half of 2018 compared to 1,069.6 MW in 2017), as well as its lower staff costs during the period.
- FNPC contributed a net income of \$9.0 million in the first half of 2018, a \$22.5 million or 166.6% positive reversal from the \$13.5 million net loss booked in the first half of 2017. The reversal was primarily due to higher volume sales from higher spot market prices, mainly driven by a number of plant outages in the grid in the first half of 2018. The higher volume sales was likewise a result of full operations in the first half of 2018 compared to the same period in 2017 when there was a 20-day Malampaya outage in February 2017, as well as a temporary shutdown from the April 2017 Batangas earthquake. This was partially offset by a \$3.0 million increase in unrealized foreign exchange losses following the greater depreciation of the Philippine Peso against the U.S. Dollar.
- PMPC likewise had a positive reversal to net income contribution of \$2.0 million in the first half of 2018, a \$4.1 million or 194.2% increase from the \$2.1 million net loss booked in the same period last year. This was due to its higher volume sales from higher spot market prices, which was mainly driven by a number of plant outages in the grid in the first half of 2018. PMPC's higher dispatch was likewise a result of full operations in the first half of 2018 compared to the same period in 2017 when there was a 20-day Malampaya outage in February 2017.
- The increases were partly offset by EDC's lower net income contribution, which declined by \$26.0 million, or 30.1% to \$60.3 million in the first half of 2018 from \$86.3 million in the same period last year. The decline was primarily due to Unified Leyte and Tongonan's lower revenue contribution and their higher cost of sales due to damages from natural calamities that struck the plants in the second half of 2017, as well as a \$7.3 million increase in foreign exchange losses brought by the greater depreciation of the Philippine Peso vis-à-vis the U.S. Dollar (from ~~₱~~49.930:\$1.00 as of end-2017 to ~~₱~~53.340:\$1.00 as of June 30, 2018) compared to the lower Peso depreciation in the first half of 2017 (~~₱~~49.720:\$1.00 as of end-2016 versus ~~₱~~50.470:\$1.00 as of June 30, 2017).

This was partially offset by EDC's \$11.3 million insurance proceeds for damages caused by typhoon Yolanda and the earthquake that struck the Leyte site in July 2017, and lower interest expenses from the partial redemption of its Dollar-denominated Bond in April and October 2017. The buyback of debt is in line with EDC's initiative of reducing its foreign currency exposure.

- FG Hydro's net income contribution likewise declined by \$1.8 million, or 18.1% to \$8.0 million in the first half of 2018 compared to \$9.8 million in the first half of 2017, primarily due to the absence of ancillary service revenues in the first quarter of 2018 following its ASPA expiration in February 2017. The lower revenues from ancillary service was partially offset by higher contracted volumes and higher spot market prices in the first half of 2018, as well as FG Hydro's lower income tax rate of 10.0% (as an RE developer) that commenced in February 2017.
- FGP's net income contribution declined by \$3.4 million, or 16.3% to \$17.3 million in the first half of 2018 from \$20.7 million in the same period last year. This was primarily due to a \$3.8 million increase in FGP's provision for deferred income tax as a result of the depreciation of the Peso against the U.S. Dollar. This was partially tempered by its higher NDC of 561.1 MW in the first half of 2018 compared to 538.4 MW in the same period in 2017.

Net Income Attributable to Equity Holders of the Parent Company

The net income attributable to the equity holders of the Parent Company grew by \$26.9 million, or 46.3% to \$84.9 million in the first half of 2018, compared to \$58.0 million recognized in the same period last year. The increase in attributable net income was mainly due to the higher contributions of the following subsidiaries:

- FGPC's net income contribution increased by \$23.0 million, or 85.6% to \$49.8 million in the first half of 2018 from \$26.8 million in the same period last year. This was primarily due to the absence of a one-time interest rate swap termination cost amounting to \$13.4 million and an unamortized DIC write-off amounting to \$2.1 million from the prepayment of its previously outstanding loan. This was further supplemented by FGPC's higher NDC in the first half of 2018 (1,100.0 MW in the first half of 2018 compared to 1,069.6 MW in 2017), as well as its lower staff costs during the period.
- FNPC contributed a net income of \$9.0 million in the first half of 2018, a \$22.5 million or 166.6% positive reversal from the \$13.5 million net loss booked in 2017. The reversal was primarily due to higher volume sales from higher spot market prices, mainly driven by a number of plant outages in the grid in the first half of 2018. The higher volume sales was likewise a result of full operations in the first half of 2018 compared to the same period in 2017 when there was a 20-day Malampaya outage in February 2017, as well as a temporary shutdown from the April 2017 Batangas earthquake. This was partially offset by a \$3.0 million increase in unrealized foreign exchange losses following the greater depreciation of the Philippine Peso against the U.S. Dollar.
- PMPC likewise had a positive reversal to net income contribution of \$2.0 million in the first half of 2018, a \$4.1 million or 194.2% increase from the \$2.1 million net loss booked in the same period last year. This was due to its higher volume sales from higher spot market prices, which was mainly driven by a number of plant outages in the grid in the first half of 2018. PMPC's higher dispatch was likewise a result of full operations in the first half of 2018 compared to the same period in 2017 when there was a 20-day Malampaya outage in February 2017.
- The increases were partly offset by EDC's lower net income contribution, which declined by \$18.6 million, or 40.5% to \$27.4 million in the first half of 2018 from \$46.0 million in the same period last year. The decline was primarily due to Unified Leyte and Tongonan's lower revenue contribution and higher cost of sales due to damages from the two natural calamities that struck the plants in the second half of 2017, as well as its higher foreign exchange losses brought by the greater depreciation of the Philippine Peso vis-à-vis the U.S. Dollar in the first half of 2018. This was partially offset by EDC's insurance proceeds for damages caused by typhoon Yolanda and the earthquake that struck the Leyte site in July 2017, and lower interest expenses from the partial redemption of its Dollar-denominated Bond in April and October 2017. The buyback of debt is in line with EDC's initiative of reducing its foreign currency exposure.
- FG Hydro's net income contribution likewise declined by \$1.7 million, or 24.4% to \$5.2 million in the first half of 2018 compared to \$6.9 million in the first half of 2017, primarily due to the absence of ancillary service revenues in the first quarter of 2018 following its ASPA expiration in February 2017. The lower revenues from ancillary service was partially offset by higher contracted volumes and higher spot market prices in the first half of 2018, as well as FG Hydro's lower income tax rate of 10.0% (as an RE developer) that commenced in February 2017.

- FGP's net income contribution declined by \$3.4 million, or 16.3% to \$17.3 million in the first half of 2018 from \$20.7 million in the same period last year. This was primarily due to a \$3.8 million increase in FGP's provision for deferred income tax as a result of the depreciation of the Peso against the U.S. Dollar. This was partially tempered by its higher NDC of 561.1 MW in the first half of 2018 compared to 538.4 MW in the same period in 2017.

Adjusting for non-recurring items such as typhoon- and earthquake-related expenses, proceeds from insurance claims, input VAT claims written-off, one-time gains and losses, movements in deferred income taxes, unrealized foreign exchange differences, and MTM gains/(losses) on derivative transactions, First Gen's RNI attributable to the Parent Company was \$115.5 million for the first half of 2018. This was \$29.9 million, or 34.9%, higher than the attributable RNI of \$85.6 million for the first half of 2017. The increase was primarily due to FNPC and PMPC's higher income contributions from their higher dispatch driven by improved spot market prices in the first half of 2018 compared to same period last year. This was further supplemented by the Parent Company's lower interest expense, as well as FGPC and FGP's higher NDC and lower recurring interest expenses. The increase in RNI was partially offset by lower contributions from EDC due to lower volume sales caused by typhoon Urduja, and FG Hydro's lower revenues as its ancillary revenues only started in the second quarter of 2018 following the expiration of its ASPA in February 2017.

For the six-month periods ended		
		June 30
Amounts in USD thousands	2018	2017 (as restated)
Net income attributable to the Parent Company	\$84,861	\$57,993
Adjustment of non-recurring items attributable to the Parent Company:		
Insurance proceeds – EDC	(4,699)	-
EDC's expenses related to earthquake damages	1,968	-
EDC's expenses related to typhoon damages	3,825	396
Movement in deferred income tax of FGPC, FGP, FNPC, FGES and FG Bukidnon	7,392	1,570
Movement in deferred income tax of EDC	391	1,615
Unrealized foreign exchange loss of FGPC, FGP, FNPC, PMPC and Parent	15,994	2,342
Unrealized foreign exchange loss of EDC, FG Hydro and Red Vulcan	5,223	2,372
MTM gain on derivatives of Parent	(21)	(19)
MTM loss (gain) on derivatives of EDC	530	(203)
Swap termination costs of FGPC	-	13,368
Debt issuance costs written-off pertaining to extinguished loan	-	2,071
Loss on debt extinguishment - EDC	-	4,068
Recurring Net Income attributable to Parent Company	\$115,464	\$85,573

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Horizontal and Vertical Analyses of Material Changes as of June 30, 2018 and December 31, 2017

	June 30, 2018	Dec. 31, 2017	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	(Unaudited)	(Audited)	2018 vs. 2017	2018 vs. 2017	June 30, 2018	Dec. 31, 2017
(Amounts in US\$ and in Thousands)						
ASSETS						
Current Assets						
Cash and cash equivalents	\$737,323	\$671,251	\$66,072	9.8%	13.9%	12.2%
Receivables	365,700	356,947	8,753	2.5%	6.9%	6.5%
Inventories	108,549	93,494	15,055	16.1%	2.0%	1.7%
Financial assets at fair value through profit or loss (FVPL)	23,570	20,720	2,850	13.8%	0.4%	0.4%
Other current assets	150,864	170,891	(20,027)	-11.7%	2.8%	3.1%
Total Current Assets	1,386,006	1,313,303	72,703	5.5%	26.1%	23.9%
Noncurrent Assets						
Property, plant and equipment – net	2,577,601	2,759,965	(182,364)	-6.6%	48.6%	50.2%
Goodwill and intangible assets	966,029	1,036,467	(70,438)	-6.8%	18.2%	18.8%
Deferred income tax assets – net	26,410	30,808	(4,398)	-14.3%	0.5%	0.6%
Other noncurrent assets	351,728	360,317	(8,589)	-2.4%	6.6%	6.6%
Total Noncurrent Assets	3,921,768	4,187,557	(265,789)	-6.3%	73.9%	76.1%
TOTAL ASSETS	\$5,307,774	\$5,500,860	(\$193,086)	-3.5%	100.0%	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	\$397,729	\$405,329	(\$7,600)	-1.9%	7.5%	7.4%
Income tax payable	10,872	9,115	1,757	19.3%	0.2%	0.2%
Dividends payable	13,063	14,478	(1,415)	-9.8%	0.2%	0.3%
Loans payable	405	-	405	100.0%	0.0%	0.0%
Due to a related party	145	145	0	0.0%	0.0%	0.0%
Current portion of:						
Long-term debts	226,058	301,179	(75,121)	-24.9%	4.3%	5.5%
Derivative liabilities	-	158	(158)	-100.0%	0.0%	0.0%
Total Current Liabilities	648,272	730,404	(82,132)	-11.2%	12.2%	13.3%
Noncurrent Liabilities						
Long-term debts – net of current portion	2,126,843	2,211,508	(84,665)	-3.8%	40.1%	40.2%
Retirement and other post-employment benefits	22,058	20,462	1,596	7.8%	0.4%	0.4%
Deferred income tax liabilities – net	35,843	29,368	6,475	22.0%	0.7%	0.5%
Other noncurrent liabilities	36,705	43,325	(6,620)	-15.3%	0.7%	0.8%
Derivative liabilities – net of current portion	-	1,605	(1,605)	-100.0%	0.0%	0.0%
Total Noncurrent Liabilities	2,221,449	2,306,268	(84,819)	-3.7%	41.9%	41.9%
Total Liabilities	2,869,721	3,036,672	(166,951)	-5.5%	54.1%	55.2%
Equity Attributable to Equity Holders of the Parent Company						
Redeemable preferred stock	69,345	69,345	0	0.0%	1.3%	1.3%
Common stock	75,123	75,123	0	0.0%	1.4%	1.4%
Additional paid-in capital	1,165,366	1,165,366	0	0.0%	22.0%	21.2%
Deposits for future stock subscriptions	2,139	2,139	0	0.0%	0.0%	0.0%
Accumulated unrealized gain on Available-for-sale (AFS) financial assets	448	425	23	5.4%	0.0%	0.0%
Cumulative translation adjustments	(226,142)	(133,148)	(92,994)	69.8%	-4.3%	-2.4%
Equity reserve	(237,884)	(237,884)	0	0.0%	-4.5%	-4.3%
Retained earnings	1,140,048	1,068,526	71,522	6.7%	21.5%	19.4%
Cost of stocks held in treasury						
Redeemable preferred stock	(103,757)	(102,997)	(760)	0.7%	-2.0%	-1.9%
Common stock	(27,207)	(24,625)	(2,582)	10.5%	-0.5%	-0.4%
Sub-total	1,857,479	1,882,270	(24,791)	-1.3%	35.0%	34.2%
Non-controlling Interests	580,574	581,918	(1,344)	-0.2%	10.9%	10.6%
Total Equity	2,438,053	2,464,188	(26,135)	-1.1%	45.9%	44.8%
TOTAL LIABILITIES AND EQUITY	\$5,307,774	\$5,500,860	(\$193,086)	-3.5%	100.0%	100.0%

Cash and cash equivalents

Cash and cash equivalents increased by \$66.1 million, or 9.8% to \$737.3 million as of end-June 2018 from \$671.2 million as of end-December 2017 mainly due to net cash generated from operating activities in the first half of 2018, as well as proceeds from EDC's ₱4.8 billion loan with the International Finance Corporation (IFC), which was drawn on June 22, 2018. The increase was partly offset by EDC's payment of its \$80.0 million term loan due on June 21, 2018, as well as the First Gen Group's debt service payments and prepayments. The Parent likewise bought back some of its common and preferred shares in the first half of 2018 and paid dividends to preferred shareholders in January 2018.

Receivables

Receivables slightly increased by \$8.8 million, or 2.5% to \$365.7 million as of end-June 2018 from \$356.9 million as of end-December 2017 mainly a result of the First Gas Plants' higher trade receivables from their increased revenues attributable to their higher combined dispatch and gas prices. The movement was partially offset by EDC's lower trade receivables from NPC as the balance for the first half of 2018 only includes the June 2018 billing period, while the balance as of December 31, 2017 includes the November and December 2017 billing periods.

Inventories

Inventories increased by \$15.0 million, or 16.1% to \$108.5 million as of end-June 2018 from \$93.5 million as of end-December 2017 primarily due to FGPC, FGP and PMPC's liquid fuel importation for the replenishment of their liquid fuel inventories.

Financial assets at FVPL

Financial assets at FVPL increased by \$2.9 million, or 13.8% to \$23.6 million as of end-June 2018 from \$20.7 million as of end-December 2017 mainly due to an increase in the Parent Company's investments, partially offset by redemptions made by First Gen and EDC during the first half of 2018.

Other current assets

Other current assets decreased by \$20.0 million, or 11.7% to \$150.9 million as of end-June 2018 from \$170.9 million as of end-December 2017 mainly from a decrease in Debt Service Reserve Account (DSRA).

Property, plant, and equipment

Property, plant and equipment decreased by \$182.4 million, or 6.6% to \$2,577.6 million as of end-June 2018 from \$2,760.0 million as of end-December 2017 mainly due to the depreciation of existing assets. This was partially offset by EDC's additions for its major plant repairs and maintenance requirements.

Goodwill and intangible assets

Goodwill and intangible assets decreased by \$70.4 million, or 6.8% to \$966.0 million as of end-June 2018 from \$1,036.4 million as of end-December 2017. This is lower due to foreign exchange adjustments in Red Vulcan's goodwill in EDC as a result of a change in period-end foreign exchange rates (₱53,340:\$1.00 in end-June 2018 compared to ₱49,930:\$1.00 in end-December 2017), as well as the depreciation of EDC's concession rights.

Deferred income tax assets

Deferred income tax assets decreased by \$4.4 million, or 14.3% to \$26.4 million as of end-June 2018 from \$30.8 million as of end-December 2017, primarily from FGP and EDC's lower deferred income tax assets due to unfavorable movements in their derivative instruments, as well as from EDC's realized foreign exchange losses when it paid down its \$80.0 term loan in June 2018.

Other noncurrent assets

Other noncurrent assets decreased by \$8.6 million, or 2.4% to \$351.7 million as of end-June 2018 from \$360.3 million as of end-December 2017, mainly due to lower input VAT, EDC's lower exploration and evaluation assets, and its use of tax credit certificates during the period. This was partially offset by First Gen's higher prepaid major spare parts brought by the capitalization of FGPC and FGP's O&M charges to cover the cost of turbine blades.

Accounts payable and accrued expenses

Accounts payable and accrued expenses decreased by \$7.6 million, or 1.9% to \$397.7 million as of end-June 2018 from \$405.3 million as of end-December 2017, mainly due to EDC's payment to its suppliers. This was partially offset by an increase in the First Gas Plants' Malampaya gas payables due to higher average gas prices and higher dispatch, further supplemented by payables on the natural gas plants' liquid fuel importation for their fuel replenishment.

Income tax payable

Income tax payable increased by \$1.8 million, or 19.3% to \$10.9 million as of end-June 2018 from \$9.1 million as of end-December 2017, primarily due to EDC Parent's higher income tax expense in the first half of 2018 in relation to its insurance proceeds.

Loans payable

Loans payable increased to \$0.4 million in the first half of 2018 from nil as of end-December 2017 due to a short-term loan availed by EDC.

Dividends payable

Dividends payable decreased by \$1.4 million, or 9.8% to \$13.1 million as of end-June 2018 from \$14.5 million as of end-December 2017, mainly due to lower preferred share dividends declared as a result of the buyback of Series “G” preferred stocks amounting to \$0.8 million from the open market in the first half of 2018, and the payment of Series “B” and “E” preferred stocks in January 2018. Dividends on Series “B” and “E” are paid every January, while dividends on Series “F” and “G” preferred stocks are paid every January and July.

Long-term debt – current portion

The current portion of long-term debt decreased by \$75.1 million, or 24.9% to \$226.1 million as of end-June 2018 from \$301.2 million as of end-December 2017, primarily due to EDC’s payment of its \$80.0 million term loan in June 2018, as well as FG Hydro’s ₱500.0 million voluntary debt prepayment in May 2018, which brought down its succeeding debt payments. This was partially offset by the higher scheduled debt payments in 2018 of FGPC, FGP, and the Parent.

Derivative liabilities –current portion

The current portion of the derivative liabilities decreased by \$0.2 million, or 100.0% to nil as of end-June 2018 due to the settlement of FGPC's, FGP's and FNPC's Euro derivatives that were used to hedge the outstanding and forecasted monthly payables to SPOI under their respective O&M contracts. This was supplemented by the maturity of EDC’s interest rate swap contracts.

Long-term debt – net of current portion

Long-term debt decreased by \$84.7 million, or 3.8% to \$2,126.8 million as of end-June 2018 from \$2,211.5 million as of end-December 2017, primarily due to debt service payments and the reclassification of a portion of their Long-term debt to the current portion. The decrease was partially offset by the ₱4.8 billion IFC loan that EDC secured on June 22, 2018.

Derivative liabilities – net of current portion

Derivative liabilities decreased by \$1.6 million, or 100.0% as of end-June 2018 mainly due to the settlement of FGPC's, FGP's and FNPC's Euro derivatives and EDC’s hedging contracts as mentioned above.

Retirement and other post-employment benefits

This account increased by \$1.6 million, or 7.8% to \$22.1 million as of end-June 2018 from \$20.5 million as of end-December 2017, mainly due to the recognition of retirement expense provisions during the period.

Deferred income tax liabilities

This account increased by \$6.5 million, or 22.0% to \$35.8 million as of end-June 2018 from \$29.4 million as of end-December 2017, primarily due to an addition to deferred tax liabilities of FGPC, FNPC and the EDC Parent following the depreciation of the Philippine Peso against the U.S. Dollar in end-June 2018 compared to end-2017 (from ₱49.930:\$1.00 as of end-2017 to ₱53.340:\$1.00 as of June 30, 2018).

Cumulative translation adjustments

The debit balance of the Cumulative translation adjustments account increased by \$93.0 million, or 69.8% to \$226.1 million as of end-June 2018 from \$133.1 million as of end-December 2017 due to the unfavorable difference on foreign exchange translation of the assets and liabilities of the subsidiaries, whose functional currency is the Philippine Peso, such as EDC, FG Hydro and PMPC, to U.S. Dollar to conform with First Gen’s U.S. Dollar functional currency reporting.

Retained earnings

Retained earnings increased by \$71.5 million, or 6.7% to \$1,140.0 million as of end-June 2018 from \$1,068.5 million as of end-December 2017. The increase was due to the Company’s attributable earnings to the Parent of \$84.9 million for the first half of 2018, partially offset by cash dividends declared to preferred shareholders.

Cost of common and preferred stocks held in treasury

The cost of common and preferred stocks held in treasury increased by \$3.3 million, or 2.6% to \$131.0 million as of end-June 2018 from \$127.6 million as of end-December 2017 following the buyback of common shares totaling \$2.6 million and of Series “G” preferred stocks amounting to \$0.8 million from the open market in the first half of 2018.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

The following table shows our consolidated cash flows for the periods ended June 30, 2018 and 2017, and provides certain relevant measures of our liquidity and capital resources as of June 30, 2018 and 2017:

<i>(in Thousand U.S. Dollars except for financial ratios and % change)</i>	For the six-month periods ended June 30			
	2018	2017	Change	YoY %
Consolidated Cash Flows				
<i>Net cash flows from operating activities</i>	\$315,021	\$326,261	(\$11,240)	-3.4%
<i>Net cash flows from investing activities</i>	(52,948)	(66,745)	13,797	-20.7%
<i>Net cash flows from financing activities</i>	(184,183)	51,801	(235,984)	455.6%
Total Capital Expenditures ¹	\$27,940	\$58,982	(\$31,042)	-52.6%

Capitalization

Interest-bearing long-term debt:

	June 2018	Dec. 2017	Change	YoY %
<i>Current portion</i>	226,058	301,179	(75,121)	-24.9%
<i>Noncurrent portion</i>	2,126,843	2,211,508	(84,665)	-3.8%
<i>Total interest-bearing long-term debt</i>	2,352,901	2,512,687	(159,786)	-6.4%
<i>Total equity attributable to equity holders of the Parent Company</i>	1,857,479	1,882,270	(24,791)	-1.3%
	\$4,210,380	\$4,394,957	(\$184,577)	-4.2%

Other Selected Financial Data

	June 2018	Dec. 2017
<i>Total assets</i>	\$5,307,774	\$5,500,860
<i>Cash and cash equivalents</i>	\$737,323	\$671,251
<i>Financial assets at FVPL</i>	23,570	20,720
	\$760,893	\$691,971

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

The First Gen Group's total consolidated assets as of June 30, 2018 amounted to \$5.31 billion compared to \$5.50 billion as of December 31, 2017. Consolidated cash and cash equivalents and financial assets at FVPL amounted to \$760.9 million as of June 30, 2018 compared to \$692.0 million as of December 31, 2017.

Principal sources of cash and cash equivalents in the first half of 2018 were cash generated from operations and loan proceeds drawn during the period, which were partially offset by the scheduled and voluntary principal and interest payments on First Gen Group's existing loans, payments of dividends to common and preferred stockholders, capital expenditures, and the buyback of common and preferred stocks in the open market during the period.

Cash Flows from Operating Activities

Net cash flows from operating activities decreased by \$11.2 million, or 3.4% to \$315.0 million in the first half of 2018 from \$326.2 million in the first half of 2017 mainly due to the higher level of trade receivables from Meralco as a result of FGPC's higher dispatch and higher average gas prices, as well as the merchant gas plants' higher receivables from PEMC since the payment due date fell on a non-business day. The decline was further supplemented by EDC's lower operating income contribution due to the natural calamities that affected the operations of its Leyte plants in the latter half of 2017. This was partially offset by an increase in payables for Malampaya gas due to the natural gas plants' higher dispatch and average gas prices, as well as for the natural gas plants' liquid fuel importation in the first half of 2018. The decrease was likewise offset by EDC's insurance claim proceeds.

Cash Flows from Investing Activities

Net cash flows used in investing activities decreased by \$13.8 million, or 20.7% to \$52.9 million in the first half of 2018 from \$66.7 million in the first half of 2017. The lower cash used in investing activities was primarily due to EDC's capital expenditures on its well drilling and rehabilitation of Tongonan's units in the first half of 2017. The Tongonan rehabilitation resulted to an increase in the plant's capacity by 10.5 MW in October 2017.

Cash Flows from Financing Activities

Net cash flows used in financing activities in the first half of 2018 amounted to \$184.2 million, a \$236.0 million or a 455.6% reversal from \$51.8 million in net cash inflow from financing activities in the same period in 2017. The positive inflow in the first half of 2017 was primarily from FGPC's \$500.0 million long-term debt refinancing proceeds in May 2017, as well as the short-term loan that FGPC obtained for its liquid fuel purchase. The increase was partially offset by the prepayment of FGPC's then outstanding long-term debt, a partial redemption of EDC's Dollar-denominated bond, and open market purchases of preferred stocks in the first half of 2017.

In the first half of 2018, the net cash outflow from debt service payments and prepayments, as well as buyback of common and preferred shares from the open market were offset by the proceeds from EDC's new ₱4.8 billion IFC loan secured in June 2018.

Below is the schedule of debt maturities based on the total outstanding debt of the First Gen Group as of June 30, 2018:

Year Due	(In US\$, thousand)
Within one year	\$229,554
2 to 3 years	746,268
4 to 5 years	703,963
More than 5 years	709,988
	<u>\$2,389,773</u>

Loan Covenants

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

As of June 30, 2018 and June 30, 2017, we are in compliance with all of our debt covenants.

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

Financing Requirements

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

Off-Balance Sheet Arrangements

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

FINANCIAL SOUNDNESS INDICATORS

First Gen Consolidated	June 2018	June 2017	December 2017
<i>Liquidity</i>			
Current ratio	2.14x	1.86x	1.80x
Quick ratio	1.70x	1.61x	1.41x
<i>Solvency/Financial leverage</i>			
Debt-to-equity ratio	1.18x	1.59x	1.23x
Interest-bearing debt-to-equity ratio (times)	0.97x	1.35x	1.02x
Asset-to-equity ratio	2.18x	2.59x	2.23x
<i>Profitability</i>			
Return on assets (%)	4.46%*	3.76%*	3.86%
Return on equity (%)	9.84%*	9.61%*	9.14%

*annualized

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

DISCUSSIONS OF MAJOR SUBSIDIARIES

FGPC

	For the periods ended June 30 (Unaudited)	
(in USD thousands)	2018	2017
Revenues from sale of electricity	327,236	287,376
Operating income	74,097	71,462
Net income	49,796	28,768
	As of the periods ended	
(in USD thousands)	June 30, 2018 (Unaudited)	Dec. 31, 2017 (Audited)
Total Assets	831,171	802,504
Debt - net of debt issuance costs	424,609	459,679
Other Liabilities	143,664	112,121
Total Equity	262,898	230,704

June 2018 vs. June 2017 Results

FGPC's revenues grew by \$39.8 million, or 13.9% to \$327.2 million for the first half of 2018 from \$287.4 million for the same period in 2017. The increase was primarily attributable to higher fuel revenues from natural gas consumption due to higher dispatch, coupled with higher average gas prices in the first half of 2018 (\$8.1/MMBtu in 2018 from \$7.4/MMBtu in 2017) and higher NDC values of 1,100.0 MW in 2018 compared to 1,069.6 MW in 2017 resulting from the upgrades done in Santa Rita.

Operating income improved by \$2.6 million, or 3.7% for the first half of 2018 primarily due to Santa Rita's higher plant dispatch and NDC values, and lower G&A expenses compared to the first half of 2017. FGPC posted a net income of \$49.8 million for the first half of 2018, higher by \$21.0 million or 73.1% from the \$28.8 million of income generated in the same period of 2017. The increase in net income was mainly due to the absence of non-recurring expenses such as the swap termination cost and unamortized debt issuance cost that was written-off due to the refinancing in 2017, and lower interest expense from its newly refinanced long term-debt.

ASSETS

FGPC's total assets as of June 30, 2018 stood at \$831.2 million, an increase of \$28.7 million, or 3.6%, from a balance of \$802.5 million as of December 31, 2017 due to the movement in the following accounts:

- Higher ending cash balance due to higher net cash generated from operations and collection of advances from the Parent Company amounting to \$70 million though offset by payments of dividends and long-term debt;
- Higher level of accounts receivables;
- Higher level of liquid fuel inventory,
- An increase in other current assets due to VAT on importation related to liquid fuel purchases; and
- An increase in prepaid major spare parts pending the installation of new turbine blades in the plant.

These were partially offset by:

- Lower AFS financial assets due to unfavorable movements in their MTM valuation; and
- The depreciation of property, plant and equipment.

LIABILITIES AND EQUITY

FGPC's total liabilities amounted to \$568.3 million as June 30, 2018, lower by \$3.5 million, or 0.6% from \$571.8 million as of December 31, 2017. The decrease in liabilities is primarily due to FGPC's scheduled payment of long-term debt last May 2018 partially offset by an increase in payables representing liquid fuel purchases and plant O&M fees for the first half of 2018 versus end-2017.

Total equity increased by \$32.2 million, or 14.0% to \$262.9 million as of June 30, 2018 as compared to \$230.7 million at the beginning of year. The increase in equity is mainly due to the net income earned during the period partially offset by dividends paid amounting \$15.6 million and unfavorable movements in the MTM valuation of AFS financial assets recognized under “Accumulated other comprehensive loss” account.

FGP Corp.

	For the periods ended June 30 (Unaudited)	
(in USD thousands)	2018	2017
Revenues from sale of electricity	166,304	158,382
Operating income	35,631	35,617
Net income	19,009	22,373
	As of the periods ended	
(in USD thousands)	June 30, 2018 (Unaudited)	Dec. 31, 2017 (Audited)
Total Assets	488,979	500,000
Debt - net of debt issuance costs	267,513	288,261
Other Liabilities	89,034	77,686
Total Equity	132,432	134,053

June 2018 vs. June 2017 Results

Total revenues for the first half of 2018 increased by \$7.9 million, or 5.0% to \$166.3 million from \$158.4 million for the same period in 2017. The increase in revenues was primarily due to higher fuel revenues driven by higher average fuel prices (\$8.3/MMBtu in 2018 as compared to \$7.4/MMBtu in 2017) and an increase in average NDC (561.1 MW in 2018 compared to 538.4 MW in 2017). However, these increases were partly offset by lower plant dispatch (74.6% in 2018 compared to 77.4% in 2017).

Correspondingly, operating income was hardly changed. Net income, however, decreased by \$3.4 million, or 15.0%, to \$19.0 million for the first half of 2018 from \$22.4 million for the same period in 2017 due to higher recognized provision for deferred income tax in 2018 compared to 2017.

ASSETS

FGP’s total assets as of June 30, 2018 stood at \$489.0 million, which decreased by \$11.0 million, or 2.2%, from \$500.0 million as of December 31, 2017 mainly due to the depreciation and amortization of property, plant and equipment for the first half 2018, coupled with a decrease in net deferred tax assets associated with foreign currency exchange movements.

LIABILITIES AND EQUITY

As of June 30, 2018, total liabilities decreased by \$9.4 million, or 2.6%, to \$356.5 million from 2017’s \$365.9 million due to scheduled loan payment of long-term loan (principal plus accrued interest).

Total equity decreased by \$1.6 million, or 1.2% to \$132.4 million as of June 30, 2018 compared to \$134.0 million as of end-2017. The decrease in equity was mainly due to dividends paid in January 2018, net of earnings during the period.

FNPC

	For the periods ended June 30 (Unaudited)	
(in USD thousands)	2018	2017
Revenues from sale of electricity	91,531	36,946
Operating income (loss)	21,209	(6,369)
Net income (loss)	9,019	(13,545)
	As of the periods ended	
(in USD thousands)	June 30, 2018 (Unaudited)	Dec. 31, 2017 (Audited)
Total Assets	473,412	455,663
Debt - net of debt issuance costs	175,950	184,067
Other Liabilities	23,948	18,610
Total Equity	273,514	252,986

June 2018 vs. June 2017 Results

FNPC recognized higher revenues by \$54.6 million, or 147.7%, to \$91.5 million for the first half of 2018 compared to \$36.9 million for the same period in 2017 mainly due to higher electricity sales to the spot market and favorable spot market prices. San Gabriel's dispatch improved to 63.5% for the first half of 2018 from 29.1% for the same period in 2017.

For the first half of 2018, operating income stood at \$21.2 million - a positive reversal of \$27.6 million or 433.0% higher from the operating loss of \$6.4 million incurred during the same period in 2017 as a result of higher volume sales and spot market prices. Meanwhile, FNPC posted a net income of \$9.0 million in 2018, compared to a net loss of \$13.5 million in 2017. Attributable factors to this result include better dispatch of the San Gabriel plant mainly driven by a number of plant outages in the grid in the first half of 2018 and higher average spot prices of electricity in the WESM. In 2017, the San Gabriel plant had moderate sales volume caused by a 20-day Malampaya outage in February, coupled with operational teething issues and a temporary plant shutdown following the Batangas earthquake in April 2017.

ASSETS

FNPC's total assets as of June 30, 2018 increased by \$17.7 million, or 3.9% to \$473.4 million from a balance of \$455.7 million as of December 31, 2017 due to the movement in the following accounts:

- Increase in cash balances by \$22.9 million mainly from operations; and
- Increase in trade and other receivables from PEMC by \$8.5 million.

LIABILITIES AND EQUITY

FNPC's total liabilities amounted to \$199.9 million as of June 30, 2018, lower by \$2.8 million or 1.4%, from the December 31, 2017 balance of \$202.7 million. This was due to the regular debt service payments in March 2018 amounting to \$13.0 million, partially offset by an increase in accounts payable and accrued expenses for the first half of 2018.

Total equity increased by \$20.5 million, or 8.1% to \$273.5 million as of June 30, 2018 as compared to \$253.0 million as of December 31, 2017. The increase was due to higher retained earnings from the income earned during the period and deposits for future stock subscription amounting to \$11.5 million.

PMPC

	For the periods ended June 30 (Unaudited)	
(in PHP thousands)	2018	2017
Revenues from sale of electricity	713,150	374,336
Operating income (loss)	73,200	(113,018)
Net income (loss)	102,517	(105,381)
	As of the periods ended	
(in PHP thousands)	June 30, 2018 (Unaudited)	Dec. 31 2017 (Audited)
Total assets	6,328,315	6,350,345
Total liabilities	170,776	95,323
Total equity	6,157,539	6,255,022

June 2018 vs. June 2017 Results

PMPC recognized higher revenues for the first half of 2018 by ₱338.8 million or a 90.5% increase from last year. The increase was triggered by higher demand of electricity coupled with higher average market prices in the WESM. Avion's dispatch improved to 20.0% for the first half of 2018 from 15.9% for the same period in 2017.

Operating income improved by ₱186.2 million, or 164.8% for the first half of 2018 due to higher revenues and lower general and administrative expenses by ₱15.9 million or 19.5%. Relative to the increase in revenues in 2018, cost of fuel consumption went up by ₱160.0 million caused by an increase in dispatch and higher average prices of natural gas for the first half of 2018 against 2017.

PMPC reported net income amounting to ₱102.5 million in 2018 against ₱102.4 million net loss in the same period of 2017. In addition to the improved operating income, unrealized foreign currency exchange gains increased by ₱21.6 million, or 320.6% as a result of the movement in exchange rates (from ₱49.93: \$1.00 as of December 31, 2017 to ₱53.34:\$1.00 as of June 30, 2018) that was used to revalue PMPC's U.S. dollar monetary assets into Philippine Peso.

ASSETS

PMPC's total assets decreased slightly by ₱22.0 million, or 0.3% from a balance of ₱6,350.3 million as of December 31, 2017 to ₱6,328.3 million as of June 30, 2018. The decrease was contributed by the following:

- Lower ending cash balances due to redemption of redeemable preferred stock held at treasury amounting to ₱200.0 million;
- Depreciation of property, plant and equipment for the period amounting to ₱114.7 million; and
- Lower input VAT balances brought about by offsetting it against the output VAT on sale of electricity of ₱51.3 million.

These were partially offset by a higher level of accounts receivables amounting to ₱166.5 million due to increased revenues and additions to property, plant and equipment account of ₱28.9 million.

LIABILITIES AND EQUITY

PMPC's total liabilities amounted to ₱170.8 million as of June 30, 2018, up by ₱75.5 million or 79.2% from ₱95.3 million as of December 31, 2017. The increase in liabilities is primarily due to higher payables to its suppliers and contractors.

Total equity decreased by ₱97.5 million to ₱6,157.5 million as of June 30, 2018 as compared to ₱6,255.0 million as of December 31, 2017 due to a redemption of preferred shares held in treasury amounting to ₱200 million, but partly offset by a reduction in deficit due income generated from operations from February to June 2018 amounting to ₱102.5 million.

EDC Consolidated

(Amounts in PHP millions)	For the periods ended June 30 (Unaudited)	
	2018	2017
Revenues from sale of electricity	17,135.2	17,746.7
Foreign exchange losses, net	(613.7)	(228.1)
Income before income tax	4,040.1	5,682.7
Net income	3,530.3	4,809.6
Net income attributable to Equity holders of the Parent Company	3,365.5	4,614.6
Recurring Net Income (RNI)	4,273.9	5,366.6
RNI attributable to Equity holders of the Parent Company	4,109.8	5,178.2
	As of the periods ended	
	June 30, 2018 (Unaudited)	Dec. 31, 2017 (Audited)
Total Assets	140,495.2	137,587.1
Total Liabilities	77,658.5	78,991.2
Total Equity	62,836.7	58,595.9

June 2018 vs. June 2017 Results

EDC posted a net income of ₱3,530.3 million in the first half of 2018, a 26.6% or a ₱1,279.3 million decrease from the ₱4,809.6 million in the same period of 2017. The movement was mainly driven by a ₱611.5 million decrease in revenues and ₱1,547.8 increase in costs of sale of electricity.

Revenues from sale of electricity for the first half of 2018 decreased by 3.4%, or ₱611.5 million to ₱17,135.2 million from ₱17,746.7 million during the same period in 2017. The movement was primarily driven by lower revenue contributions from Unified Leyte generating units by ₱1,010.8 million and GCGI power generating units by ₱528.4 million primarily due to the effect of natural calamities that hit the site in December 2017. This was partly offset by the following increases in revenue contribution of Nasulo (₱248.7 million), Burgos Wind (₱219.9 million), BacMan (₱141.5 million), Mindanao 2 (₱119.6 million), and Siklab (₱109.2 million). The decline in revenues was made worse by an increase of ₱1,547.8 million, or 22.6% in the costs of sale of electricity due to an increase in repairs and maintenance and purchased parts and supplies to restore the damaged facilities. Likewise, G&A expenses rose by ₱96.8 million, or 3.7% due to purchased services incurred to restore the facilities damaged by the natural calamities.

The unfavorable movement in operating income was exacerbated by higher unrealized foreign exchange losses amounting to ₱613.7 million, which increased by ₱385.6 million from ₱228.1 million in the same period of 2017. This was due to the greater depreciation of the Philippine Peso against the U.S. Dollar during the period (from ₱49.930:\$1.00 as of end-2017 to ₱53.340:\$1.00 as of June 30, 2018) compared to the lower depreciation of the Peso against the U.S. Dollar in the first half of 2017 (₱49.720:\$1.00 as of end-2016 versus ₱50.470:\$1.00 as of June 30, 2017). This was partly offset by an increase in proceeds from insurance claims (₱582.3 million) collected during the period, absence of a loss on extinguishment in 2018 (₱401.7 million), and a decrease in provision for income tax (₱362.7 million) due to EDC's lower taxable income.

EDC's recurring net income declined by 20.4%, or ₱1,092.7 million to ₱4,273.9 million in the first half of 2018 from ₱5,366.6 million in the same period of 2017. The decrease was mainly due to lower revenues (₱611.5 million) combined with an increase in operating expenses (₱1,638.5million) as a result of the disruption in operations caused by the calamities in 2017.

ASSETS

Total assets increased by ₱2,908.1 million, or 2.1% from ₱137,587.1 million as of December 31, 2017 to ₱140,495.2 million as of June 30, 2018. Total cash and cash equivalents increased by ₱4,366.3 million, or 37.3% from ₱11,695.7 million as of December 31, 2017 to ₱16,062.0 million as of June 30, 2018 primarily attributable to net cash generated from operating activities, partially offset by loan and interest repayments and acquisitions of property, plant and equipment.

LIABILITIES AND EQUITY

Total liabilities decreased by ₱1,332.7 million, or 1.7% from ₱78,991.2 million as of December 31, 2017 to ₱77,658.5 million as of June 30, 2018 due to lower trade payables as a result of its lower dispatch during the period.

Total equity increased by ₱4,240.8 million, or 7.2% from ₱58,595.9 million as of December 31, 2017 to ₱62,836.7 million as of June 30, 2018 mainly due to net income earned, fair value adjustments on hedging transactions and cumulative translation adjustments during the six-month period ended June 30, 2018.

FG Hydro

(Amounts in PHP millions)	For the periods ended June 30 (Unaudited)	
	2018	2017
Operating revenues	1,177.4	1,231.6
Cost of sales	531.2	448.6
General and administrative expenses	132.1	157.4
Operating profit	514.1	625.6
Other expenses – net	12.2	6.5
Income before tax	501.9	619.1
Provision for income tax	61.0	131.5
Net income	440.9	487.6
	As of the periods ended	
	June 30, 2018 (Unaudited)	Dec. 31, 2017 (Audited)
Total assets	5,544.9	5,753.0
Total liabilities	534.7	1,183.7
Total equity	5,010.2	4,569.3

June 2018 vs. June 2017 Results

FG Hydro generated revenues of ₱1,177.4 million for the first half of 2018, ₱54.2 million or 4.4% lower than its revenues of ₱1,231.6 million in the same period last year. The decline was primarily due to the absence of ancillary revenues in the first quarter of 2018 following the expiration of FG Hydro's ASPA in February 2017. This was further supplemented by the lower applicable rates under the new ASPA, which started in end-March 2018. This was partially offset by higher spot market revenues brought by higher average spot market prices, further supplemented by higher revenues from its existing contracts.

After the expiration of FG Hydro's ASPA on February 25, 2017, a new ASPA was executed with NGCP on April 10, 2017 with the implementation commencing on the March 26 to April 25, 2018 billing period.

Cost of sales in the first half of 2018 increased by ₱82.6 million or 18.4% to ₱531.2 million in the first half of 2018 from ₱448.6 million in the same period last year. The increase was mainly due to FG Hydro's higher replacement power purchases to service its higher contracted volume sales. G&A expenses decreased by ₱25.3 million or 16.1% to ₱132.1 million in the first half of 2018 as compared to ₱157.4 million in 2017. The favorable variance was mainly due to lower taxes and licenses, professional fees, insurance expense and other outside services. Interest expense for the first half of 2018 likewise declined by ₱7.3 million, or 27.1% to ₱19.6 million in the first half of 2018 from ₱26.9 million in the same period in 2017 due to its reduced long-term debt balance and its ₱500.0 million voluntary debt prepayment in May 2018.

Provision for income tax in the first half of 2018 declined by ₱70.5 million, or 53.6% to ₱61.0 million in the first half of 2018 from ₱131.5 million in the same period in 2017. The lower income tax expense was mainly driven by its lower taxable income and the reduced income tax rate of 10.0%, the rate applicable to FG Hydro as an RE developer effective February 22, 2017 for the Pantabangan plant and February 27, 2017 for the Masiway plant. Overall, FG Hydro's net income declined by ₱46.7 million, or 9.6% to ₱440.9 million in the first half of 2018 from ₱487.6 million in the same period last year.

ASSETS

Total assets as of June 30, 2018 stood at ₱5,544.9 million, which was ₱208.1 million, or 3.6% lower than the December 31, 2017 level of ₱5,753.0 million. The decline was mainly due to lower balances of property, plant and equipment and water rights in 2018 due to the continuous depreciation and amortization of FG Hydro's assets.

LIABILITIES AND EQUITY

As of June 30, 2018, total liabilities declined by ₱649.0 million, or 54.8% to ₱534.7 million from the December 31, 2017 level of ₱1,183.7 million. The favorable variance is mainly due to the scheduled debt payment and the voluntary partial debt prepayment amounting to ₱500.0 million on May 7, 2018.

Total equity as of June 30, 2018 increased by ₱440.9 million or 9.6% to ₱5,010.2 million from the December 31, 2017 level of ₱4,569.3 million mainly from net income generated during the period.

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

Philippine power supply is dominated by coal plants due to readily available coal supply globally. Substantially large supplies of natural gas that can be drilled, low natural gas prices, and mounting environmental regulations have weakened demand for coal globally.

While the rest of the world is using the least amount of coal to make electricity, "cheap" coal has established itself as the Philippines' main power generating fuel, where coal-fired plants constitute 65.0% to 70.0% of announced incoming capacities up to 2025. With electric power industry policy and decision makers seemingly oblivious to the fact that the heavy reliance on imported fossil fuel, such as coal, exposes the Philippines to volatile fuel prices and huge environmental costs, the country appears to be moving towards a coal-dominated future. This dictates many things in the industry, such as benchmark pricing of power, dispatch protocols, and bidding behavior in the WESM, among others.

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 inputs and services are denominated substantially in U.S. Dollars. Foreign exchange rate fluctuations affect the cost of borrowings, as well as the Philippine Peso value of such in their respective financial statements. The unit prices for majority of the Steam Sales Agreements (SSA) and Power Purchase Agreements (PPA) of EDC are indexed to the U.S. Dollar vis-à-vis the Philippine Peso.

Major Risks

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

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

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

Interest Rate Risk

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

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

In November 2008, FGPC entered into interest rate swap (IRS) agreements to cover the interest payments for up to 91.0% of its combined debt under the Covered and Uncovered Facilities. In May 2017, FGPC terminated its interest rate swap agreements following the full prepayment of its then outstanding debt using debt proceeds from the company's \$500.0 million long-term debt refinancing. In 2013, FGP likewise entered into three (3) IRS agreements to cover the interest payments of up to 24.3% of its Term Loan Facility.

EDC's subsidiary, EBWPC, entered into seven (7) IRS agreements with an aggregate notional amount of \$181.3 million. This is to partially hedge the interest rate risks on its ECA and Commercial Debt facilities (Foreign Facility) that is benchmarked against the U.S. LIBOR and with flexible interest reset feature that allows EBWPC to select the interest reset frequency to be applied.

Foreign Currency Risk

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

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

Foreign Currency Risk with Respect to U.S. Dollar and the European Euro

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

Certain First Gen subsidiaries, particularly FGPC, FGP, and FNPC are exposed to Euro movements due to their O&M fees. On September 11, 2017, these subsidiaries entered into several currency forwards to purchase Euro at fixed Euro to U.S. Dollar exchange rates and designated these derivatives as effective hedging instruments that addressed the risk on variability of cash flow due to foreign exchange fluctuations in Euro to U.S. dollar exchange rates related to its O&M fees to SPOI. Such currency forwards were settled from October 3, 2017 to March 2, 2018 which coincided with the settlement of the outstanding and forecasting monthly payables to SPOI.

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.

In 2017, EDC entered into four (4) call spread swaps with an aggregate notional amount of \$20.0 million. These derivative contracts are designed to hedge possible foreign exchange losses on its \$300.0 million dollar Bond, of which \$211.0 million dollars remains outstanding after the redemption in 2017.

In 2018, EDC entered into two (2) call spread swaps with an aggregate notional amount of \$10.0 million. These derivative contracts are designed to hedge the possible foreign exchange loss of its \$300.0 million dollar Bond.

Credit Risk

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

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

With respect to credit risk arising from the other financial assets of the First Gen Group, which comprise of cash and cash equivalents, excluding cash on hand, trade and other receivables, financial assets at FVPL, and AFS financial assets, the First Gen Group's exposure to credit risk arises from a possible default of the counterparties with a

maximum exposure equal to the carrying amount of these instruments before taking into account any collateral and other credit enhancements.

Concentration of Credit Risk

The Company, through its operating subsidiaries FGP and FGPC, earns substantially all of its revenues from Meralco. Meralco is the largest distribution utility in the Philippines. Meralco is committed to take or pay for the capacity and energy generated by the Santa Rita and San Lorenzo power plants under the existing long-term PPAs which are due to expire in August 2025 and September 2027, respectively. The PPAs provide mechanisms by which certain costs and obligations including fuel costs, among others, are pass-through to Meralco or are otherwise recoverable from Meralco. In July 2018, San Gabriel started delivering power to Meralco following the grant of a provisional approval for FNPC's contract with Meralco that was received from the ERC. The PSA will expire on February 23, 2024 and can be extended upon mutual agreement with Meralco.

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

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

Liquidity Risk

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

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

Merchant Risk

In 2017, the Company had two (2) fully-merchant power plants, namely San Gabriel and Avion. These plants were exposed to the volatility of spot prices because of supply and demand changes, which are mostly driven by factors that are outside of the First Gen Group's control. These factors include (but are not limited to) unexpected outages, weather conditions, transmission constraints, and changes in fuel prices. These have caused and are expected to cause instability in the operating results of the aforementioned plants. In March 2018, FNPC was awarded a six-year PSA for 414 MW of its capacity by Meralco. In July 2018, San Gabriel started delivering power to Meralco following the grant of a provisional approval for FNPC's contract with Meralco that was received from the ERC. The PSA will expire on February 23, 2024 and can be extended upon mutual agreement with Meralco.

The First Gen Group plans to mitigate these risks by having a balanced portfolio of contracted and spot capacities. As of June 30, 2018, the First Gen Group was 80.0% contracted in terms of installed capacity. Following the grant of a provisional approval from the ERC on FNPC's PSA with Meralco, the Group's contracted capacity is at 92.0%.

PART II – OTHER INFORMATION

RELATED PARTY TRANSACTIONS

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

OTHER RELEVANT INFORMATION

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

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

The Company has not 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 obligations for the reporting period.

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

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

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

As of June 30, 2018, there were no known trends, events or uncertainties that have had or reasonably expected to have material effect in the Company's liquidity.

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

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

- a. **Run-of-river hydro:** The Company is strengthening its expertise in hydroelectric power plant construction and development in order to start the construction of the 32 MW Bubunawan run-of-river hydro power project, subject to clarity in the Philippine market and regulatory regime. This project is located in Mindanao. Moreover, First Gen has licenses to develop at least four (4) other run-of-river hydro projects in Mindanao; namely, the 32 MW Bubunawan, 33 MW Tagoloan, 30 MW Puyo, and the 160 MW Cagayan 1N.
- b. **LNG terminal:** The Company continues to pursue and employ its pioneering efforts for natural gas by developing an import and regasification LNG terminal by 2024. Its planned construction and operation is in preparation for the eventual exhaustion of the Malampaya gas field and also to support the development of the Philippine gas industry. The Company continues to work on various development activities to be able to advance the project and make a final investment decision. The LNG terminal's Front End Engineering Design ("FEED") has been completed, and it is now going through a tender for the engineering, procurement, and construction ("EPC") Contract in which it has shortlisted two tenderers. In parallel, the Company has also completed the initial phase of planned site development for the LNG terminal site. The project is on track to make a Final Investment Decision by 2019.
- c. **Natural gas:** The Company is likewise evaluating the construction of two 450 MW natural gas-fired power plants, namely Santa Maria and Saint Joseph. The Company expects that the construction and operation of these new facilities would benefit from synergies throughout the gas projects, such as efficiencies from the shared fuel delivery and fuel storage facilities. The use of similar generating technology will also allow the

Company to take advantage of the operational expertise of its personnel. The commissioning of the plants will be planned in coordination with the progress of the development of the LNG terminal.

- d. **Geothermal:** The Company remains committed to solidify its lead in the Philippine geothermal industry by exploring and developing new geothermal fields. In line with this target, the company secured five geothermal projects through the execution of RE Contracts with the DOE. Surveys and resource assessments of these projects are being finalized.
 - e. **Wind and Solar:** The Company has 10 wind energy service contracts, nine of which are undergoing feasibility studies while one is operational. Moreover, it has six (6) solar energy service contracts, four (4) of which are undergoing feasibility studies, while two (2) are operational.
- (v) ***Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.***

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

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

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

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

FG Hydro's and FG Bukidnon's sale of electricity, as well as the Company's merchant plants, are affected by seasonality or cyclicity of interim operations.

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

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

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

FIRST GEN CORPORATION AND SUBSIDIARIES
AGING OF RECEIVABLES

Amounts in U.S. Dollars and in Thousands

	Current	More than 30 days past due	More than 30 days to 1 year past due	More than 1 year past due	Total
Trade	\$277,892	\$5,280	\$29,258	\$50,978	\$363,408
Related parties	1,347	—	—	—	1,347
Loans and notes receivables	1,307	—	—	—	1,307
Others	2,030	3	14	2	2,049
	282,576	5,283	29,272	50,980	368,111
Less: allowance for impairment losses	—	—	—	(2,411)	(2,411)
	\$282,576	\$5,283	\$29,272	\$48,569	\$365,700

FIRST GEN CORPORATION AND SUBSIDIARIES
**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
JUNE 30, 2018**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		√		
PFRSs Practice Statement Management Commentary			√	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			√
	Amendments to PFRS 1: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			√
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			√
	Amendments to PFRS 1: Government Loans			√
	Amendments to PFRS 1: Borrowing Costs			√
	Amendments to PFRS 1: Meaning of Effective PFRS			√
PFRS 2	Share-based Payments	√		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			√
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			√
	Amendments to PFRS 2: Definition of Vesting Conditions			√
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions			√
PFRS 3 (Revised)	Business Combinations	√		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			√
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
PFRS 4	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4			√
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			√
	Amendments to PFRS 5: Changes in Methods of Disposal			√
PFRS 6	Exploration for and Evaluation of Mineral Resources	√		
PFRS 7	Financial Instruments: Disclosures	√		
	Amendments to PFRS 7: Reclassification of Financial Assets			√
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			√
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	√		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			√
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			√
	Amendments to PFRS 7: Servicing Contracts			√
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			√
PFRS 8	Operating Segments	√		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	√		
PFRS 9	Financial Instruments	√		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*	Not early adopted		
PFRS 10	Consolidated Financial Statements	√		
	Amendments to PFRS 10: Investment Entities			√
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		

*Standards and interpretations which will become effective subsequent on or after January 1, 2019.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
PFRS 10 <i>(cont'd)</i>	Amendments to PFRS 10: Applying the Consolidation Exception			√
PFRS 11	Joint Arrangements			√
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			√
PFRS 12	Disclosure of Interests in Other Entities	√		
	Amendments to PFRS 12: Investment Entities			√
	Amendments to PFRS 12: Applying the Consolidation Exception			√
	Amendments to PFRS 12: Disclosure of Interest in Other Entities-Clarification of the Scope of the Standard			√
PFRS 13	Fair Value Measurement	√		
	Amendments to PFRS 13: Short-term Receivables and Payables	√		
	Amendments to PFRS 13: Portfolio Exception			√
PFRS 14	Regulatory Deferral Accounts			√
PFRS 15	Revenue from Contracts with Customers	√		
PFRS 16	Leases*	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	√		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	√		
PAS 2	Inventories	√		
PAS 7	Statement of Cash Flows	√		
	Amendments to PAS 7: Disclosure Initiative	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the Reporting Period	√		
PAS 11	Construction Contracts			√
PAS 12	Income Taxes	√		
	Amendments to PAS 12: Deferred Tax - Recovery of Underlying Assets			√

*Standards and interpretations which will become effective subsequent on or after January 1, 2019.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
PAS 12 <i>(cont'd)</i>	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			√
PAS 16	Property, Plant and Equipment	√		
	Amendments to PAS 16: Clarification of Servicing Equipment			√
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			√
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation			√
	Amendment to PAS 16: Bearer Plants			√
PAS 17	Leases	√		
PAS 18	Revenue	√		
PAS 19 (Amended)	Employee Benefits	√		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			√
	Amendments to PAS 19: Regional market issue regarding discount rate			√
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√
PAS 21	The Effects of Changes in Foreign Exchange Rates	√		
	Amendment: Net Investment in a Foreign Operation	√		
PAS 23 (Revised)	Borrowing Costs	√		
PAS 24 (Revised)	Related Party Disclosures	√		
	Amendments to PAS 24: Key Management Personnel	√		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27 (Amended)	Separate Financial Statements			√
	Amendments to PAS 27: Investment Entities			√
	Amendments to PAS 27: Equity Method in Separate Financial Statements			√
PAS 28 (Amended)	Investments in Associates and Joint Ventures	√		
	Amendments to PAS 28: Applying the Consolidation Exception			√
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			√
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		

*Standards and interpretations which will become effective subsequent on or after January 1, 2019.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended) (cont'd)	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 32	Financial Instruments: Disclosure and Presentation	√		
PAS 32	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendment to PAS 32: Classification of Rights Issues			√
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			√
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			√
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting			√
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			√
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim Financial Report'			√
PAS 36	Impairment of Assets	√		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			√
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets	√		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			√
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization			√
PAS 39	Financial Instruments: Recognition and Measurement	√		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			√
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			√
	Amendments to PAS 39: The Fair Value Option			√
	Amendments to PAS 39: Financial Guarantee Contracts			√

*Standards and interpretations which will become effective subsequent on or after January 1, 2019.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
PAS 39 <i>(cont'd)</i>	Amendments to PAS 39: Reclassification of Financial Assets			√
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			√
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			√
	Amendment to PAS 39: Eligible Hedged Items			√
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	√		
PAS 40	Investment Property			√
	Amendments to PAS 40: Investment Property			√
	Amendments to PAS 40: Transfers of Investment Property			√
PAS 41	Agriculture			√
	Amendments to PAS 41: Bearer Plants			√
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	√		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			√
IFRIC 4	Determining Whether an Arrangement Contains a Lease	√		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			√
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			√
IFRIC 8	Scope of PFRS 2			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives			√
IFRIC 10	Interim Financial Reporting and Impairment			√
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	√		
IFRIC 12	Service Concession Arrangements			√
IFRIC 13	Customer Loyalty Programmes			√

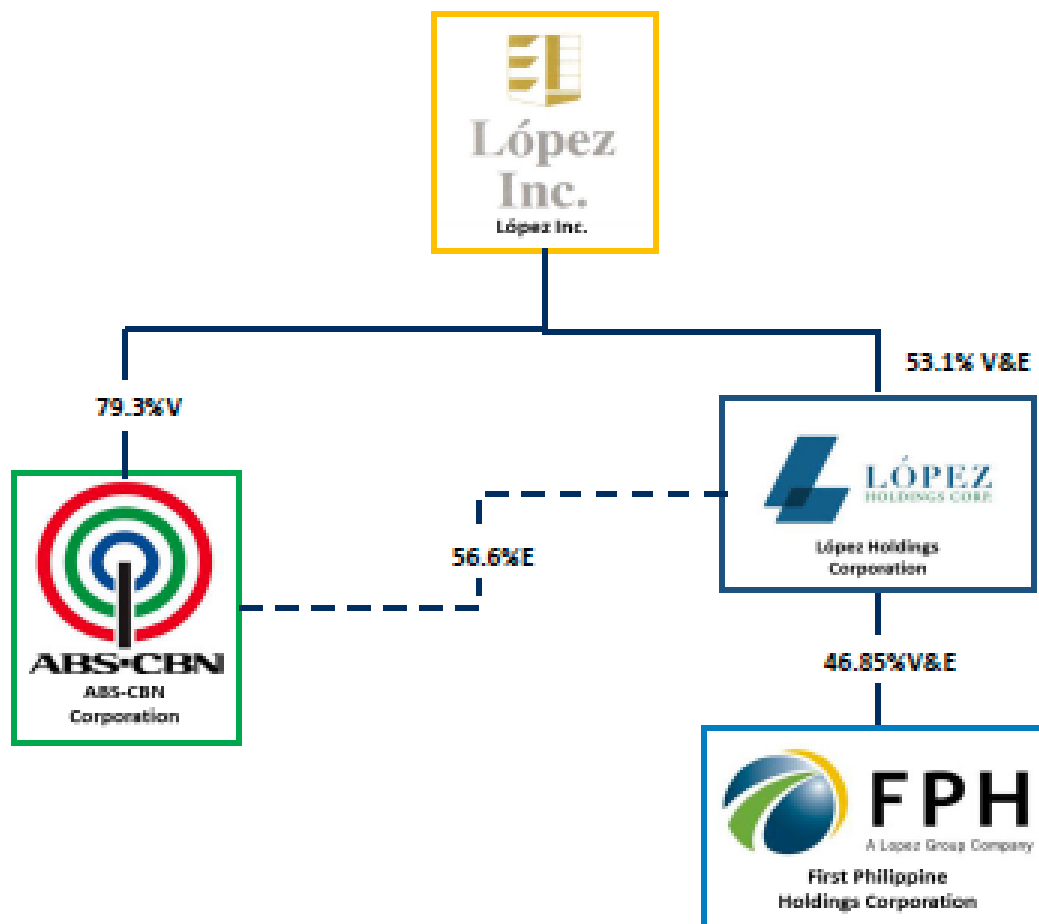
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			√
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			√
IFRIC 15	Agreements for the Construction of Real Estate			√
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			√
IFRIC 17	Distributions of Non-cash Assets to Owners			√
IFRIC 18	Transfers of Assets from Customers			√
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			√
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
IFRIC 21	Levies	√		
IFRIC 22	Foreign Currency Transactions and Advance Consideration			√
IFRIC 23	Uncertainty over Income Tax Treatments*	Not early adopted		
SIC-7	Introduction of the Euro			√
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-12	Consolidation Special Purpose Entities			√
	Amendment to SIC-12: Scope of SIC 12			√
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			√
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 on or after January 1, 2019.

Note: Standards and interpretations tagged as “Not Applicable” are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the six-month period ended June 30, 2018.

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE LOPEZ GROUP

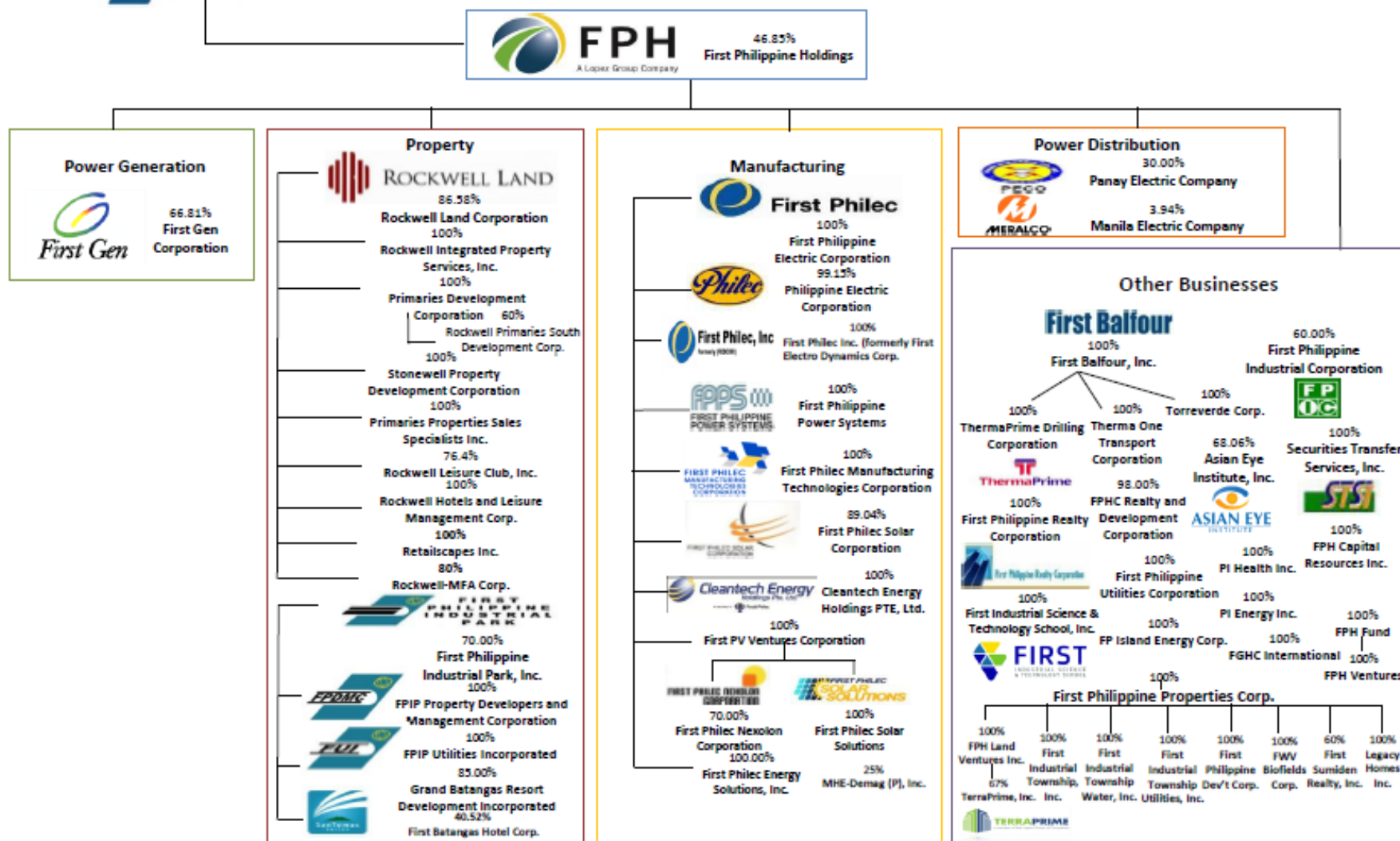
MAP OF THE COMPANIES WITHIN THE LOPEZ GROUP
AS OF JUNE 30, 2018



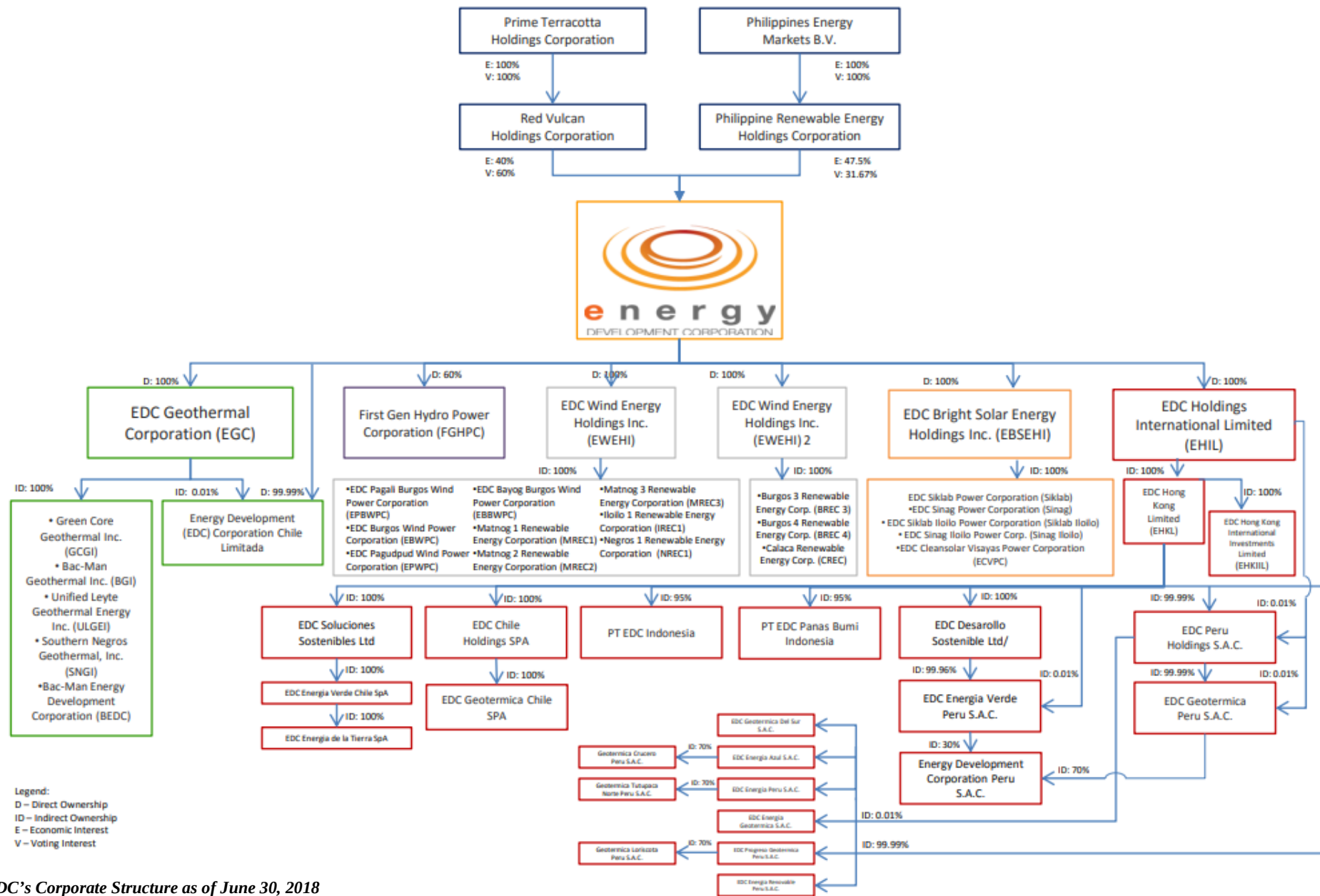
Legend:

E = Economic

V = Voting



FPH's Corporate Structure as of June 30, 2018



EDC's Corporate Structure as of June 30, 2018

SIGNATURES

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

FIRST GEN CORPORATION



MARIA CARMINA Z. UBAÑA
Vice President and Comptroller



EMMANUEL P. SINGSON
SVP, CFO and Treasurer

August 13, 2018

First Gen Corporation and Subsidiaries
Unaudited Interim Condensed Consolidated Financial Statements
June 30, 2018 (With Comparative Audited Figures as at December 31, 2017)
and For the Six-Month Periods Ended June 30, 2018 and 2017
(In U.S. Dollars)

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	\$737,323	\$671,251
Receivables (Notes 5 and 18)	365,700	356,947
Inventories (Note 6)	108,549	93,494
Financial assets at fair value through profit or loss (FVPL) (Notes 7, 18 and 19)	23,570	20,720
Other current assets (Note 8)	150,864	170,891
Total Current Assets	1,386,006	1,313,303
Noncurrent Assets		
Property, plant and equipment (Notes 9 and 13)	2,577,601	2,759,965
Goodwill and intangible assets (Note 10)	966,029	1,036,467
Deferred income tax assets - net	26,410	30,808
Other noncurrent assets (Note 11)	351,728	360,317
Total Noncurrent Assets	3,921,768	4,187,557
TOTAL ASSETS	\$5,307,774	\$5,500,860

LIABILITIES AND EQUITY

Current Liabilities		
Accounts payable and accrued expenses (Notes 12 and 19)	\$397,729	\$405,329
Income tax payable	10,872	9,115
Dividends payable	13,063	14,478
Due to a related party (Note 18)	145	145
Loans payable	405	—
Current portion of:		
Long-term debts (Notes 9 and 13)	226,058	301,179
Derivative liabilities (Note 20)	—	158
Total Current Liabilities	648,272	730,404
Noncurrent Liabilities		
Long-term debts - net of current portion (Notes 9 and 13)	2,126,843	2,211,508
Retirement and other post-employment benefits	22,058	20,462
Derivative liabilities - net of current portion (Note 20)	—	1,605
Deferred income tax liabilities - net	35,843	29,368
Other noncurrent liabilities (Note 14)	36,705	43,325
Total Noncurrent Liabilities	2,221,449	2,306,268
Total Liabilities	\$2,869,721	\$3,036,672

(Forward)

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Equity Attributable to Equity Holders of the Parent Company (Note 15)		
Redeemable preferred stock	\$69,345	\$69,345
Common stock	75,123	75,123
Additional paid-in capital	1,165,366	1,165,366
Deposit for future stock subscriptions	2,139	2,139
Cumulative translation adjustments (Note 20)	(226,142)	(133,148)
Accumulated unrealized gain on Available-For-Sale (AFS) financial assets - net	448	425
Equity reserve	(237,884)	(237,884)
Retained earnings	1,140,048	1,068,526
Cost of stocks held in treasury:		
Redeemable preferred stock	(103,757)	(102,997)
Common stock	(27,207)	(24,625)
	1,857,479	1,882,270
Non-controlling Interests	580,574	581,918
Total Equity	2,438,053	2,464,188
TOTAL LIABILITIES AND EQUITY	\$5,307,774	\$5,500,860

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Six-Month Periods Ended	
		June 30
	2018	2017
		(As restated)
REVENUES FROM SALE OF ELECTRICITY	\$938,850	\$853,995
COSTS OF SALE OF ELECTRICITY (Note 16)	(610,468)	(507,940)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	(87,340)	(91,273)
FINANCIAL INCOME (EXPENSE)		
Interest income	8,549	3,657
Interest expense and financing charges (Note 16)	(66,881)	(98,005)
	(58,332)	(94,348)
OTHER INCOME (CHARGES)		
Foreign exchange losses - net	(28,048)	(7,051)
Proceeds from insurance claims	11,301	—
Mark-to-market gain (loss) on derivatives - net (Note 20)	(821)	75
Mark-to-market gain (loss) on financial assets at FVPL (Notes 7 and 20)	(432)	346
Loss on loan extinguishment (Note 13)	—	(8,047)
Others (Note 20)	(924)	492
	(18,924)	(14,185)
INCOME BEFORE INCOME TAX	163,786	146,249
PROVISION FOR INCOME TAX		
Current	34,842	40,345
Deferred	8,343	4,762
	43,185	45,107
NET INCOME	\$120,601	\$101,142
Net income attributable to:		
Equity holders of the Parent Company	\$84,861	\$57,993
Non-controlling interests	35,740	43,149
	\$120,601	\$101,142
Basic Earnings per Share for Net Income Attributable to the		
Equity Holders of the Parent Company (Note 17)	\$0.020	\$0.012

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Three-Month Periods Ended	
		June 30
	2018	2017
		(As restated)
REVENUES FROM SALE OF ELECTRICITY	\$481,455	\$425,223
COSTS OF SALE OF ELECTRICITY (Note 16)	(316,701)	(262,729)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	(44,799)	(48,685)
FINANCIAL INCOME (EXPENSE)		
Interest income	4,889	1,945
Interest expense and financing charges (Note 16)	(33,504)	(56,278)
	(28,615)	(54,333)
OTHER INCOME (CHARGES)		
Foreign exchange losses - net	(8,793)	(3,191)
Proceeds from insurance claims	4,024	—
Mark-to-market gain (loss) on derivatives - net (Note 20)	(404)	460
Mark-to-market loss on financial assets at FVPL (Notes 7 and 20)	(81)	(171)
Loss on loan extinguishment (Note 13)	—	(8,047)
Others (Note 20)	(820)	899
	(6,074)	(10,050)
INCOME BEFORE INCOME TAX	85,266	49,426
PROVISION FOR INCOME TAX		
Current	16,222	15,258
Deferred	2,219	3,650
	18,441	18,908
NET INCOME	\$66,825	\$30,518
Net income attributable to:		
Equity holders of the Parent Company	\$45,188	\$16,695
Non-controlling interests	21,637	13,823
	\$66,825	\$30,518

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Six-Month Periods Ended	
	June 30	
	2018	2017
NET INCOME	\$120,601	\$101,142
OTHER COMPREHENSIVE INCOME (LOSS):		
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Exchange losses on foreign currency translation	(133,869)	(27,273)
Net gains on cash flow hedge - net of tax (Note 20)	3,756	2,453
Unrealized gain on AFS financial assets	58	148
	(130,055)	(24,672)
<i>Other comprehensive 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	—	(55)
Total other comprehensive loss - net of tax	(130,055)	(24,727)
TOTAL COMPREHENSIVE INCOME (LOSS)	(\$9,454)	\$76,415
Total comprehensive income (loss) attributable to:		
Equity holders of the Parent Company	(\$8,110)	\$43,414
Non-controlling interests	(1,344)	33,001
	(\$9,454)	\$76,415

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Three-Month Periods Ended	
	June 30	
	2018	2017
NET INCOME	\$66,825	\$30,518
OTHER COMPREHENSIVE INCOME (LOSS):		
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Exchange losses on foreign currency translation	(47,120)	(12,675)
Net gains on cash flow hedge - net of tax (Note 20)	323	2,328
Unrealized gain on AFS financial assets	13	62
	(46,784)	(10,285)
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>		
Re-measurement of retirement and other post-employment benefits - net of tax	—	—
Total other comprehensive loss - net of tax	(46,784)	(10,285)
TOTAL COMPREHENSIVE INCOME	\$20,041	\$20,233
Total comprehensive income attributable to:		
Equity holders of the Parent Company	\$13,038	\$10,823
Non-controlling interests	7,003	9,410
	\$20,041	\$20,233

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

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

	Equity Attributable to Equity Holders of the Parent Company (Note 15)											Non-controlling Interests	Total
	Capital Stock		Additional Paid-in Capital	Deposits For Future Stock Subscriptions	Cumulative Translation Adjustments	Accumulated Unrealized Gain on AFS Financial Assets	Equity Reserve	Retained Earnings	Cost of Stocks Held in Treasury		Subtotal		
	Redeemable Preferred Stock	Common Stock							Redeemable Preferred Stock	Common Stock			
BALANCES AT JANUARY 1, 2018	\$69,345	\$75,123	\$1,165,366	\$2,139	(\$133,148)	\$425	(\$237,884)	\$1,068,526	(\$102,997)	(\$24,625)	\$1,882,270	\$581,918	\$2,464,188
Total comprehensive loss	—	—	—	—	(92,994)	23	—	84,861	—	—	(8,110)	(1,344)	(9,454)
Purchase of common stocks	—	—	—	—	—	—	—	—	—	(2,582)	(2,582)	—	(2,582)
Buyback of Series “F” preferred stocks	—	—	—	—	—	—	—	—	(760)	—	(760)	—	(760)
Cash dividends on preferred shares	—	—	—	—	—	—	—	(13,339)	—	—	(13,339)	—	(13,339)
BALANCES AT JUNE 30, 2018	\$69,345	\$75,123	\$1,165,366	\$2,139	(\$226,142)	\$448	(\$237,884)	\$1,140,048	(\$103,757)	(\$27,207)	\$1,857,479	\$580,574	\$2,438,053
BALANCES AT JANUARY 1, 2017	\$69,345	\$75,123	\$1,165,366	\$2,139	(\$135,488)	\$345	(\$378,744)	\$986,981	(\$97,829)	(\$24,289)	\$1,662,949	\$426,618	\$2,089,567
Total comprehensive income	—	—	—	—	(14,603)	59	—	57,994	—	—	43,450	33,020	76,470
Re-measurement of retirement and other post-employment benefits closed to retained earnings	—	—	—	—	—	—	—	(36)	—	—	(36)	(19)	(55)
Buyback of Series “F” & “G” preferred stocks	—	—	—	—	—	—	—	—	(5,168)	—	(5,168)	—	(5,168)
Cash dividends on preferred shares	—	—	—	—	—	—	—	(14,005)	—	—	(14,005)	—	(14,005)
Dividends of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(25,957)	(25,957)
BALANCES AT JUNE 30, 2017	\$69,345	\$75,123	\$1,165,366	\$2,139	(\$150,091)	\$404	(\$378,744)	\$1,030,934	(\$102,997)	(\$24,289)	\$1,687,190	\$433,662	\$2,120,852

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Six-Month Periods Ended	
	June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$163,786	\$146,249
Adjustments for:		
Depreciation and amortization (Note 16)	107,760	104,897
Interest expense and financing charges (Note 16)	66,881	98,005
Unrealized foreign exchange losses - net	23,269	4,645
Mark-to-market loss (gain) on derivatives - net	821	(75)
Mark-to-market loss (gain) on financial assets at FVPL	432	(346)
Loss on direct write-off of input value-added tax (VAT) claims	1,182	874
Provision for impairment of spare parts and supplies inventories	66	697
Interest income	(8,549)	(3,657)
Gain on sale of property and equipment	(54)	(313)
Income before working capital changes	355,594	350,976
Decrease (increase) in:		
Receivables	(29,425)	(2,228)
Inventories	(14,553)	23,185
Other current assets	6,692	(15,596)
Increase in:		
Accounts payable and accrued expenses	17,167	2,271
Retirement and other post-employment benefits	3,238	3,716
Cash generated from operations	338,713	362,324
Interest received	8,549	3,657
Income taxes paid	(32,241)	(39,720)
Net cash flows from operating activities	315,021	326,261
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Debt service reserve account	8,201	6,648
Exploration and evaluation assets	(1)	344
Proceeds from:		
Sale of property and equipment	204	888
Redemption of financial assets at FVPL (Note 7)	12,687	14,933
Redemption of AFS financial assets	—	14,885
Additions to:		
Property, plant and equipment	(27,865)	(59,090)
Other noncurrent assets	(28,493)	(15,253)
Financial assets at FVPL (Note 7)	(17,607)	(14,933)
Intangible assets (Note 10)	(74)	(236)
Purchase of AFS financial assets	—	(14,931)
Net cash flows used in investing activities	(52,948)	(66,745)

(Forward)

	For the Six-Month Periods Ended	
	June 30	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Long-term debt	(\$196,901)	(\$473,265)
Interest expense and financing charges	(60,977)	(90,280)
Cash dividends to preferred shareholders	(14,478)	(14,719)
Purchase of common stocks	(2,582)	—
Dividends to non-controlling shareholder of subsidiaries	—	(25,957)
Buyback of Series “F” & “G” preferred stocks	(760)	(5,168)
Increase (decrease) in other noncurrent liabilities	(430)	1,546
Proceeds from availment of:		
Long-term debt - net of debt issuance costs	91,526	644,414
Loans payable	419	15,230
Net cash flows provided by (used in) financing activities	(184,183)	51,801
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		
 ON CASH AND CASH EQUIVALENTS	(11,818)	1,399
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,072	312,716
CASH AND CASH EQUIVALENTS		
 AT BEGINNING OF PERIOD	671,251	497,980
CASH AND CASH EQUIVALENTS		
 AT END OF PERIOD (Note 4)	\$737,323	\$810,696

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

1. Corporate Information

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

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

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

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

On May 28, 2012, the Parent Company completed the Public Offering of the 100,000,000 Series “G” Preferred Shares in the Philippines at an issue price of ₱100.0 per share. The Series “G” Preferred Shares are currently listed and traded on the First Board of the PSE. The total proceeds from the issuance of the Series “G” Preferred Shares amounted to ₱10.0 billion (\$234.4 million), net of transaction costs amounting to ₱95.2 million (\$2.2 million).

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

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

On May 11, 2016, the Board of Directors (BOD) of the Parent Company approved during its Organizational board meeting the two-year extension of the buy-back programs from June 1, 2016 to May 31, 2018. The two-year extension covers the: (i) common stock buy-back program covering up to 300.0 million of the Parent Company's common stocks; and (ii) Series "F" and "G" Preferred Shares buyback program covering up to ₱10.0 billion worth of said redeemable preferred stocks. In 2016, the Parent Company purchased from the open market 10,010 and 5,026,280 Series "F" and Series "G" redeemable preferred stocks, respectively. Total payments for the buyback of the Series "F" and Series "G" redeemable preferred stocks amounted to ₱1.1 million (\$0.02 million) and ₱598.8 million (\$12.2 million). In 2017, the Parent Company purchased from the open market 422,830 and 1,868,200 Series "F" and Series "G" redeemable preferred stocks, respectively. Total payments for the buyback of the Series "F" and Series "G" redeemable preferred stocks amounted to ₱45.8 million (\$0.9 million) and ₱211.7 million (\$4.2 million), respectively. In 2018, the Parent Company purchased from the open market 365,380 and 8,991,200 Series "G" redeemable preferred stocks and common stocks, respectively. Total payments for the buyback of Series "G" redeemable preferred stocks and common stocks amounted to \$0.8 million (₱39.6 million) and \$2.6 million (₱132.9 million), respectively (see Note 15).

On June 14, 2018, the BOD of the Parent Company approved during its board meeting the two-year extension of the buy-back programs from June 15, 2018 to June 14, 2020. The two-year extension covers the: (i) common stock buy-back program covering up to 300.0 million of the Parent Company's common stocks; and (ii) Series "G" Preferred Shares buyback program covering up to ₱10.0 billion worth of said redeemable preferred stocks.

On the same date, the BOD of the Parent Company approved during its board meeting, in accordance with the terms and condition of the Parent Company's Series "F" Preferred Shares, the redemption of all outstanding Series "F" Preferred Shares on July 25, 2018 at the applicable redemption value of ₱100.0 a share. On July 25, 2018, the Parent Company redeemed all outstanding Series "F" Preferred Shares amounting to \$119.0 million (₱6,320.2 million).

As of June 30, 2018, FPH directly and indirectly owns 66.81% of the common stocks of First Gen and 100% of First Gen's voting preferred stocks. FPH is 46.85%-owned by Lopez Holdings Corporation (Lopez Holdings), a publicly-listed Philippine-based entity, as at June 30, 2018. Majority of Lopez Holdings is owned by Lopez, Inc. Lopez, Inc. is the ultimate parent of First Gen. FPH, Lopez Holdings and Lopez, Inc. are all incorporated in the Philippines. As of June 30, 2018, there are 360 common stockholders of record of First Gen, and 3,651,952,357 common stocks issued and outstanding as of June 30, 2018 (see Note 15).

Corporate Address

The registered principal office address of the Parent Company is 6th Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City.

2. Summary of Significant Accounting Policies

Basis of Preparation

The unaudited interim condensed consolidated financial statements of First Gen Group as of June 30, 2018, and for the six-month periods ended June 30, 2018 and 2017 have been prepared

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

Statement of Compliance

The unaudited interim condensed consolidated financial statements of First Gen Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required in the annual consolidated financial statements, and should be read in conjunction with First Gen Group's annual consolidated financial statements as at and for the year ended December 31, 2017.

Significant Accounting and Financial Reporting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements as at and for the year ended December 31, 2017, except for the adoption of the following amended accounting standards that became effective beginning January 1, 2018.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2018, they do not have a material impact on the unaudited interim condensed consolidated financial statements of the Parent Company. The nature and the impact of each amendment are described below:

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

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

The amendments have no significant impact to First Gen Group as it has no share-based payment transactions in 2018.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

First Gen Group is currently assessing the impact of adopting PFRS 9.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The

amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

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

- PFRS 15, *Revenue from Contracts with Customers*

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs.

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

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

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

The amendments are not applicable to First Gen Group as it has no investment entity associate or joint venture.

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

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

The amendments do not have impact on First Gen Group as it does not have investment properties.

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

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Since First Gen Group's current practice is in line with the clarifications issued, the interpretation has no significant impact on its unaudited interim condensed consolidated financial statements.

Basis of Consolidation

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

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 period are included in the unaudited interim condensed consolidated financial statements from the date First Gen Group gains control until the First Gen Group ceases to control the subsidiary.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If First Gen Group loses control over a subsidiary, it derecognizes the carrying

amounts of the assets (including goodwill) and liabilities of the subsidiary, derecognizes the carrying amount of any non-controlling interest (including any attributable components of other comprehensive income recorded in equity), derecognizes the cumulative translation differences recorded in equity, recognizes the fair value of the consideration received, recognizes the fair value of any investment retained, and any surplus or deficit is recognized in the unaudited interim consolidated statement of comprehensive income. First Gen Group also reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if First Gen Group had directly disposed of the related assets or liabilities.

Non-controlling Interests

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

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

For the six-month periods ended June 30, 2018 and 2017, the non-controlling interests arise from the profits or losses and net assets not held by First Gen Group in EDC and Subsidiaries.

Subsidiaries

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

	Percentage of Voting Interest	
	June 30, 2018	December 31, 2017
First Gen Renewables, Inc. (FGRI)	100	100
Unified Holdings Corporation (Unified)	100	100
AlliedGen Power Corp. (AlliedGen)	100	100
First Gen Luzon Power Corp. (FG Luzon)	100	100
First Gen Visayas Hydro Power Corporation (FG Visayas)	100	100
First Gen Mindanao Hydro Power Corporation (FG Mindanao)	100	100
First Gen Ecopower Solutions, Inc. (FG Ecopower) ¹	100	100
First Gen Energy Solutions Inc. (FGES)	100	100
First Gen Premier Energy Corp. (FG Premier)	100	100
First Gen Prime Energy Corporation (FG Prime)	100	100
First Gen Visayas Energy, Inc. (FG Visayas Energy)	100	100
FG Bukidnon Power Corporation (FG Bukidnon) ²	100	100
Northern Terracotta Power Corp. (Northern Terracotta)	100	100
Blue Vulcan Holdings Corporation (Blue Vulcan)	100	100
Prime Meridian Powergen Corporation (Prime Meridian) ³	100	100
Gold silk Holdings Corporation ⁷	100	100
Dualcore Holdings Inc. ⁷	100	100
Onecore Holdings Inc. ⁷	100	100
FG Mindanao Renewables Corp. (FMRC) ⁸	100	100
FGen Northern Mindanao Holdings, Inc. (FNMHI) ⁸	100	100
FGen Tagoloan Hydro Corporation (FG Tagoloan) ⁹	100	100
FGen Tumalaong Hydro Corporation (FG Tumalaong) ⁹	100	100
FGen Puyo Hydro Corporation (FG Puyo) ¹⁰	100	100

	Percentage of Voting Interest	
	June 30, 2018	December 31, 2017
FGen Bubunawan Hydro Corporation (FG Bubunawan) ¹⁰	100	100
FGen Cabadbaran Hydro Corporation (FG Cabadbaran) ¹⁰	100	100
First Gas Holdings Corporation (FGHC)	100	100
FGP ⁴	100	100
First NatGas Power Corp. (FNPC) ⁵	100	100
First Gas Power Corporation (FGPC) ⁶	100	100
First Gas Pipeline Corporation (FG Pipeline) ⁶	100	100
FGLand Corporation (FG Land) ⁶	100	100
FGEN LNG Corporation (FGEN LNG) ¹¹	100	100
First Gen LNG Holdings Corporation (LNG Holdings)	100	100
First Gen Meridian Holdings, Inc. (FGEN Meridian)	100	100
FGen Power Ventures, Inc. (FGEN Power Ventures)	100	100
FGen Casecnan Hydro Power Corp. (FGEN Casecnan)	100	100
FGen Power Holdings, Inc. (Power Holdings)	100	100
FGen Prime Holdings, Inc. (Prime Holdings)	100	100
FGen Eco Solutions Holdings, Inc. (FGESHI)	100	100
FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings)	100	100
FGen Reliable Energy Holdings, Inc. (FG Reliable Energy)	100	100
FGen Power Solutions, Inc. (FG Power Solutions)	100	100
FGen Vibrant Blue Sky Holdings, Inc. (FGVBSHI)	100	100
FGen Aqua Power Holdings, Inc. (FG Aqua Power)	100	100
FGen Natural Gas Supply, Inc. (FGen NatGas Supply) ¹³	100	100
FGen Power Operations, Inc. (FPOI)	100	100
FGen Fuel Line Systems, Inc. (FGen Fuel Line)	100	100
Prime Terracota Holdings Corp. (Prime Terracota)	100	100
First Gen Hydro Power Corporation (FG Hydro) ¹²	40	40

¹Through FGESHI

²Through FGRI

³Through FGEN Meridian

⁴60% through Unified and 40% through Onecore

⁵Through AlliedGen

⁶Through FGHC

⁷Through Blue Vulcan

⁸Through FG Mindanao

⁹Through FMRC

¹⁰Through FNMHI

¹¹Through LNG Holdings

¹² The Parent Company has 40% direct voting interest in FG Hydro while its effective economic interest is 65.0% through Prime Terracota as of June 30, 2018.

¹³Through Liquefied Holdings

All of the foregoing subsidiaries are incorporated in the Philippines.

As of June 30, 2018, FG Luzon, FG Visayas, FG Mindanao, FG Ecopower, FG Premier, FG Prime, FG Visayas Energy, Northern Terracotta, FMRC, FNMHI, FG Tagoloan, FG Tumalaong, FG Puyo, FG Bubunawan, FG Cabadbaran, FG Pipeline, FG Land, FGEN LNG, LNG Holdings, FGen Northern Power, FGEN Power Ventures, FGEN Casecnan, Power Holdings, Prime Holdings, FGESHI, Liquefied Holdings, FG Reliable Energy, FG Power Solutions, FGVBSHI, FG Aqua Power, FGen NatGas Supply, FPOI, and FGen Fuel Line have not started commercial operations.

Prime Terracota

As of June 30, 2018 and December 31, 2017, Prime Terracota's subsidiaries include the following companies:

	Percentage of Voting Interest	
	June 30, 2018	December 31, 2017
Red Vulcan Holdings Corporation (Red Vulcan)	100	100
EDC ¹	60	60
First Gen Hydro Power Corporation (FG Hydro)	60	60
EDC Geothermal Corp. (EGC) ⁴	60	60
Green Core Geothermal Inc. (GCGI)	60	60
Bac-Man Geothermal Inc. (BGI)	60	60
Unified Leyte Geothermal Energy Inc. (ULGEI)	60	60
Southern Negros Geothermal, Inc. (SNGI) ³	60	60
Bac-Man Energy Development Corporation (BEDC) ³	60	60
EDC Wind Energy Holdings, Inc. (EWEHI) ⁴	60	60
EDC Burgos Wind Power Corporation (EBWPC)	60	60
EDC Pagudpud Wind Power Corporation (EPWPC) ³	60	60
EDC Bayog Burgos Wind Power Corporation (EBBWPC) ³	60	60
EDC Pagali Burgos Wind Power Corporation (EPBWPC) ³	60	60
Matnog 1 Renewable Energy Corporation (M1REC) ³	60	60
Matnog 2 Renewable Energy Corporation (M2REC) ³	60	60
Matnog 3 Renewable Energy Corporation (M3REC) ³	60	60
Iloilo 1 Renewable Energy Corporation (I1REC) ³	60	60
Negros 1 Renewable Energy Corporation (N1REC) ³	60	60
EDC Bright Solar Energy Holdings, Inc. (EBSEHI) ⁴	60	60
EDC Siklab Power Corporation (EDC Siklab), formerly		
EDC Bago Solar Power Corporation (EBSPC) ⁵	60	60
EDC Sinag Power Corporation (Sinag), formerly		
EDC Burgos Solar Corporation (EBSC) ³	60	60
EDC Sinag Iloilo Power Corporation (EDC Sinag Iloilo),		
formerly EDC Mindanao Geothermal, Inc. (EMGI) ^{3,5}	60	60
EDC Siklab Iloilo Power Corporation (Siklab Iloilo),		
formerly Kayabon Geothermal, Inc. (KGI) ^{3,5}	60	60
EDC Clean Solar Visayas Power Corporation (ECSVPC),		
formerly Mount Apo Renewable Inc. (MAREI) ^{3,5}	60	60
EDC Chile Limitada ³	60	60
EDC Holdings International Limited (EHIL) ⁴	60	60
Energy Development Corporation Hong Kong International Investment Limited		
(EDC HKIIL) ³	60	60
Energy Development Corporation Hong Kong Limited (EDC HKL) ⁴	60	60
EDC Chile Holdings SPA ³	60	60
EDC Geotermica Chile ³	60	60
EDC Peru Holdings S.A.C. ³	60	60
EDC Geotermica Peru S.A.C. ³	60	60
Energy Development Corporation Peru S.A.C. ³	60	60
EDC Geotermica Del Sur S.A.C. ³	60	60
EDC Energía Azul S.A.C. ³	60	60
Geotermica Crucero Peru S.A.C. ³	42	42
EDC Energía Perú S.A.C. ³	60	60
Geotermica Tutupaca Norte Peru S.A.C. ³	42	42
EDC Energía Geotérmica S.A.C. ³	60	60
EDC Progreso Geotérmica Perú S.A.C. ³	60	60
Geotermica Loriscota Peru S.A.C. ³	42	42
EDC Energía Renovable Perú S.A.C. ³	60	60
EDC Soluciones Sostenibles Ltd	60	60
EDC Energía Verde Chile SpA	60	60
EDC Energía de la Tierra SpA	60	60
EDC Desarrollo Sostenible Ltd.	60	60
EDC Energía Verde Peru SAC	60	60
PT EDC Indonesia ³	57	57
PT EDC Panas Bumi Indonesia ³	57	57
EDC Wind Energy Holdings 2 Inc. (EWEHI2) ^{2,4}	60	60
Calaca Renewable Energy Corporation (CREC) ²	60	60
Burgos 3 Renewable Energy Corporation (BREC3) ²	60	60
Burgos 4 Renewable Energy Corporation (BREC4) ²	60	60

¹The Parent Company's effective voting interest and economic interests in EDC through Prime Terracota as of June 30, 2018 are 61.1% and 41.6%, respectively.

²Incorporated in 2017 and has not yet started commercial operations as of June 30, 2018.

³Incorporated in prior years and has not yet started commercial operations as of June 30, 2018.

⁴Serves as an investment holding company.

⁵Changed corporate name in 2017.

EDC

On August 3, 2017, the Parent Company entered into an Implementation Agreement with Philippines Renewable Energy Holdings Corporation (“PREHC”), Red Vulcan and Northern Terracotta. PREHC is a company incorporated in the Philippines.

Under the Implementation Agreement, PREHC will conduct a voluntary tender offer for a minimum of 6.6 billion common stocks and up to a maximum of 8.9 billion common stocks of EDC, representing approximately up to 31.7% of the total outstanding voting shares of EDC, from the shareholders of EDC at a price of ₱7.25 per share.

On September 29, 2017, Red Vulcan entered into a Shareholders’ Agreement with Philippine Energy Markets B.V. (PEMBV), PREHC and EDC. PEMBV is a private company existing under the laws of the Netherlands and is the parent company of PREHC. The agreement sets out the agreement of the parties with respect to the management of EDC.

The Parent Company and Northern Terracotta tendered to PREHC their 991.8 million and 986.3 million common stocks, respectively, subject to scale-back provisions under applicable regulations.

Following the implementation of the scale back announced by PREHC, the tendered shares were 842.9 million and 838.2 million common stocks for the Parent Company and Northern Terracotta, respectively. Red Vulcan did not participate in the tender offer process and retained its existing common stocks and voting preferred stocks, which correspond to a 60.0% voting stake in EDC. The Parent Company continues to consolidate EDC given its current controlling stake. However, the Parent Company’s economic interest in EDC was reduced to 41.6% after the transaction.

As of June 30, 2018 and December 31, 2017, the Parent Company has 61.1% effective voting interest in EDC through Prime Terracota.

EDC Subsidiaries

EDC Drillco is a company incorporated on September 28, 2009 to act as an independent service contractor, consultant, and specialized technical adviser for well construction and drilling, and other related activities. On August 4, 2017, the Philippine SEC approved the shortening of the term of its existence, thereby dissolving the corporation.

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

Investments in Associates

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

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

	Percentage of Voting Interest	
	June 30, 2018	December 31, 2017
Buang Private Power Corporation (BPPC) ¹	37	37
FGen Northern Power Corp. (FGen Northern Power) ²	40	40

¹First 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. On November 24, 2017, BPPC's BOD and stockholders approved a resolution to amend BPPC's articles of incorporation shortening the term of the Company's existence from "fifty (50) years from the date of incorporation hereof" to "until June 30, 2019".

²On July 7, 2015, Conal subscribed to 37,500 common stocks of FGen Northern Power at par value of ₱1.00 per share. As result of the subscription, Conal now owns 60% economic and voting interest in FGen Northern Power while the Parent Company's interest was reduced from 100% to 40%. As a result, the Parent Company lost control of FGen Northern Power but retained significant influence.

As of June 30, 2018 and December 31, 2017, the investments in BPPC and FGEN Northern Power amounted to nil.

3. Operating Segment Information

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

- FGPC, which operates the 1,000 megawatt (MW) combined cycle, natural gas-fired Santa Rita power plant, and where the Parent Company now has a 100% equity interest;
- FGP, which operates the 500 MW combined cycle, natural gas-fired San Lorenzo power plant, and where the Parent Company now has a 100% equity interest;
- EDC and Subsidiaries, which holds service contracts with the DOE corresponding to 15 geothermal contract areas each granting EDC exclusive rights to explore, develop, and utilize the corresponding resources in the relevant contract area. EDC conducts commercial operations in four (4) out of its 15 geothermal contract areas. Likewise, EDC owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 6.82 MW Burgos Solar Power Plant Phase 1 and Phase 2 (Burgos Solar) both situated in Burgos, Ilocos Norte. As of June 30, 2018, Burgos Wind and Burgos Solar power plants are entitled to the FIT rates. Also, in 2017, EDC has started to generate electricity from 1,030KW solar rooftop system in Iloilo through EDC Siklab. As of June 30, 2018, the Parent Company has a 100.0% direct voting interest in Prime Terracota and 41.6% effective economic interest in EDC through Prime Terracota;
- 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 65.0% effective economic interest as of June 30, 2018;
- FNPC, which owns and operates the 420 MW natural gas-fired San Gabriel power plant, and where the Parent Company has a 100% equity interest; and,
- Prime Meridian, which owns and operates the 97 MW Avion open-cycle natural gas-fired power plant, and where the Parent Company has a 100% equity interest.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and

segment expenses are measured in accordance with PFRS. The classification of segment revenue is consistent with the unaudited interim consolidated statement of income. Segment expenses pertain to the costs and expenses presented in the unaudited interim 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 currently located in the Philippines. First Gen Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Revenue is recognized to the extent that it is probable that economic benefits will flow to First Gen Group and that the revenue can be reliably measured. Substantially all of the segment revenues of FGP and FGPC are derived from Meralco, the sole customer of FGP and FGPC; while close to 36.8% of EDC's total revenues are derived from existing long-term Power Purchase Agreements (PPA) with National Power Corporation (NPC).

Financial information on the business segments are summarized as follows:

For the Six-Month Periods Ended June 30, 2018 (Unaudited)									
	FGPC	FGP	FNPC	Prime Meridian	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Segment revenue	\$327,236	\$166,304	\$91,531	\$13,841	\$309,718	\$22,836	\$25,708	(\$18,324)	\$938,850
Segment expenses	(233,341)	(119,508)	(61,203)	(10,194)	(146,739)	(8,560)	(32,902)	22,399	(590,048)
Segment results	93,895	46,796	30,328	3,647	162,979	14,276	(7,194)	4,075	348,802
Interest income	490	2,004	60	15	3,735	113	3,832	(1,700)	8,549
Interest expense and financing charges	(7,781)	(6,707)	(4,790)	—	(38,455)	(381)	(10,467)	1,700	(66,881)
Depreciation and amortization	(19,794)	(11,165)	(9,119)	(2,226)	(60,768)	(4,313)	(307)	(68)	(107,760)
Other income (charges) - net	666	315	(4,015)	554	(3,296)	32	(9,105)	(4,075)	(18,924)
Income (loss) before income tax	67,476	31,243	12,464	1,990	64,195	9,727	(23,241)	(68)	163,786
Provision for income tax	(17,680)	(12,234)	(3,445)	—	(7,703)	(1,724)	(399)	—	(43,185)
Net income (loss)	\$49,796	\$19,009	\$9,019	\$1,990	\$56,492	\$8,003	(\$23,640)	(\$68)	\$120,601

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

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

For the Six-Month Periods Ended June 30, 2017 (Unaudited) (As restated)									
	FGPC	FGP	FNPC	Prime Meridian	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Segment revenue	\$287,376	\$158,382	\$36,947	\$7,433	\$333,481	\$24,672	\$21,411	(\$15,707)	\$853,995
Segment expenses	(197,312)	(111,620)	(33,089)	(7,519)	(126,827)	(7,639)	(29,979)	19,669	(494,316)
Segment results	90,064	46,762	3,858	(86)	206,654	17,033	(8,568)	3,962	359,679
Interest income	2,232	1,983	24	15	2,264	76	700	(3,637)	3,657
Interest expense and financing charges	(26,079)	(6,637)	(5,384)	—	(41,152)	(538)	(21,850)	3,635	(98,005)
Depreciation and amortization	(18,602)	(11,145)	(10,227)	(2,178)	(58,330)	(4,499)	(309)	393	(104,897)
Other income (charges) - net	(386)	(143)	(984)	138	(12,754)	330	3,574	(3,960)	(14,185)
Income (loss) before income tax	47,229	30,820	(12,713)	(2,111)	96,682	12,402	(26,453)	393	146,249
Provision for income tax	(18,462)	(8,446)	(831)	—	(14,362)	(2,633)	(373)	—	(45,107)
Net income (loss)	\$28,767	\$22,374	(\$13,544)	(\$2,111)	\$82,320	\$9,769	(\$26,826)	\$393	\$101,142

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

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

Other financial information of the business segments are as follows:

June 30, 2018 (Unaudited)									
	FGPC	FGP	FNPC	Prime Meridian	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	\$581,063	\$315,522	\$61,251	\$18,790	\$554,247	\$18,588	\$32,687	(\$196,142)	\$1,386,006
Noncurrent assets	250,109	173,457	412,162	99,851	1,995,578	85,366	5,115,077	(4,209,832)	3,921,768
Total assets	\$831,172	\$488,979	\$473,413	\$118,641	\$2,549,825	\$103,954	\$5,147,764	(\$4,405,974)	\$5,307,774
Current liabilities	\$199,078	\$130,211	\$33,349	\$3,160	\$256,031	\$3,616	\$291,878	(\$269,051)	\$648,272
Noncurrent liabilities	369,195	226,336	166,550	42	1,189,317	10,024	452,726	(192,741)	2,221,449
Total liabilities	\$568,273	\$356,547	\$199,899	\$3,202	\$1,445,348	\$13,640	\$744,604	(\$461,792)	\$2,869,721

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

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

	December 31, 2017 (Audited)								
	FGPC	FGP	FNPC	Prime Meridian	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	\$541,869	\$260,977	\$30,197	\$17,466	\$515,715	\$19,690	\$20,442	(\$93,053)	\$1,313,303
Noncurrent assets	260,635	239,023	425,467	109,719	2,150,260	95,746	5,266,764	(4,360,057)	4,187,557
Total assets	\$802,504	\$500,000	\$455,664	\$127,185	\$2,665,975	\$115,436	\$5,287,206	(\$4,453,110)	\$5,500,860
Current liabilities	\$167,859	\$118,838	\$31,354	\$1,873	\$367,324	\$6,643	\$353,503	(\$316,990)	\$730,404
Noncurrent liabilities	403,941	247,114	171,324	36	1,188,509	23,335	478,906	(206,897)	2,306,268
Total liabilities	\$571,800	\$365,952	\$202,678	\$1,909	\$1,555,833	\$29,978	\$832,409	(\$523,887)	\$3,036,672

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

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

4. Cash and Cash Equivalents

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash on hand and in banks	\$147,843	\$127,018
Short-term deposits	589,480	544,233
	\$737,323	\$671,251

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

5. Receivables

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade	\$363,408	\$354,687
Due from related parties (Note 18)	1,347	1,729
Loans and notes receivables	1,307	1,409
Others	2,049	1,674
	368,111	359,499
Less: Allowance for impairment losses	2,411	2,552
	\$365,700	\$356,947

Aging of trade receivables:

Current	\$277,892
More than 1 day to 30 days past due	5,280
More than 30 days to one year past due	29,258
More than one year past due	50,978
	\$363,408

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

6. Inventories

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
At cost:		
Fuel inventories	\$37,701	\$22,515
Spare parts and supplies	63,320	57,667
	101,021	80,182
At NRV - spare parts and supplies	7,528	13,312
	\$108,549	\$93,494

The amounts of fuel inventories recognized as expense were \$4.4 million and \$45.6 million for the six-month periods ended June 30, 2018 and 2017, respectively, which are recognized as part of the “Costs of sale of electricity” account in the unaudited interim consolidated statements of income.

7. Financial Assets at FVPL

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

In 2015, the Parent Company also entered into an IMA with BDO Unibank, Inc. (BDO) as investment manager. In 2017 and 2016, the Parent Company invested additional funds amounting to \$149.3 million and \$27.8 million, respectively.

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

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

First Gen Group accounts for the entire investment as a financial asset to be carried at FVPL. Mark-to-market gain (loss) on the securities amounting to (\$0.4) million and \$0.3 million for the six-month periods ended June 30, 2018 and 2017, respectively are taken up in the unaudited interim consolidated statements of income.

The movements of the financial assets at FVPL account are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	\$20,720	\$22,534
Additions for the period	17,607	149,259
Realized income for the period	80	209
Mark-to-market gain (loss) on financial assets at FVPL	(432)	281
Redemptions for the period	(12,687)	(151,361)
Foreign exchange adjustments	(1,714)	(189)
Trustee fees	(4)	(13)
Balance at end of period	\$23,570	\$20,720

8. Other Current Assets

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Debt service reserve account (DSRA) [Note 13]	\$97,484	\$114,173
Prepaid expenses	32,415	29,895
Prepaid taxes	4,705	4,482
Input VAT	3,771	3,933
Derivative assets (see Note 20)	283	2,294
Short-term investments	11,249	14,847
Advances to contractors	296	558
Others	661	709
	\$150,864	\$170,891

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

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

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

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

9. Property, Plant and Equipment

Movements in the account are as follows:

As of June 30, 2018 (Unaudited)									
	Land	Power Plants, Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Fluid Collection and Recycling System (FCRS) and Production Wells	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Costs:									
Balances at December 31, 2017	\$58,732	\$1,975,231	\$1,353,567	\$798,125	\$37,785	\$6,047	\$5,006	\$188,570	\$4,423,063
Additions	473	416	557	–	220	318	58	25,940	27,982
Retirements/write-off	–	(1,021)	(508)	–	(674)	(288)	–	–	(2,491)
Reclassifications/adjustments	–	20,064	(1,506)	20,847	(435)	(44)	(4)	(44,148)	(5,226)
Foreign exchange adjustments	(2,569)	(72,064)	(11,034)	(51,733)	(1,763)	(165)	(36)	(10,927)	(150,291)
Balances at June 30, 2018	56,636	1,922,626	1,341,076	767,239	35,133	5,868	5,024	159,435	4,293,037
Accumulated Depreciation, Amortization and Impairment Losses:									
Balances at December 31, 2017	353	671,051	747,979	210,642	26,824	3,562	2,312	375	1,663,098
Depreciation and amortization	–	49,671	34,230	13,385	2,546	450	458	–	100,740
Retirements/write-off	–	(1,011)	(495)	–	(556)	(259)	–	–	(2,321)
Reclassifications/adjustments	–	899	(564)	–	(321)	2	–	–	16
Foreign exchange adjustments	(24)	(26,691)	(4,044)	(13,921)	(1,275)	(103)	(15)	(24)	(46,097)
Balances at June 30, 2018	329	693,919	777,106	210,106	27,218	3,652	2,755	351	1,715,436
Net Book Values	\$56,307	\$1,228,707	\$563,970	\$557,133	\$7,915	\$2,216	\$2,269	\$159,084	\$2,577,601

As of December 31, 2017 (Audited)									
	Land	Power Plants, Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Fluid Collection and Recycling System (FCRS) and Production Wells	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Costs:									
Balances at December 31, 2016	\$57,270	\$1,837,369	\$1,284,545	\$719,066	\$36,886	\$7,754	\$3,658	\$277,468	\$4,224,016
Additions	181	797	4,899	–	2,021	1,062	729	150,976	160,665
Retirements/write-off	–	(442)	(5,586)	–	(2,100)	(2,676)	–	–	(10,804)
Reclassifications/adjustments	101	140,591	70,338	81,387	1,102	(75)	619	(237,979)	56,084
Foreign exchange adjustments	1,180	(3,084)	(629)	(2,328)	(124)	(18)	–	(1,895)	(6,898)
Balances at December 31, 2017	58,732	1,975,231	1,353,567	798,125	37,785	6,047	5,006	188,570	4,423,063
Accumulated Depreciation, Amortization and Impairment Losses:									
Balances at December 31, 2016	354	566,871	692,810	186,119	24,522	5,087	1,484	377	1,477,624
Depreciation and amortization	–	103,996	61,823	25,379	4,243	944	827	–	197,212
Retirements/write-off	–	(350)	(5,266)	–	(1,848)	(2,399)	–	–	(9,863)
Reclassifications/adjustments	–	1,426	(1,187)	(288)	(35)	(58)	–	–	(142)
Foreign exchange adjustments	(1)	(892)	(201)	(568)	(58)	(12)	1	(2)	(1,733)
Balances at December 31, 2017	353	671,051	747,979	210,642	26,824	3,562	2,312	375	1,663,098
Net Book Values	\$58,379	\$1,304,180	\$605,588	\$587,483	\$10,961	\$2,485	\$2,694	\$188,195	\$2,759,965

Property, plant and equipment with net book values of \$378.1 million and \$393.6 million as of June 30, 2018 and December 31, 2017, respectively, have been pledged as security for long-term debt (see Note 13).

Depreciation and Amortization

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

	For the Six-Month Periods Ended	
	2018	June 30 2017
Property, plant and equipment	\$100,740	\$97,041
Intangible assets	7,020	7,856
	\$107,760	\$104,897

	For the Six-Month Periods Ended	
	2018	June 30 2017
Costs of sale of electricity (see Note 16)	\$103,236	\$100,323
General and administrative (see Note 16)	4,524	4,574
	\$107,760	\$104,897

10. Goodwill and Intangible Assets

	June 30, 2018 (Unaudited)						
	Goodwill	Concession Rights for Contracts Acquired	Water Rights	Pipeline Rights	Rights to Use Transmission Line	Other Intangible Assets	Total
Cost							
Balances at December 31, 2017	\$968,018	\$166,969	\$48,163	\$13,253	\$1,152	\$4,579	\$1,202,134
Additions	—	—	—	—	—	74	74
Reclassifications	—	—	—	—	—	1,548	1,548
Foreign exchange adjustments	(61,153)	(10,674)	(3,079)	—	—	(349)	(75,255)
Balances at June 30, 2018	906,865	156,295	45,084	13,253	1,152	5,852	1,128,501
Accumulated Amortization:							
Balances at December 31, 2017	—	130,678	21,433	9,184	240	4,132	165,667
Amortization (see Note 9)	—	5,572	933	301	60	154	7,020
Foreign exchange adjustments	—	(8,544)	(1,402)	—	—	(269)	(10,215)
Balances at June 30, 2018	—	127,706	20,964	9,485	300	4,017	162,472
Net Book Values	\$906,865	\$28,589	\$24,120	\$3,768	\$852	\$1,835	\$966,029

	December 31, 2017 (Audited)						
	Goodwill (Note 3)	Concession Rights for Contracts Acquired	Water Rights	Pipeline Rights	Rights to Use Transmission Line	Other Intangible Assets	Total
Costs:							
Balances at December 31, 2016	\$972,057	\$167,674	\$48,366	\$13,253	\$1,152	\$4,186	\$1,206,688
Additions	—	—	—	—	—	351	351
Foreign exchange adjustments	(4,039)	(705)	(203)	—	—	42	(4,905)
Balances at December 31, 2017	968,018	166,969	48,163	13,253	1,152	4,579	1,202,134
Accumulated Amortization:							
Balances at December 31, 2016	—	119,435	19,589	8,582	120	3,375	151,101
Amortization	—	11,646	1,910	602	120	707	14,985
Foreign exchange adjustments	—	(403)	(66)	—	—	50	(419)
Balances at December 31, 2017	—	130,678	21,433	9,184	240	4,132	165,667
Net Book Values	\$968,018	\$36,291	\$26,730	\$4,069	\$912	\$447	\$1,036,467

Goodwill

As of June 30, 2018 and December 31, 2017, the outstanding balance of goodwill is attributable to Red Vulcan, GCGI, FG Hydro, EDC HKL and FGHC.

Concession rights for contracts acquired

As a result of the purchase price allocation of Red Vulcan, an intangible asset was recognized pertaining to concession rights originating from contracts of EDC amounting to \$204.3 million (P8,336.7 million). Such intangible asset pertains to the Steam Sales Agreements and PPAs of EDC. The identified intangible asset is amortized using the straight-line method over the remaining term of the existing contracts ranging from 1 to 17 years. The concession rights for contracts acquired have been valued based on the expected future cash flows using the Multiple Excess Earnings Method (MEEM) as of the date of acquisition. MEEM is the most commonly used approach in valuing customer-related assets, although it may be used to value other intangible assets as well. The asset value is estimated as the sum of the discounted future excess earnings attributable to the asset over the remaining project period. The average remaining amortization period of the intangible asset pertaining to the concession rights originating from contracts is 0.5 year to 6.5 years as of June 30, 2018.

Water rights

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

Water rights are amortized using the straight-line method over 25 years, which is the term of FG Hydro's agreement with the National Irrigation Administration (NIA). The remaining amortization period of water rights is 13.5 years as of June 30, 2018.

Pipeline rights

Pipeline rights represent the construction cost of the natural gas pipeline facility connecting the natural gas supplier's refinery to FGP's power plant including incidental transfer costs incurred in connection with the transfer of ownership of the pipeline facility to the natural gas supplier. The cost of pipeline rights is amortized using the straight-line method over 22 years, which is the term of the Gas Sale and Purchase Agreements (GSPA). The remaining amortization period of pipeline rights is 6.25 years as of June 30, 2018.

Rights to use transmission line

On July 15, 2015, FGPC has agreed to give, transfer and convey, by way of donation, the Substation Improvements to TransCo amounting to \$1.2 million pursuant to the Substation Interconnection Agreement (SIA) dated September 2, 1997 entered into among FGPC, NPC and Meralco. The transferred substation improvements were accounted for as intangible assets since FGPC still maintains the right to use these assets under the provisions of the PPA with Meralco and the SIA. The cost of the rights to use the Substation Improvements is amortized using the straight-line method over 10 years, which is the remaining term of the PPA with Meralco. The remaining amortization period is 7.28 years as of June 30, 2018.

Other intangible assets

Other intangible assets pertain to computer software and licenses.

11. Other Noncurrent Assets

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Input VAT	\$122,270	\$140,194
Exploration and evaluation assets	57,428	61,350
Prepaid major spare parts	48,840	33,435
Tax credit certificates (TCC)	42,225	45,293
Prepaid expenses	19,327	16,485
AFS financial assets	10,340	10,942
Derivative assets (see Note 20)	6,594	2,122
Long-term receivables	5,791	5,884
Special deposits and funds	2,569	5,177
Retirement assets	698	972
Others	46,541	49,317
	362,623	371,171
Less allowance for impairment loss	10,895	10,854
	\$351,728	\$360,317

The provision for impairment losses pertaining to Input VAT and long-term receivables amounted to \$1.2 million and \$0.9 million during the six-month periods ended June 30, 2018 and 2017, respectively.

“Others” account includes investment made by EDC to Enerco amounting to \$33.8 million and \$35.4 million as of June 30, 2018 and December 31, 2017, respectively. EDC’s continued participation in the Mariposa Project is subject to positive results being obtained from resource assessment studies to be conducted by EDC for the project.

“Others” account also includes advances to contractors, deposits for land acquisitions, and power plant spares totaling to \$12.1 million and \$12.9 million as of June 30, 2018 and December 31, 2017, respectively.

12. Accounts Payable and Accrued Expenses

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade	\$276,269	\$284,320
Deferred output VAT	65,104	58,749
Accrued interest and financing costs	22,930	28,797
Withholding and other taxes payable	9,290	12,180
Output VAT	1,998	2,255
Government share payable	1,254	1,309
Others	20,884	17,719
	\$397,729	\$405,329

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

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

As of June 30, 2018 and December 31, 2017, the “Others” account includes EDC’s provision for shortfall generation, and a portion of liabilities on regulatory assessments and other contingencies.

13. Long-term Debts

This account consists of long-term debts of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
EDC	\$1,209,322	\$1,283,036
Parent Company	268,137	278,003
FGPC	424,609	459,679
FGP	267,513	288,261
FNPC	175,950	184,067
FG Hydro	7,370	19,641
	2,352,901	2,512,687
Less current portion	226,058	301,179
	\$2,126,843	\$2,211,508

EDC

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

Creditor/Project	Maturities	Interest Rates	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
US\$300.0 Million Notes	January 20, 2021	6.5%	\$210,317	\$210,142
International Finance Corporation (IFC)				
▪ IFC 1- ₪4.1 billion	2012-2033	7.4% per annum for the first five years subject to repricing for another five to 10 years	31,759	37,304
▪ IFC 2 - ₪3.3 billion	2013-2025	6.6570%	34,847	39,688
▪ IFC 3 - ₪4.8 billion	2018-2033	4.74%	88,415	–
Fixed Rate Note Facility (FXCN)				
▪ ₪4.0 billion	2012-2022	5.25% from April 30, 2015 until maturity	63,835	69,525
▪ ₪3.0 billion	2012-2022	5.25% from April 30, 2015 until maturity	47,863	52,128
2013 Peso Fixed-Rate Bonds (FXR)				
▪ ₪4.0 billion	May 3, 2023	4.7312%	73,888	78,882
▪ ₪3.0 billion	May 3, 2020	4.1583%	56,029	59,796
US\$80 Million Term Loan	June 21, 2018	LIBOR plus 1.8% margin	–	72,625
EBWPC Loans:				
₪37.5M Commercial Debt Facility	October 23, 2029	LIBOR plus 2.0% margin	31,776	32,654
₪150.0M ECA Debt Facility	October 23, 2029	LIBOR plus 2.35% margin	126,162	129,603
₪5.6 B Commercial Debt Facility	October 23, 2029	PDST-F rate plus 2.0% margin	89,915	98,867
₪8.5 Billion GCGI Term Loan	March 6, 2022	5.25%	101,418	118,429
₪5.0 Billion BGI Term Loan	September 9, 2025	5.25%	65,192	75,568
₪291.2 Million Term Loan	December 17, 2030	5.5%	5,218	5,796
₪1.5 billion Term Loan	December 5, 2026	5.25%	27,163	29,310
₪1.0 billion Term Loan	December 5, 2031	5.5788%	18,531	19,891
UBP ₪2.0 Billion Term Loan	April 12, 2032	5.44%	34,798	38,497
SBC ₪3.0 Billion Term Loan	May 4, 2027	5.32%	51,463	57,354

Creditor/Project	Maturities	Interest Rates	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
PNB ₱500 Million Term Loan	June 1, 2022	4.74%	7,468	8,972
BPI ₱1.0 Billion Term Loan	June 1, 2027	5.21%	17,169	19,135
SBC ₱1.0 Billion Term Loan	May 4, 2032	5.43%	17,399	19,248
SBC ₱500 Million Term Loan	May 4, 2032	5.49%	8,697	9,622
Total			1,209,322	1,283,036
Less current portion			76,551	149,928
Noncurrent portion			\$1,132,771	\$1,133,108

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at beginning of period	\$14,144	\$16,908
Additions during the period	1,709	936
Accretion during the period charged to “Interest expense and financing charges” account (see Note 16)	(1,417)	(3,166)
Unamortized debt issuance costs charged to “Interest expense and financing charges” account	–	(419)
Foreign exchange differences	(505)	(115)
Balances at end of period	\$13,931	\$14,144

The loan covenants covering EDC’s outstanding debts include, among others, maintenance of certain level ratios such as: current ratio, debt-to-equity ratio, net financial debt-to-adjusted EBITDA, and debt-service coverage ratios. As of June 30, 2018 and December 31, 2017, 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 \$250.0 million U.S. Dollar denominated Senior Unsecured Notes (the “Notes”) due on October 9, 2023 at the rate of 6.50% per annum, payable semi-annually in arrears on April 9 and October 9 of each year. On October 31, 2013, additional Notes of \$50.0 million were issued and consolidated to form a single series with the Notes. The \$50.0 million Notes are identical in all respects to the original Notes, other than with respect to the date of issuance and issue price. The Notes are issued in registered form in amounts of \$200,000 and integral multiples of \$1,000 in excess thereof. The Notes are represented by a permanent global certificate (“Global Certificate”) in fully registered form that has been deposited with the custodian for and registered in the name of a nominee for a common depositary for Euroclear bank SA/NV and Clearstream Banking, *societe anonyme*. The Notes are listed on the SGX-ST.

The Parent Company may, at its option, redeem all, (but not part) of the Notes at any time at par, plus accrued interest, in the event of certain tax changes. Upon the occurrence of a Change of Control, the Noteholders shall have the right, at its option, to require the Parent Company to repurchase all, (but not part) of the outstanding Notes at a redemption price equal to 101.0% of the principal amount plus accrued and unpaid interest, no earlier than 30 days and no later than 60 days following notice given to Noteholders of a Change of Control. The Parent Company may at any time and from time to time prior to October 9, 2018 redeem all or a portion of the Notes at a redemption price equal to 100.0% of the principal amount of the Notes redeemed, plus the Applicable Premium, accrued and unpaid interest, if any, to (but not including) the date of

redemption. In addition, at any time prior to October 9, 2018, the Parent Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes, at a redemption price equal to 106.5% of the principal amount of notes redeemed plus accrued and unpaid interest, with the net cash proceeds of certain equity offerings. Finally, at any time and from time to time after October 9, 2018, the Parent Company may on any one or more occasions redeem all or a part of the Notes at a specified redemption price (expressed in percentages of the principal amount) plus accrued and unpaid interest, if any, to (but not including) the date of redemption.

On October 13, 2017, the Parent Company bought back \$58.3 million of the Notes from the market with the applicable premium. Total settlement, including premium and accrued interest, amounted to \$62.7 million. These Notes were subsequently cancelled thereafter.

On November 8, 2017, the Parent Company sent a Notice of Redemption to Noteholders stating that the Parent Company intends to redeem the Notes in the aggregate principal amount of \$150.0 million on December 15, 2017 at a certain Redemption Price based on a formula stated in the Trust Deed. In the Final Notice of Redemption, the Parent Company informed the Noteholders that the Applicable Premium as of Redemption Date is at 6.684% of the face value.

As a result of the foregoing, a total of \$208.3 million of the Notes have been bought back and redeemed. As of June 30, 2018 and December 31, 2017, \$91.7 million of the Notes remain outstanding.

The Notes are direct, unconditional and unsecured obligations of the Parent Company, ranking *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Parent Company, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' right. As of June 30, 2018 and December 31, 2017, the Parent Company is in compliance with the terms of the Notes.

The movements of the unamortized debt issuance costs account are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at beginning of period	\$690	\$2,647
Accretion during the period charged to the "Interest expense and financing charges" account (see Note 16)	(30)	(291)
Unamortized debt issuance costs charged to "Interest expense and financing charges" account	—	(1,666)
Balances at end of period	\$660	\$690

\$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 420 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 March and September, using fixed interest rates of: (i) 4.90% per annum from drawdown date to the March 31, 2016 (repricing date), and (ii) 5.09% per annum each successive six months from Repricing Date to maturity date.

In addition, the facility imposes standard loan covenants on the Parent Company and requires the Parent Company to maintain a debt service coverage ratio of at least 1.2:1 and a debt-to-equity ratio of at most 2.5:1. The obligations of the Parent Company under this Term Loan Agreement are unsecured. As of June 30, 2018 and December 31, 2017, the Parent Company is in compliance with the terms of the Term Loan Agreement.

The movements of the unamortized debt issuance costs account are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at beginning of period	\$997	\$1,210
Accretion during the period charged to the “Interest expense and financing charges” account (see Note 16)	(104)	(213)
Balances at end of period	\$893	\$997

FGPC

On April 5, 2017 (the “Refinancing Date”), FGPC entered into a 7-year Facility Agreement covering a \$500.0 million term loan facility with six banks namely: Bank of Commerce, BPI, BDO, PNB, Security Bank, and Sumitomo Mitsui Banking Corporation Singapore Branch. 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, and to pay down a portion of the Parent Company’s existing loans, as well as pre-fund its upcoming maturities.

On May 19, 2017, FGPC availed of the \$500.0 million term loan facility with a 7-year tenor until May 2024. 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 \$222.4 million, and the remaining balance, after funding of the DSRA and payment of other fees and expenses. Net proceeds were upstreamed to First Gen on June 28, 2017 as dividends and advances which are non-interest bearing.

With respect to the new term loan facility, the interest rate is computed semi-annually, every May and November, using the six-month LIBOR floating benchmark rate plus 100 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 movements of the unamortized debt issuance costs account are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at beginning of period	\$4,607	\$2,429
Additions during the period	–	5,479
Accretion during the period charged to “Interest expense and financing charges” account (see Note 16)	(645)	(1,230)
Unamortized debt issuance costs charged to “Interest expense and financing charges” account	–	(2,071)
Balances at end of period	\$3,962	\$4,607

FGP

The movements of the unamortized debt issuance costs account are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at beginning of period	\$1,739	\$2,283
Accretion during the period charged to “Interest expense and financing charges” account (see Note 16)	(252)	(544)
Balances at end of period	\$1,487	\$1,739

The covenants in the term loan facilities of FGP’s and FGPC’s financing agreements 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 and FGPC’s real and other properties and shares of stock are no longer mortgaged and pledged as part of security to the lenders. Instead, FGP and FGPC covenant to its lenders that it shall not permit any indebtedness to be secured by or to benefit from any lien on the critical assets of the site except with the consent of the lenders. As of June 30, 2018 and December 31, 2017, FGP and FGPC are in compliance with the terms of the said agreements.

FNPC

On July 10, 2014, FNPC signed a \$265.0 million Export Credit Facility with KfW-IPEX with a tenor of 13.7 years to partially finance the 420 MW San Gabriel natural gas-fired power project. This facility has an export credit guarantee provided by Euler Hermes, acting on behalf of the Federal Republic of Germany. The proceeds of the loan will be used primarily to finance the eligible German and non-German goods and services under the Supply Contract of FNPC with Siemens AG, the equipment supplier. FNPC (as the Borrower) and AlliedGen (as the Pledgor) also signed a Pledge Agreement wherein AlliedGen has pledged over 100% of the issued and outstanding capital stock of FNPC in favor of KfW-IPEX. Furthermore, the Parent Company signed a Guarantee and Indemnity Agreement with KfW-IPEX, guaranteeing FNPC’s punctual performance on all its payment obligations under the Export Credit Facility loan agreement. With respect to the Export Credit Facility, the interest is paid semi-annually, every March and September, using the fixed interest rate (per annum) of 3.12% plus 25 basis points. In addition, FNPC paid a commitment fee of 0.6% per annum on the undrawn amount.

Upon completion of construction of San Gabriel natural gas-fired power project, FNPC no longer availed the undrawn portion of the Export Credit Facility.

The movements of the unamortized debt issuance costs account are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at beginning of period	\$17,416	\$20,600
Accretion during the period charged to “Interest expense and financing charges” account (see Note 16)	(1,477)	(3,184)
Balances at end of period	\$15,939	\$17,416

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 was secured by Real Estate and Chattel mortgages on all present and future mortgageable assets of FG Hydro. The loan carried interest at 9.025% subject to re-pricing after five years.

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

On May 7, 2018, FG Hydro made a voluntary partial prepayment of the principal loan balance amounting to \$9.4 million (₱0.5 billion). On May 8, 2017 and November 7, 2016, FG Hydro made a voluntary partial prepayments of the principal loan balance amounting to \$12.0 million (₱0.6 billion) and \$20.1 million (₱1.0 billion), respectively.

FG Hydro is obligated to comply with certain covenants with respect to maintaining specified debt-to-equity and minimum debt service coverage ratios, as set forth in its loan covenant with creditors. As of June 30, 2018 and December 31, 2017, FG Hydro is in compliance with those covenants.

14. Other Noncurrent Liabilities

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Asset retirement obligations (Note 9)	\$19,117	\$22,243
Provision for sick and vacation leaves	5,114	6,046
Others	12,474	15,036
	\$36,705	\$43,325

Asset Retirement Obligations

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

its useful life. FGP, FGPC and FG Bukidnon established their respective provisions to recognize their estimated liability for the dismantlement of the power plant assets.

This account also includes the provision for rehabilitation and restoration costs of EDC which pertain to the present value of estimated costs of legal and constructive obligations required to restore all the existing sites upon termination of the cooperation period. The nature of these restoration activities includes dismantling and removing structures, rehabilitating wells, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed or the ground or environment at the site is disturbed. When the liability is initially recognized, the present value of the estimated costs is capitalized as part of the carrying amount of the related FCRS and production wells under "Property, plant and equipment" and "Exploration and evaluation assets" accounts (see Notes 9 and 11).

Provision for sick and vacation leaves

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

Others

The "Others" account includes EDC's estimate of the probable costs for the resolution of EDC's pending assessments from various regulatory agencies and pending legal cases. Such estimated costs were developed in consultation with in-house and external legal counsels and are based on the analysis of the potential outcomes. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

15. Equity

a. Capital Stock

As of June 30, 2018, the Parent Company's redeemable preferred stocks consist of the following:

- The Series "B" preferred stocks have voting rights, entitled to cumulative dividends of two centavos (₱0.02) a share and redeemable at the option of the Parent Company.
- 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 11, 2016, the BOD of the Parent Company approved during its Organizational board meeting the two-year extension of the buy-back programs from June 1, 2016 to May 31, 2018. The two-year extension covers the: (i) common stock buy-back program covering up to 300.0 million of the Parent Company's common stocks; and (ii) Series "F" and "G" Preferred Shares buyback program covering up to ₱10.0 billion worth of said redeemable preferred stocks.

In 2018, the Parent Company purchased from the open market 365,380 and 8,991,200 Series "G" redeemable preferred stocks and common stocks, respectively.

On March 15, 2018, the BOD of the Parent Company approved the amendment to Article Seventh of the Parent Company's Amended Articles of Incorporation to increase the authorized capital stock from ₱8,600.0 million to ₱11,600.0 million by way of creating 300.0 million Series "H" preferred stocks with a par value of ₱10.0 a share. This amends the March 12, 2015 resolutions of the BOD increasing the authorized capital stock for ₱8,600.0 million to ₱10,200.0 million by creation of 160.0 million Series "H" preferred stocks.

The Series "H" preferred stocks with a par value of ₱10.0 per share have 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.

On June 14, 2018, the BOD of the Parent Company approved during its board meeting the two-year extension of the buy-back programs from June 15, 2018 to June 14, 2020. The two-year extension covers the: (i) common stock buy-back program covering up to 300.0 million of the Parent Company's common stock; and (ii) Series "G" Preferred Shares buyback program covering up to ₱10.0 billion worth of said redeemable preferred stocks.

On the same date, the BOD of the Parent Company approved during its board meeting, in accordance with the terms and condition of the Parent Company's Series "F" Preferred Shares, the redemption of all outstanding Series "F" Preferred Shares on July 25, 2018 at the applicable redemption value of ₱100.0 a share. On July 25, 2018, the Parent Company redeemed all outstanding Series "F" Preferred Shares amounting to \$119.0 million (₱6,320.2 million).

b. Deposits for future stock subscriptions

On October 30, 2015, FPH made deposits for future stock subscriptions amounting to \$2.1 million (₱100.0 million) for its subscription to the Series "H" preferred stocks of the Parent Company.

c. Retained Earnings

Following are the dividends declared and paid by the Parent Company in 2018 and 2017:

2018

Declaration date	Record date	Payment date	Shareholders	Description	Dividend per share	Total amount (in USD)	Total amount (in PHP)
June 14, 2018	June 29, 2018	July 25, 2018	Series "F" Preferred	Regular	₱4.00	\$4,840	₱252,809
June 14, 2018	June 29, 2018	July 25, 2018	Series "G" Preferred	Regular	3.8904	8,397	438,604
June 14, 2018	June 29, 2018	July 25, 2018	Series "G" Preferred*	Regular	0.38904	102	5,349
						\$13,339	₱696,762

2017

Declaration date	Record date	Payment date	Shareholders	Description	Dividend per share	Total amount (in USD)	Total amount (in PHP)
Nov. 24, 2017	Jan. 2, 2018	Jan. 25, 2018	Series "B" Preferred	Regular	₱0.02	\$389	₱20,000
Nov. 24, 2017	Jan. 2, 2018	Jan. 25, 2018	Series "E" Preferred	Regular	0.01	91	4,686
Nov. 24, 2017	Jan. 2, 2018	Jan. 25, 2018	Series "F" Preferred	Regular	4.00	4,920	252,809
Nov. 24, 2017	Jan. 2, 2018	Jan. 25, 2018	Series "G" Preferred	Regular	3.8904	8,563	440,026
Nov. 24, 2017	Jan. 2, 2018	Jan. 25, 2018	Series "G" Preferred*	Regular	0.38904	104	5,349
Sept. 26, 2017	Oct. 10, 2017	Oct. 30, 2017	Common	Regular	0.35	25,170	1,281,330
June 15, 2017	June 29, 2017	July 25, 2017	Series "F" Preferred	Regular	4.00	5,071	252,809
June 15, 2017	June 29, 2017	July 25, 2017	Series "G" Preferred	Regular	3.8904	8,827	440,026
June 15, 2017	June 29, 2017	July 25, 2017	Series "G" Preferred*	Regular	0.38904	107	5,349
						\$53,242	₱2,702,384

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

The retained earnings balance is restricted to the extent of: (a) acquisition price of the treasury shares amounting to \$131.0 million and \$127.6 million as of June 30, 2018 and December 31, 2017, respectively, and (b) the undistributed net earnings of investee companies (including consolidated subsidiaries) amounting to \$565.6 million and \$468.6 million as of June 30, 2018 and December 31, 2017, respectively. Undistributed earnings of the investee companies are not available for dividend distribution until such time that the Parent Company receives the dividends from these investee companies.

d. Treasury Stocks

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at beginning of period	62,162,900	61,162,900
Common stocks acquired through market during the period	8,991,200	—
Common stocks acquired through market by subsidiaries during the period	—	1,000,000
Balances at end of period	71,154,100	62,162,900

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.

In 2018, the Parent Company purchased from the open market 8,991,200 common stocks for \$2.6 million (₱132.9 million).

As of June 30, 2018 and December 31, 2017, the number of common stocks of Parent Company held by subsidiaries totaled to 62,162,900. The cost of these Parent Company common stocks held by subsidiaries amounted to \$24.6 million as of June 30, 2018 and December 31, 2017. These are included as part of “Cost of stocks held in treasury” account in the equity section of the unaudited interim consolidated statements of financial position.

- (ii) In 2017, the Parent Company purchased from the open market 422,830 and 1,868,200 Series “F” and Series “G” redeemable preferred stocks, respectively. Total payments for the buyback of the Series “F” and Series “G” redeemable preferred stocks amounted to \$0.9 million (₱45.8 million) and \$4.2 million (₱211.7 million), respectively.

In 2018, the Parent Company purchased from the open market 365,380 Series “G” redeemable preferred stocks. Total payments for the buyback of the Series “G” redeemable preferred stocks amounted to \$0.8 million (₱39.6 million).

As of June 30, 2018 and December 31, 2017, the Parent Company has total Series “F” and Series “G” redeemable preferred stocks held in treasury amounting to \$103.8 million.

16. Costs and Expenses

Costs of sale of electricity

	For the Six-Month Periods Ended June 30	
	2018	2017 (As restated)
Fuel cost	\$369,027	\$296,998
Power plant operations and maintenance	114,731	88,489
Depreciation and amortization (see Notes 9 and 10)	103,236	100,323
Others	23,474	22,130
	\$610,468	\$507,940

General and administrative expenses

	For the Six-Month Periods Ended June 30	
	2018	2017
Staff costs	\$30,149	\$31,076
Professional fees	23,752	24,693
Insurance, taxes and licenses	17,613	19,070
Depreciation and amortization (see Notes 9 and 10)	4,524	4,574
Repairs and maintenance	1,310	1,126
Parts and supplies issued	685	713
Provision for impairment loss	1,142	1,938

	For the Six-Month Periods Ended June 30	
	2018	2017
Provision for impairment of spare parts and supplies inventories	66	697
Others	8,099	7,386
	\$87,340	\$91,273

Interest Expense and Financing Charges

	For the Six-Month Periods Ended June 30	
	2018	2017
Interest on:		
Long-term debt	\$62,319	\$74,648
Liability from litigation	76	78
Swap fees	–	2,611
Accretion on:		
Debt issuance costs (see Note 13)	3,925	4,389
Asset retirement obligation (see Note 14)	561	499
Unamortized debt issuance costs (see Note 14)	–	2,412
Swap termination fee	–	13,368
	\$66,881	\$98,005

17. Earnings Per Share Calculation

	For the Six-Month Periods Ended June 30	
	2018	2017
(a) Net income attributable to equity holders of the Parent Company	\$84,861	\$57,993
Less dividends on preferred stocks	(14,077)	(14,005)
(b) Net income available to common stocks	\$70,784	\$43,988
(c) Weighted average number of common stocks for basic earnings per share	3,592,010,556	3,599,780,657
Basic Earnings Per Share (b/c)	\$0.020	\$0.012

18. Related Party Transactions

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

The following are the significant transactions with related parties:

- a. Due to a related party 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-Meralco BPO Venture, a joint venture company of Rockwell, a subsidiary of FPH.
- c. The Parent Company is engaged as EDC's consultant to render services pertaining to financial, business development and other matters under a Consultancy Agreement. On November 23, 2016, the Parent Company and EDC agreed further to extend the Consultancy Agreement for a period of 24 months, from January 1, 2017 to December 31, 2018, for a monthly fee of \$0.6 million (₱28.0 million, net of withholding taxes plus VAT).
- d. Following the usual bidding process in 2010, EDC awarded to First Balfour a procurement contract for various works such as civil, structural and mechanical/piping works in EDC's geothermal, 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 June 30, 2018 and December 31, 2017, the outstanding balances of EDC's payables to First Balfour and Thermaprime totalled to \$10.3 million and \$16.5 million, respectively, recorded under "Accounts payable and accrued expenses" account in the unaudited interim consolidated statements of financial position (see Note 12). First Balfour is a wholly owned subsidiary of FPH.
- e. GSPA between Prime Meridian and FGP
On December 4, 2015, Prime Meridian (as "Buyer") and FGP (as "Seller") entered a GSPA wherein the Seller shall sell and tender for delivery to Buyer at the Delivery Point, and Buyer shall purchase and take from Seller the quantities of natural gas determined by Buyer to meet the operating requirements of the Avion Plant, provided that such quantities shall not exceed the Available Daily Gas Quantity and the Available Annual Gas Quantity, as applicable, and provided further that, the Seller shall have no obligation to tender for delivery quantity of natural gas if there is restriction or expected restriction in the availability of natural gas or if the quantity of natural gas is or will not be sufficient after taking into consideration the operational requirements of the Seller.
- f. Intercompany Guarantees
EDC issued letters of credit amounting to \$80.0 million in favor of its subsidiary, EDC Chile Limitada, as evidence of its financial support for EDC Chile Limitada's participation in the bids for geothermal concession areas by the Chilean Government.

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

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 Peru S.A.C. and EDC Energia Verde Peru S.A.C., there have been no other guarantees provided for or received from any other related party for the period ended June 30, 2018, and the year ended

December 31, 2017. The outstanding balances at the end of each period are unsecured and interest-free and settlement occurs in cash.

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

Transactions for the periods ended				Net Amounts due from/to related parties		
Related Party	Nature of Transactions	Terms	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Due from related parties*						
FGNEC	Interest-free advances	Unsecured & payable by demand	(\$11)	\$—	\$157	\$168
FGEN Northern Power	- do - Marketing services	- do -	(144)	2	7	151
First Philec	- do -	- do -	134	2	142	8
Others	- do -	- do -	(361)	133	1,041	1,402
			(\$382)	\$137	\$1,347	\$1,729
Due to a related party						
FGHC International Ltd.	Interest-free advances	Unsecured & payable by demand	\$—	\$—	\$145	\$145

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

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

19. Financial Risk Management Objectives and Policies

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

As a matter of policy, First Gen Group does not trade its financial instruments. However, First Gen Group enters into derivative and hedging transactions, primarily 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.

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.

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

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

Credit Risk Exposure. The table below shows the gross maximum exposure to credit risk of First Gen Group as of June 30, 2018 and December 31, 2017.

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Financial assets accounted for as cash flow hedge		
Derivative assets	\$6,877	\$4,416
Financial assets at FVPL		
Designated as at FVPL	23,570	20,720
Loans and receivables		
Cash and cash equivalents*	737,019	670,972
Receivables:		
Trade	360,997	352,135
Due from related parties	1,347	1,729
Others	3,356	3,083
DSRA	97,484	114,173
Long-term receivables	3,688	5,753
Short-term investments	11,249	14,847
Special deposits and funds	2,569	5,177
Other current assets	661	709
Total loans and receivables	1,218,370	1,168,578
AFS financial assets		
Debt securities	\$2,533	\$2,936
Equity securities	6,863	7,042
Proprietary club membership shares	944	964
Total AFS financial assets	10,340	10,942
	\$1,259,157	\$1,204,656

* Excluding cash on hand.

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

The following tables show First Gen Group's aging analysis of financial assets as of June 30, 2018 and December 31, 2017:

June 30, 2018 (Unaudited)							
	Neither Past Due nor Impaired	Past Due but Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
Loans and receivables:							
Cash and cash equivalents*	\$737,019	\$—	\$—	\$—	\$—	\$—	\$737,019
Trade receivables	277,892	5,280	29,258	14,973	33,594	2,411	363,408
Due from related parties	1,347	—	—	—	—	—	1,347
Other receivables	3,337	3	14	2	—	—	3,356
Long-term receivables	—	—	827	2,861	—	2,103	5,791
Special deposits and funds	2,569	—	—	—	—	—	2,569
Short-term investments	11,249	—	—	—	—	—	11,249
DSRA	97,484	—	—	—	—	—	97,484
Other current assets	661	—	—	—	—	—	661
AFS financial assets:							
Debt securities	2,533	—	—	—	—	—	2,533
Equity securities	6,863	—	—	—	—	—	6,863
Proprietary club membership shares	944	—	—	—	—	—	944
Financial assets at FVPL - Designated as at FVPL	23,570	—	—	—	—	—	23,570
Financial assets accounted for as cash flow hedge - Derivative assets	6,877	—	—	—	—	—	6,877
Total	\$1,172,345	\$5,283	\$30,099	\$17,836	\$33,594	\$4,514	\$1,263,671

*Excluding cash on hand.

December 31, 2017 (Audited)							
	Neither Past Due nor Impaired	Past Due but Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
Loans and receivables:							
Cash and cash equivalents*	\$670,972	\$—	\$—	\$—	\$—	\$—	\$670,972
Trade receivables	280,179	4,319	17,666	49,971	—	2,552	354,687
Due from related parties	1,729	—	—	—	—	—	1,729
Other receivables	3,083	—	—	—	—	—	3,083
Long-term receivables	2,795	—	—	1,094	1,864	131	5,884
Special deposits and funds	5,177	—	—	—	—	—	5,177
Short-term investments	14,847	—	—	—	—	—	14,847
DSRA	114,173	—	—	—	—	—	114,173
Other current assets	709	—	—	—	—	—	709
AFS financial assets:							
Debt securities	2,936	—	—	—	—	—	2,936
Equity securities	7,042	—	—	—	—	—	7,042
Proprietary club membership shares	964	—	—	—	—	—	964
Financial assets at FVPL - Designated as at FVPL	20,720	—	—	—	—	—	20,720
Financial assets accounted for as cash flow hedge - Derivative assets	4,416	—	—	—	—	—	4,416
Total	\$1,129,742	\$4,319	\$17,666	\$51,065	\$1,864	\$2,683	\$1,207,339

*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 June 30, 2018 and December 31, 2017, 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 June 30, 2018 and December 31, 2017:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade receivables from Meralco	\$159,366	\$147,301
Trade receivables from NPC and TransCo	51,408	69,821
Total credit concentration risk	\$210,774	\$217,122
Total receivables	\$365,700	\$356,947
Credit concentration percentage	57.64%	60.83%

Merchant Risk

In 2017, First Gen Group had two (2) fully-merchant power plants, namely San Gabriel (through FNPC) and Avion (through Prime Meridian). These gas plants were exposed to the volatility of spot prices because of supply and demand changes, which are mostly driven by factors that are outside of First Gen Group's control. These factors include (but are not limited to) unexpected outages, weather conditions, transmission constraints, and changes in fuel prices. These have caused and are expected to cause variability in the operating results of the aforementioned merchant plants. In 2018, FNPC was awarded a Power Supply Agreement (PSA) for 414 MW of San Gabriel plant's capacity by Meralco. On June 5, 2018, the Energy Regulatory Commission (ERC) granted an Interim Relief for the implementation of the San Gabriel PSA subject to certain conditions. On June 25, 2018, FNPC agreed to implement the Interim Relief granted by the ERC and has started its commercial sale to Meralco. The PSA will expire on February 23, 2024 and can be extended upon mutual agreement with Meralco.

First Gen Group plans to mitigate these risks by having a balanced portfolio of contracted and spot capacities. As of June 30, 2018 and December 31, 2017, First Gen Group was 80% contracted in terms of installed capacity. Following the grant of the Interim Relief by the ERC on FNPC's PSA with Meralco, First Gen Group's contracted capacity is at 92%.

Capital Management

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

First Gen Group manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust the capital structure, First Gen Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended June 30, 2018 and the year ended December 31, 2017.

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Loans payable	\$405	\$—
Long-term debts (current and non-current portions)	2,352,901	2,512,687
	\$2,353,306	\$2,512,687
Equity attributable to equity holders of the Parent		
Company	\$1,857,479	\$1,882,270
Non-controlling interests	580,574	581,918
Total equity	\$2,438,053	\$2,464,188
Total debt and equity	\$4,791,359	\$4,976,875
Debt ratio	49:51	51:49

First Gen Group's subsidiaries are obligated to perform certain covenants with respect to maintaining specified debt-to-equity and minimum debt-service-coverage ratios, as set forth in their respective agreements with the creditors. As of June 30, 2018 and December 31, 2017, First Gen Group is in compliance with those covenants.

20. Financial Instruments

Set out below is a comparison by category of the carrying values and fair values of First Gen Group's financial instruments as at June 30, 2018 and December 31, 2017 that are carried in the unaudited interim condensed consolidated financial statements:

	June 30, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Financial assets accounted for as cash				
flow hedges - Derivative assets	\$6,877	\$6,877	\$4,416	\$4,416
Financial assets designated at FVPL	23,570	23,570	20,720	20,720
Loans and receivables:				
Cash and cash equivalents	737,323	737,323	671,251	671,251
Receivables:				
Trade	360,997	360,997	352,135	352,135
Due from related parties	1,347	1,347	1,729	1,729

	June 30, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Others	3,356	3,356	3,083	3,083
Long-term receivables	1,584	979	5,753	3,542
Special deposits and funds	2,569	2,569	5,177	5,177
Short-term investments	11,249	11,249	14,847	14,847
DSRA	97,484	97,484	114,173	114,173
Other current assets	661	661	709	709
Total loans and receivables	1,216,570	1,215,965	1,168,857	1,166,646
AFS financial assets:				
Debt securities	2,533	2,533	2,936	2,936
Equity securities	6,863	6,863	7,042	7,042
Proprietary club membership shares	944	944	964	964
Total AFS financial assets	10,340	10,340	10,942	10,942
	\$1,257,357	\$1,256,752	\$1,204,935	\$1,202,724
Financial Liabilities				
Financial liabilities carried at amortized cost:				
Accounts payable and accrued expenses*	\$321,337	\$321,337	\$332,145	\$332,145
Dividends payable	13,063	13,063	14,478	14,478
Loans payable	405	405	—	—
Due to a related party	145	145	145	145
Long-term debts	2,352,901	2,600,851	2,512,687	2,592,791
Total financial liabilities at amortized cost	2,687,851	2,935,801	2,859,455	2,939,559
Financial liability accounted for as cash flow hedges - Derivative liabilities	—	—	1,763	1,763
	\$2,687,851	\$2,935,801	\$2,861,218	\$2,941,322

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

Long-term receivables

The fair value of long-term receivables was computed by discounting the expected cash flow using the applicable rates of 4.78% and 4.05% as of June 30, 2018 and December 31, 2017, 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.

Financial instruments at fair value through profit or loss

The fair values of financial instruments at fair value through profit or loss are based on quotations provided by the investment manager.

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 2.4136% to 2.9030% and 1.7753% to 2.4675% as of June 30, 2018 and December 31, 2017, respectively.

Parent Company and FNPC long-term debts

The fair values of the Parent Company's and FNPC's U.S. dollar-denominated long-term debts were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. dollar interest rates on June 30, 2018 and December 31, 2017 ranging from 1.983% to 2.851% and 1.4980% to 2.6260%, respectively.

Long-term debts of EDC and FG Hydro

The fair values of EDC's and FG Hydro's long-term debts were estimated using the discounted cash flow methodology with the applicable rates ranging from 1.75% to 7.35% and 1.75% to 2.90% as of June 30, 2018 and December 31, 2017, respectively.

Fair Value Hierarchy of Financial Assets and Liabilities

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

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

	June 30, 2018 (Unaudited)			
	Fair value	Level 1	Level 2	Level 3
Loans and receivables:				
Long-term receivables	\$979	\$-	\$-	\$979
AFS financial assets:				
Debt securities	2,533	2,533	-	-
Equity securities	6,863	6,863	-	-
Financial assets accounted for as cash flow hedges - Derivative assets	6,877	-	6,877	-
Financial assets designated at FVPL	23,570	9,435	14,135	-
Long-term debts	2,600,851	-	-	2,600,851
	December 31, 2017 (Audited)			
	Fair value	Level 1	Level 2	Level 3
Loans and receivables:				
Long-term receivables	\$3,542	\$-	\$-	\$3,542
AFS financial assets:				
Debt securities	2,936	2,936	-	-
Equity securities	7,042	864	6,178	-
Financial assets accounted for as cash flow hedges - Derivative assets	4,416	-	4,416	-
Financial assets designated at FVPL	20,720	12,518	8,202	-
Long-term debts	2,592,791	-	-	2,592,791
Financial liabilities accounted for as cash flow hedges - Derivative liabilities	1,763	-	1,763	-

As of June 30, 2018 and December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements and there were no transfers into and out of Level 3 fair value measurements.

Derivative Financial Instruments

First Gen Group enters into derivative transactions such as interest rate swaps to hedge its interest rate risks arising from its floating rate borrowings, cross currency swap and foreign currency forwards to hedge 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 tables below show the fair values of First Gen Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as of June 30, 2018 and December 31, 2017. The notional amount is the basis upon which changes in the value of derivatives are measured.

	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives Designated as Accounting Hedges						
Freestanding derivatives:						
Interest rate swaps	\$6,046	\$-	\$228,460	\$2,186	\$1,545	\$224,696
Forward contracts	-	-	-	-	68	€5,716
Call spread swaps	831	-	\$30,000	2,230	150	\$48,800
Total derivatives	\$6,877	\$-		\$4,416	\$1,763	
Presented as:						
Current	\$283	\$-		\$2,294	\$158	
Noncurrent	6,594	-		2,122	1,605	
Total derivatives	\$6,877	\$-		\$4,416	\$1,763	

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, 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 (IRS) agreements to cover the interest payments for up to 91% of its combined debt under the Covered and Uncovered Facilities. However, in May 2017, FGPC fully paid the outstanding loans under the Covered and Uncovered Facilities and such payments have led to the termination of the IRS.

Interest Rate Swap - FGP

In April 2013, FGP entered into two IRS agreements with ING Bank and SCB to hedge its floating rate exposure on \$80.0 million of its \$420.0 million term loan facility (see Note 13). Under the IRS 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 IRS agreement with RCBC to hedge its floating rate exposure on another \$20.0 million of the \$420.0 million term loan facility. Under the IRS agreement, FGP pays a fixed rate of 1.28% and receives a floating rate of U.S. LIBOR, on a semi-

annual basis, simultaneous with the interest payment every June and December on the hedged loan. The notional amounts of interest rate swaps are amortizing based on the repayment schedule of the hedged loan. The interest rate swaps were designated as cash flow hedges and will mature on June 10, 2020.

On June 10, 2013, FGP designated the IRS as hedging instruments to hedge the variability in the cash flows from the Term Loan Facility, attributable to the movements of six-month U.S. LIBOR. The hedges are accounted for as cash flow hedges.

As of June 30, 2018 and December 31, 2017, the positive fair values of the interest rate swaps that were deferred to “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position amounted \$1.1 million (net of related deferred income tax effect of \$0.5 million) and \$0.8 million (net of related deferred income tax effect of \$0.3 million), respectively.

There was no ineffective portion recognized in the unaudited interim consolidated statements of income for the six-month periods ended June 30, 2018 and 2017.

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 June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Notional amount	\$70,560	\$74,696
Cumulative mark-to-market gains	1,564	1,100

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Fair value at beginning of period	\$1,100	(\$13,367)
Fair value changes taken into equity during the period	606	(1,493)
Fair value changes realized during the period	(142)	15,960
Fair value at end of period	1,564	1,100
Deferred income tax effect on cash flow hedges	(469)	(330)
Fair value deferred into equity	\$1,095	\$770

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

For the six-month periods ended June 30, 2018 and 2017, the fair value changes taken to the unaudited interim consolidated statements of income amounted to \$0.1 million and \$16.0 million, respectively.

Foreign Currency Forwards - FGPC, FGP and FNPC

On September 11, 2017, FGPC, FGP and FNPC entered into several currency forwards with ING Bank N.V. Manila Branch (ING) to purchase European Euro at fixed Euro to U.S. dollar exchange rates. FGPC, FGP and FNPC 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, FGP, FNPC are obligated to buy Euro from ING amounting to €8.6 million, €3.7 million and €1.8 million, respectively, based on the agreed strike exchange rates. The settlement of each of the forward contract was from October 3, 2017 up to March 2, 2018 which coincided with the settlement of the outstanding and forecasted monthly payables to SPOI.

Pertinent details of the foreign currency forwards are as follows:

Trade Date	Settlement Date	Forward Date	Notional amounts (in thousands Euro)		
			FGPC	FGP	FNPC
09/11/17	10/03/17	10/23/29	€1,733	€959	€296
09/11/17	11/03/17	10/23/29	1,729	887	354
09/11/17	12/04/17	10/23/29	1,758	329	410
09/11/17	01/03/18	10/23/29	1,175	370	365
09/11/17	02/02/18	10/23/29	1,068	575	195
09/11/17	03/02/18	10/23/29	1,164	598	206

As of June 30, 2018 and December 31, 2017, the outstanding notional amount of the foreign currency forward contracts designated as cash flow hedges amounted to nil and €5.7 million, respectively. As of June 30, 2018 and December 31, 2017, the aggregate negative fair value of the foreign currency forward contracts that was deferred to “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position amounted to nil and \$0.1 million, respectively.

Interest Rate Swap Contracts - EBWPC

In the last quarter of 2014, EBWPC entered into four (4) IRS with aggregate notional amount of \$150.0 million. This is to partially hedge the interest rate risks on its ECA and Commercial Debt Facility (Foreign Facility) that is benchmarked against U.S. LIBOR and with flexible interest reset feature that allows EBWPC to select what interest reset frequency to apply. Under the IRS agreement, EBWPC will receive semi-annual interest of 6-month U.S. LIBOR and will pay fixed interest. EBWPC designated the IRS as hedging instruments in cash flow hedge against the interest rate risks arising from the Foreign Facility. In the first quarter of 2016, EBWPC entered into three (3) additional IRS with aggregate notional amount of \$30.0 million.

Pertinent details of the IRS are as follows:

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

Notional amount (in million)	Trade Date	Effective Date	Maturity Date	Fixed rate	Variable rate
39.00	12/11/14	12/15/14	10/23/29	2.635	6-month LIBOR
18.00	02/12/16	06/15/16	10/23/29	1.825	6-month LIBOR
9.00	10/20/14	12/15/14	10/23/29	2.508	6-month LIBOR
6.00	02/12/16	06/15/16	10/23/29	1.825	6-month LIBOR
6.00	02/12/16	06/15/16	10/23/29	1.825	6-month LIBOR

The maturity dates of the seven (7) IRS coincide with the maturity date of the Foreign Facility.

As of June 30, 2018 and December 31, 2017, the outstanding aggregate notional amounts of EBWPC's IRS amounted to \$157.9 million and \$162.2 million, respectively. The aggregate fair value changes on these IRS amounted to \$3.2 million gain and \$1.2 million loss, were recognized under "Cumulative translation adjustments" account in the unaudited interim consolidated statements of financial position as of June 30, 2018 and December 31, 2017, respectively.

Call Spread Swap Contracts - EDC

In March 2016, EDC entered into three (3) call spread swaps (CSS) with an aggregate notional amount of \$28.8 million. In June 2016, EDC also entered into additional two (2) CSS with a notional amount of \$9.6 million each. These derivative contracts are designed to hedge the possible foreign exchange losses of its \$80.0 million Club Loan.

In July 2017, EDC entered into four (4) CSS with an aggregate notional amount of \$20.0 million. These derivative contracts are designed to hedge the possible foreign exchange loss of its \$300.0 million Notes.

In January 2018, EDC entered into two (2) CSS with an aggregate notional amount of \$10.0 million. These derivative contracts are designed to hedge the possible foreign exchange loss of its \$300.0 million Notes.

The aggregate fair value changes on these call spread contracts amounted to \$1.2 million and \$0.9 million as of June 30, 2018 and December 31, 2017, respectively.

Hedge Effectiveness Results

As of June 30, 2018 and December 31, 2017, the net movements of changes made to the "Cumulative translation adjustments" account pertaining to EDC's cash flow hedges are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at beginning of period	(\$413)	(\$503)
Fair value changes taken into equity during the period	5,721	(6,899)
Fair value changes realized during the period	(740)	(2,001)
Foreign exchange losses taken to unaudited interim consolidated statements of income	—	8,990
	4,568	(413)
Deferred income tax effect on cash flow hedges	(1,559)	(832)
Fair value deferred into equity	\$3,009	(\$1,245)

21. Events After Financial Reporting Date

Parent Company

On June 14, 2018, the BOD of the Parent Company approved during its board meeting, in accordance with the terms and condition of the Parent Company's Series "F" Preferred Shares, the redemption of all outstanding Series "F" Preferred Shares on July 25, 2018 at the applicable redemption value of ₱100.0 a share.

On July 25, 2018, the Parent Company redeemed all outstanding Series "F" Preferred Shares amounting to \$119.0 million (₱6,320.2 million).

EDC

On August 8, 2018, EDC's BOD approved the company's plan to voluntarily delist its common shares from the PSE and, in accordance with the PSE's delisting regulations, to conduct a tender offer for all of its common shares held by the public, at a price of ₱7.25 per common share. Upon the successful completion of the Tender Offer (and subject to the approval by the PSE of the voluntary delisting), EDC is expected to be delisted from the PSE.

22. Other Matters

Explanatory comments about the seasonality or cyclicity of interim operations

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

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

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

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

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

The key assumptions concerning the future and other key sources of estimation used in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of First Gen Group's annual consolidated financial statements as of and for the year ended December 31, 2017.

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

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

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

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

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

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