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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														
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(Contact Person)

449-6388									
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(Company Telephone Number)

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Month

3	1
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Day

Fiscal Year

SEC Form 17A									
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FORM TYPE

2nd Wed of May									
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Month

Day

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 (for common shares)									
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Total No. of Stockholders

Total Amount of Borrowings

\$1,256,606 (in thousands)									
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Domestic

\$1,256,081 (in thousands)									
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Foreign

To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended : **December 31, 2017**
2. SEC Identification Number : **A1998-18260**
3. BIR Tax Identification No. **202-464-633**
4. Exact name of issuer as specified in its charter **FIRST GEN CORPORATION**
5. **PHILIPPINES**
Province, Country or other jurisdiction of
incorporation or organization
6. SEC Use Only)
Industry Classification Code:
7. **6th Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City 1604**
Address of principal office Postal Code
8. Issuer's telephone number, including area code: **(632) 449-6400**
9. Former name, former address, and former fiscal year, if changed since last report. **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class

**Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding
(as of December 31, 2017)**

Common Stock
Bonds

3,660,943,557 shares
None

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

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

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

12. Check whether the issuer:

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

Yes [☒] No [☐]

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

Yes [☒] No [☐]

13. Aggregate Market Value of Voting Stock held by Non-Affiliates: **₱20.26 billion***

* As of close of trading on December 29, 2017 (last trading day of 2017).

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

First Gen Corporation (First Gen or the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1998. First Gen and its subsidiaries (collectively referred to as “First Gen Group”) are involved in the power generation business. On February 10, 2006, the Company successfully completed the Initial Public Offering (IPO) in the Philippines of 193,412,600 common stocks, including the exercised greenshoe option of 12,501,700 common stocks, at an IPO price of ₱47.00 per share. The common stocks of the Company are currently listed and traded on the First Board of the Philippine Stock Exchange, Inc. (PSE). First Gen is considered a public company under Section 17.2 of the Securities Regulation Code (SRC).

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

On July 25, 2011, the Company issued by way of private placement 100,000,000 Series “F” Perpetual Preferred Shares at a total issue price of ₱10 billion. The Series “F” Perpetual Preferred Shares are listed and traded on the PSE, and are cumulative, non-voting, non-participating, non-convertible and peso-denominated. Total proceeds from the issuance of Series “F” Perpetual Preferred Shares amounted to ₱10.0 billion (\$235.7 million), net of transaction costs amounting to ₱53.0 million (\$1.2 million).

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

On January 20, 2015, the Company authorized the issuance and sale of an aggregate of 297,029,800 common stocks to be taken from its unissued capital stock and treasury stock at an identical issue price of ₱25.25 per share (the “Offer Price”). The price represents a 2.9 % discount to the last traded price of ₱26.00 per share. The placement was conducted via an accelerated bookbuilding process. First Gen’s parent company, First Philippine Holdings Corporation (FPH), which has a 66.2% stake in First Gen’s issued and outstanding common stocks, agreed to subscribe to its pro-rata share in the transaction. The Company issued to FPH 179,127,900 common stocks from treasury stock, as well as 17,623,100 common stocks from unissued capital stock, at the Offer Price. The total proceeds from the issuance of common stocks amounted to ₱7.4 billion (\$166.5 million), net of transaction costs amounting to ₱62.1 million (\$1.4 million). Following the subscription, FPH maintained its 66.2% stake in the Company’s issued and outstanding common stock.

On May 11, 2016, the Board of Directors (BOD) of the 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 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 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 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 Company purchased from the open market 6,091,200 common shares for ₱90.5 million (\$1.8 million).

As of December 31, 2017, FPH directly and indirectly owns 66.52% of the common stocks of First Gen and 100% of First Gen’s voting preferred stocks. FPH is 46.47%-owned by Lopez Holdings Corporation (Lopez Holdings), a publicly-listed Philippine based entity, as at December 31, 2016. Majority of Lopez Holdings is owned by Lopez, Inc. Lopez Inc. is the ultimate parent of First Gen. FPH, Lopez Holdings and Lopez, Inc. are all incorporated in the Philippines.

First Gen is the largest clean and renewable Independent Power Producer (IPP) in the Philippines, with a total installed capacity of 3,490 MW as of December 31, 2017. All of the Company's power generation plants are operational and are majority-owned and controlled by the Company through its subsidiaries. Since 2005, First Gen's consolidated financial statements has been presented in U.S. Dollars (US\$) being First Gen Group's functional and presentation currency under PFRS. First Gen's consolidated net income amounted to US\$208.2 million for the year ended December 31, 2017, on revenues of US\$1.71 billion. Net income attributable to equity holders of the Parent amounted to US\$134.4 million.

Following is the list of the companies on which the Company has control as of December 31, 2017 and 2016:

	Percentage of Voting Interest	
	2017	2016
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.	100	100
Blue Vulcan Holdings Corporation (Blue Vulcan)	100	100
Prime Meridian Powergen Corporation (Prime Meridian) ³	100	100
Goldsilks 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
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 Casecan Hydro Power Corp. (FGEN Casecan)	100	100
FGen Power Holdings, Inc. (Power Holdings)	100	100
FGen Prime Holdings, Inc. (Prime Holdings)	100	100
FGen Eco Solutions Holdings, Inc. (FGESHI)	100	100
FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings)	100	100
FGen Reliable Energy Holdings, Inc. (FG Reliable Energy)	100	100
FGen Power Solutions, Inc. (FG Power Solutions)	100	100
FGen Vibrant Blue Sky Holdings, Inc. (FGVBShI)	100	100
FGen Aqua Power Holdings, Inc. (FG Aqua Power)	100	100
FGen Natural Gas Supply, Inc. (FGen NatGas Supply) ^{13, 14}	100	100
FGen Power Operations, Inc. (FPOI) ¹⁵	100	100
FGen Fuel Line Systems, Inc. (FGen Fuel Line) ¹⁶	100	100
Prime Terracotta Holdings Corp. (Prime Terracotta)	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

¹²The Company has 40% direct voting interest in FG Hydro while its effective economic interest is 65.0% through Prime Terracota as of December 31, 2017.

¹³Through Liquefied Holdings

¹⁴On May 15, 2015, FGen NatGas Supply was incorporated and registered with the Philippine SEC. FGen NatGas Supply is a wholly owned subsidiary of Liquefied Holdings.

¹⁵On July 21, 2015, FPOI was incorporated and registered with the Philippine SEC.

¹⁶On September 9, 2015, FGen Fuel Line was incorporated and registered with the Philippine SEC.

All of the foregoing subsidiaries are incorporated in the Philippines.

Below are descriptions of the different companies under First Gen:

- Since the acquisition of Bluespark Management Limited (Bluespark) [formerly Lisbon Star Management Limited (LSML)] on May 30, 2012 by Blue Vulcan, First Gen beneficially owns 100.0% of First Gas Holdings Corporation (FGHC), FGP Corp. (FGP), and First NatGas Power Corporation (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 is 100.0% owned by First Gen since May 2012. FGHC wholly-owns FGPC, the project company of the 1,000 MW Santa Rita power plant.
 - FGPC is the project company of the Santa Rita Power Plant. The company was incorporated on November 24, 1994 to develop the 1,000 MW gas fired cycle power plant located in Santa Rita, Batangas City. The company started full commercial operations on August 17, 2000. FGPC generates electricity for Meralco under a 25-year Power Purchase Agreement (PPA). In order to fulfill its responsibility to operate and maintain the power plant, FGPC has an existing agreement with Siemens Power Operations, Inc. (SPOI), a 100.0% subsidiary of Siemens AG, to act as the operator under an Operations & Maintenance Agreement (O&M Agreement). Net income and revenues from sale of electricity for the year ended December 31, 2017 amounted to US\$85.6 million and US\$612.0 million, respectively.
- Unified Holdings Corporation (UHC) was incorporated on March 30, 1999 as the holding company of First Gen’s 60.0% equity share in FGP Corp. (FGP), the project company of the 500 MW San Lorenzo Power Plant. However, following the acquisition of Bluespark in May 2012, First Gen now owns 100% of UHC.
 - FGP is the project company of the San Lorenzo Power Plant. The company was established on July 23, 1997 to develop a 500 MW gas-fired combined cycle power plant in Santa Rita, Batangas, adjacent to the 1000 MW Santa Rita Power Plant. The company started full commercial operations on October 1, 2002. Most of the economic and structural features that made the Santa Rita project attractive were replicated in the San Lorenzo project to preserve the innovative risk-mitigating structure. All major project agreements were substantially similar to those used in the Santa Rita project. Also, the economic and commercial advantages of being located adjacent to the Santa Rita project were optimized. The project’s strategic location allows it to share common facilities such as the tank farm and jetty facilities thus reducing the need to duplicate various operational facilities. Cost reductions associated with the operations and maintenance of power plant were also achieved through the pooling of operations and maintenance (O&M) personnel and other expenses. Net income and revenues from sale of electricity for the year ended December 31, 2017 amounted to US\$45.6 million and US\$308.2 million, respectively.
- First Gen Renewables, Inc. (FGRI), formerly known as First Philippine Energy Corporation, was established on November 29, 1978. It is tasked to develop prospects in the renewable energy market. On June 17, 2014, the SEC approved the Plan and Articles of Merger between FGRI and Bluespark that was executed on April 29, 2014 following the majority vote of the board of directors and by the vote of the stockholders owning and representing more than two-thirds of the outstanding capital stock of constituent corporations on April 24, 2014. As a result of the merger, FGRI became the surviving corporation and is now 99.1% effectively-owned by Blue Vulcan. FGRI now effectively owns a 40.0% voting and economic interest in Santa Rita and San Lorenzo power plants. Prior to the merger, FGRI was a wholly-owned subsidiary of First Gen.

- o FG Bukidnon Power Corporation (FG Bukidnon), a wholly-owned subsidiary of FGRI, was incorporated on February 9, 2005. Upon conveyance of First Gen in October 2005, FG Bukidnon took over the operations and maintenance of the FG Bukidnon Hydroelectric Power Plant (FGBHPP). FG Bukidnon's net income and revenues from sale of electricity for the year ended December 31, 2017 amounted to ₱12.0 million and ₱60.0 million, respectively.

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

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

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. As of September 30, 2017, EDC is the Philippines' largest producer of geothermal energy, operating 12 geothermal power plants in the four geothermal service contract areas where it is principally involved in: (i) the production of geothermal steam for sale to subsidiaries; and, (ii) the generation and sale of electricity through EDC-owned geothermal power plants to National Power Corporation (NPC) and various offtakers. Likewise, EDC owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 6.82 MW Burgos Solar Project (Burgos Solar) both situated in Burgos, Ilocos Norte. The Burgos Wind Project achieved commercial operations in November 2014, while the two-phased Burgos Solar Project achieved commercial operations in March 2015 and January 2016, respectively. EDC also signed a 20-year PPE with Gaisano Capital in January 2017, of which, 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 December 31, 2017, EDC Siklab Power Corporation, a wholly-owned subsidiary of EDC, is currently testing the solar rooftop systems in various Gaisano Capital malls.

EDC's consolidated net income and revenues as of December 31, 2017 amounted to ₱7.9 billion and ₱33.3 billion, respectively, with net income attributable to equity holders of the parent company of ₱7.7 billion.

On August 3, 2017, the 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 shares and up to a maximum of 8.9 billion common shares 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.

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. The 1.98 billion common shares were equivalent to a 10.6% economic interest in EDC. Following the successful tender offer conducted by PREHC, which settled on September 29, 2017, to acquire up to 47.5% of EDC's common shares, the Company 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, the Company holds a 61.1% effective 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.

- First Gen Hydro Power Corporation (FG Hydro) was incorporated on March 13, 2006 as a wholly-owned subsidiary of First Gen. On September 8, 2006, FG Hydro emerged as the winning bidder for the 100 MW Pantabangan and the 12 MW Masiway Hydroelectric Power Plants (PMHEPP) that was conducted by the Power Sector Assets and Liabilities Management Corporation (PSALM). The 112 MW PMHEPP was transferred to FG Hydro on November 18, 2006, representing the first major generating assets of NPC to be successfully transferred to the private sector by PSALM. Subsequently, First Gen's board of directors approved the sale of 60% of FG Hydro to EDC. As a result of the divestment, First Gen's direct voting interest in FG Hydro was reduced to 40%. FG Hydro's net income and revenues from the sale of electricity for the year ended December 31, 2017 amounted to ₱580.4 million and ₱1.6 billion, respectively.
 - The 100 MW Pantabangan power plant commenced operations in 1977 and consists of two 50 MW generating units. The 12 MW Masiway power plant commenced operations in 1981 and consists of one 12 MW operating unit. Both facilities are located in Pantabangan, Nueva Ecija Province in Central Luzon, 180 kilometers north of Metro Manila. Following FG Hydro's completion of its rehabilitation and upgrade project in December 2010, plant capacity of the Pantabangan plant was increased by 20 MW. With this upgrade, the new plant capacity of PMHEPP is now 132 MW. FG Hydro likewise rehabilitated the Masiway plant to address equipment obsolescence specifically on the excitation, protection and generator systems as well as the main step-up transformer of Masiway were replaced in 2015. The plant resumed operations in early December 2015 and formal takeover took place in 2016. Following the tender offer, the Company's effective economic stake in FG Hydro is equivalent to 65.0% as of December 31, 2017.
- 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 power plant (San Gabriel). AGPC is a wholly-owned subsidiary of First Gen.
 - FNPC is the project company of San Gabriel, adjacent to the existing Santa Rita and San Lorenzo power plants in Santa Rita, Batangas City. The San Gabriel project serves the mid-merit and, potentially, the base load requirements of the Luzon Grid. It went into commercial operations in November 2016. As of December 31, 2017, the San Gabriel plant was a 100.0% merchant plant. FNPC's net loss and revenues from the sale of electricity for the year ended December 31, 2017 amounted to \$7.9 million and \$98.6 million, respectively.

FNPC entered into a PSA with Meralco for the sale and purchase of approximately 414 MW of baseload capacity. The power will be sourced from the 414 MW San Gabriel combined cycle natural gas-fired power plant which is located within the First Gen Clean Energy Complex ("FGEN Clean Complex") in Batangas City. The term of the PSA is 6 years using gas from the Malampaya field, but, in the event that liquefied natural gas (LNG) becomes available, the term of the PSA could be extended upon mutual agreement with Meralco. Under the terms of the PSA, power from San Gabriel is actually available for purchase by Meralco immediately; however, the sale of electricity to Meralco will only commence upon its approval by the Energy Regulatory Commission (ERC). The PSA is set to expire on February 23, 2024, unless otherwise extended by the parties.
- 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. PMPC's net loss and revenues from the sale of electricity for the year ended December 31, 2017 amounted to ₱185.3 million and ₱882.5 million, respectively.
- 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 82.65 MW from 30 contestable customers as of December 31, 2017.

FGES has agreements with various RSCs to provide for the supply of electricity at an agreed price on a per kWh basis to contestable customers. Under the respective RSCs, FGES charges the customer for both the basic energy and pass through charges, as may be applicable. Total sale of electricity relating to the agreements amounted to ₱2,152.2 million as of December 31, 2017. The sale of electricity includes the distribution and transmission charges, which are pass-through charges under the agreements.

Business of Issuer

1. FIRST GEN CORPORATION

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

- (i) FGPC, which operates the 1,000 MW Santa Rita natural gas-fired power plant;
- (ii) FGP, which operates the 500 MW San Lorenzo natural gas-fired power plant;
- (iii) PMPC, which operates the 97 MW Avion natural gas-fired power plant;
- (iv) FNPC, which operates the 420 MW San Gabriel natural gas-fired power plant;
- (v) FG Bukidnon, which operates the 1.6 MW FG Bukidnon mini-hydroelectric power plant;
- (vi) EDC, with an aggregate installed capacity of approximately 1,339.8 MW of geothermal, wind and solar power; and,
- (vii) 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 and Red Vulcan. FGEN has a 40.0% direct economic interest in FG Hydro. Following the successful tender offer conducted by PREHC in September 2017, the Company's total economic stake in EDC was reduced from 50.6% to 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 Philippine power industry is dominated by NPC, a government-owned and operated company. The generation sector can be broken down into the following main groups: (i) NPC-owned and operated generation facilities; (ii) NPC IPPs, which include plants operated by IPPs, as well as IPP-owned and operated plants, each of which supplies electricity to NPC; and (iii) IPP-owned and operated plants that supply electricity to customers other than NPC.

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

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

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

3. FGP CORP. (San Lorenzo Power Plant)

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

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

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

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

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

5. ENERGY DEVELOPMENT CORPORATION (EDC)

EDC holds service contracts with the Department of Energy (DOE) corresponding to fifteen (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 the following four of its 15 geothermal contract areas:

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

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

In November 2014, EBWPC, a wholly-owned subsidiary of EDC, started to generate electricity from its 150 MW Burgos Wind, which was sold to the WESM until April 2015. The ERC granted on April 13, 2015 the Feed-In-Tariff (FIT) Certificate of Compliance (FIT COC) for the Burgos Wind Project - Phase I and II, which specifies that the project is entitled to the FIT rate of ₱8.53 per kWh, subject to adjustments as may be approved by the ERC, from November 11, 2014 to November 10, 2034. All electricity generated after the receipt of FIT COC were sold to the National Transmission Corporation (TransCo).

EDC also operates the 6.82 MW Burgos Solar located in Burgos, Ilocos Norte. The two-phased Burgos Solar project achieved commercial operations on March 5, 2015 for Phase 1 and January 19, 2016 for Phase 2. On April 17, 2015, EDC received the FIT COC for its Burgos Solar Project - Phase 1, which was granted by the ERC on April 6, 2015. The FIT COC specifies that the project, having a total capacity of 4.16 MW is entitled to the FIT rate of ₱9.68 per kWh, subject to adjustments as may be approved by the ERC, from March 5, 2015 to March 4, 2035. On March 1, 2016, the ERC issued to EDC the FIT COC for the Burgos Solar Project - Phase 2. The COC specifies that the project, having a total capacity of 2.66 MW is entitled to the FIT rate of ₱8.69 per kWh, subject to adjustments as may be approved by the ERC, from January 19, 2016 to January 18, 2036.

The RE Law also provides that the exclusive right to operate geothermal power plants shall be granted through a Renewable Energy Operating Contract with the Philippine Government through the DOE. On May 8, 2012, EDC, through its subsidiaries GCGI and BGI, secured three (3) Geothermal Operating

Contracts (GOCs), each with a 25-year contract period expiring in 2037 and renewable for another 25 years, covering the following power plant operations:

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

- Steam Sales Agreement (SSA) of EDC

Under the SSA, NPC agrees to pay EDC a base price per kWh of gross generation, subject to inflation adjustments, and based on a guaranteed take-or-pay (TOP) rate at certain percentage plant factor. The SSA is for a period of 20 to 25 years.

Details of the existing SSA are as follows:

Contract Area	Guaranteed TOP	End of Contract
BacMan I	75% plant factor	May 2018
BacMan II	50% for the 1st year, 65% for the 2nd year, 75% for the 3rd and subsequent years	March 2019

Following the commercial operations of the BacMan units, PSALM/NPC, EDC, and BGI have agreed to allow EDC bill BGI directly, on behalf of PSALM/NPC, starting October 1, 2013 for BacMan II and January 28, 2014 for BacMan I.

- PPAs of EDC

EDC sells electricity to NPC pursuant to the following PPAs:

- 588.4 MW Unified Leyte

The PPA provides, among others, that NPC shall pay EDC a base price per kilowatt-hour of electricity delivered subject to inflation adjustments. The PPA stipulates a contracted annual energy of 1,370 gigawatt-hour (GWh) for Leyte-Cebu and 3,000 GWh for Leyte-Luzon throughout the term of the PPA. It also stipulates that EDC shall specify the nominated energy for every contract year. The 1,370 GWh contract shall expire on July 25, 2021, while the 3,000 GWh contract shall expire on July 25, 2022.

- 52.0 MW Mindanao I

The PPA provides, among others, that NPC shall pay EDC a base price per kilowatt-hour of electricity delivered subject to inflation adjustments. The PPA stipulates a minimum offtake energy of 330 GWh for the first year and 390 GWh per year for the succeeding years. The contract is for a period of 25 years, which commenced in March 1997 and will end in March 2022.

- 54.0 MW Mindanao II

The PPA provides, among others, that NPC shall pay EDC a base price per kilowatt-hour of electricity delivered subject to inflation adjustments. The PPA stipulates a minimum energy offtake of 398 GWh per year. The contract is for a period of 25 years, which commenced in June 1999 and will end in June 2024.

- 49.0 MW Nasulo

PSAs

As of December 31, 2017, EDC's Nasulo power plant has a total of three (3) PSAs as follows:

Customers	Contract Start	Contract Expiration
San Miguel Electric Cooperative (SMEC)	November 26, 2014	December 25, 2024
Unified Leyte Geothermal Energy Inc.	August 26, 2015	August 25, 2021
FGES	August 26, 2016	between Dec. 25, 2018 to March 25, 2019

Ancillary Services Procurement Agreement (ASPA)

On January 24, 2017, EDC entered into an agreement with the NGCP after being certified and accredited by NGCP as capable of providing Regulating Reserve Services. Under the agreement, EDC through the Nasulo power plant shall provide the above-stated ancillary service to NGCP.

The ASPA is effective for a period of five (5) years, commencing on January 24, 2017. The ASPA was provisionally approved by the ERC on June 6, 2017.

Green Core Geothermal Inc. (GCGI)

- **PSAs**

With GCGI's takeover of Palinpinon and Tongonan Power Plants effective October 23, 2009, the Asset Purchase Agreement with PSALM provides for the assignment of 12 NPC Power Supply Contracts (PSCs) to GCGI. On December 25, 2017, the PSC with Leyte IV Electric Cooperative, Inc. (LEYECO IV) has expired.

As of December 31, 2017, GCGI has the following PSAs:

Customers	Contract Start	Contract Expiration
<u>Leyte</u>		
Leyte II Electric Cooperative, Inc. (LEYECO II)*	December 26, 2010	December 25, 2040
LEYECO II*	December 26, 2011	December 25, 2040
Leyte III Electric Cooperative, Inc. (LEYECO III)*	December 26, 2011	December 25, 2040
<u>Cebu</u>		
Visayan Electric Company, Inc. (VECO)*	December 26, 2010	December 25, 2024
Balamban Enerzone Corporation (BEZ)*	December 26, 2010	December 25, 2025
Mactan Enerzone Corporation (MEZ)	September 26, 2015	December 25, 2025
<u>Bohol</u>		
Bohol II Electric Cooperative, Inc. (BOHECO II)*	January 26, 2013	December 25, 2040
<u>Negros</u>		
Central Negros Electric Cooperative, Inc. (CENECO)*	December 26, 2011	December 25, 2040
Negros Oriental I Electric Cooperative, Inc. (NORECO I)*	December 26, 2010	December 25, 2030
Negros Oriental II Electric Cooperative, Inc. (NORECO II)*	December 26, 2010	December 25, 2035
Northern Negros Electric Cooperative, Inc. (NONECO)*/**	December 26, 2010	June 25, 2040
Dumaguete Coconut Mills, Inc. (DUCOM)	October 26, 2010	December 25, 2040
<u>Panay</u>		
Aklan Electric Cooperative, Inc. (AKELCO)*	March 26, 2010	December 25, 2040
Antique Electric Cooperative, Inc. (ANTECO)	December 26, 2014	December 25, 2040
Capiz Electric Cooperative, Inc. (CAPELCO)*	January 27, 2010	December 25, 2040
Iloilo I Electric Cooperative, Inc. (ILECO I)*	March 26, 2010	December 25, 2040
Iloilo II Electric Cooperative, Inc. (ILECO II)*	December 26, 2010	December 25, 2030
Iloilo III Electric Cooperative, Inc. (ILECO III)*	December 26, 2012	December 25, 2030
Guimaras Electric Cooperative, Inc. (GUIMELCO)*	December 26, 2012	December 25, 2040
FGES***	October 26, 2016	December 25, 2020
FDC Retail Electricity Sales Corp.	March 26, 2017	March 25, 2021

* With Provisional Authority from the ERC as of December 31, 2017.

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

*** FGES supplies various customers in Luzon and Visayas.

Coordination with the ERC is ongoing to secure the Final Authority for the filed applications for the approval of the PSAs with the distribution utility customers. Preparations are ongoing for the filing with the ERC of the applications for the approval of the PSA with ANTECO.

BEZ PSA was mutually terminated last December 25, 2016 by both Parties due to the transfer of its various locators to RES.

- **ASPA**

On January 24, 2017, GCGI entered into an agreement with the NGCP after being certified and accredited by NGCP as capable of providing Regulating Reserve Services. Under the agreement, GCGI through the Palinpinon Power Plant II shall provide the above-stated ancillary service to NGCP. The ASPA is effective for a period of five (5) years, commencing on January 24, 2017. The ASPA was provisionally approved by the ERC on June 6, 2017.

BacMan Geothermal Inc. (BGI)

As of December 31, 2017, BGI's outstanding PSAs are as follows:

Customers	Contract Start	Contract Expiration
First Philippine Industrial Corp. (FPIC)	January 26, 2013	December 25, 2018
Camarines Sur II Electric Cooperative, Inc. (CASURECO II)	January 26, 2013	January 25, 2019
ULGEI	August 26, 2015	December 25, 2025
FGES	February 1, 2016	December 25, 2018
FG Hydro	February 26, 2016	August 25, 2018
ULGEI (for supply to CASURECO IV)	March 26, 2016	December 25, 2018
Pampanga II Electric Cooperative, Inc. (PELCO 2)	June 26, 2016	December 25, 2018
Ilocos Norte Electric Cooperative, Inc. (INEC)	September 30, 2016	December 25, 2018
Mt. Province Electric Cooperative, Inc. (MOPRECO)	September 30, 2016	December 25, 2018
Kalinga Apayao Electric Cooperative, Inc. (KAELCO)	September 30, 2016	December 25, 2018
Hoc Po Feeds Corp. (HPFC)	September 26, 2017	July 25, 2018
Green Era Bio-Tech Corporation (GEBTC)	September 26, 2017	December 25, 2018
Pilipinas Kyohritsu Inc. (PKI)	September 26, 2017	December 25, 2018
De La Salle Health Science, Inc. (DLS HSI)	September 26, 2017	December 25, 2018
De La Salle University Dasmariñas (DLSU D)	September 26, 2017	December 25, 2018
Rockwell Land Corporation - Edades Tower and Green (Rockwell Edades)	September 26, 2017	February 25, 2019
Rockwell Land Corporation - The Grove (Rockwell The Grove)	September 26, 2017	February 25, 2019
RFM Corporation (RFM Cabuyao)	October 26, 2017	February 25, 2019
Dulce Cupcakes Corp. (DCC)	November 26, 2017	November 25, 2019
Oceanaire Residences (Oceanaire)	December 26, 2017	December 26, 2019
Santeh Feeds Corporation (SFC)	December 26, 2017	December 26, 2019

BGI entered into various PSAs with FGES for the supply of power to various Contestable Customers of FGES with varying contract periods ending from August 25, 2018 to December 25, 2026.

Unified Leyte Geothermal Energy Inc. (ULGEI)

As of December 31, 2017, ULGEI's outstanding PSAs are as follows:

Customers	Contract Start	Contract Expiration
Bohol Light Company, Inc. (BLCI)	August 26, 2015	August 25, 2021
Camarines Sur IV Electric Cooperative Inc. (CASURECO IV)	August 26, 2015	December 25, 2025
Bohol II Electric Cooperative, Inc.	April 4, 2016	December 25, 2018
Bohol I Electric Cooperative, Inc.	April 4, 2016	December 25, 2018
BGI	December 26, 2017	December 25, 2018

EDC Siklab

- *Solar Rooftop Power Purchase Agreement (Solar Rooftop PPA)*
In July 2016, EDC Siklab entered into a Solar Rooftop PPA with FGES, and Heva Management and Development Corporation (HEVA). The Solar Rooftop PPA provides, among others, that FGES will supply to HEVA the electricity generated by the EDC Siklab's 1,030 kW solar rooftop system located in Gaisano Capital's mall in La Paz District, Iloilo City. The contract is for a period of two (2) years, which commenced in March 2017.
- *Solar Rooftop Lease Agreements (SLRA)*
In 2017, EDC Siklab entered into four (4) SLRA with HEVA. These SLRAs provide, among others, that EDC Siklab will construct, install, test, commission, operate and maintain solar power facilities in Gaisano Capital's mall in Kalibo, Oton and Balasan, and HEVA will lease these facilities for a period of 25 years. As of December 31, 2017, these contracts have not yet commenced.

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

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

On May 9, 2011, the ERC approved the renewal of FGES' RES License effective for a period of five years. On May 22, 2012, the ERC likewise granted the renewal of FGES' Wholesale Aggregator's (WA) license effective for a period of five years. With the commencement of RCOA, FGES' RES business has a total contracted demand of 82.65 MW from 30 contestable customers as of December 31, 2017. These agreements provide for the supply of electricity at an agreed price on a per kWh basis to contestable customers. Under the respective RSCs, FGES charges the customer for both the basic energy and pass through charges, as may be applicable.

7. FG BUKIDNON POWER CORPORATION (FG BUKIDNON)

FG Bukidnon was incorporated on February 9, 2005. Upon conveyance of the Company in October 2005, FG Bukidnon took over the operations and maintenance of the 1.6 MW FGBHPP. On October 23, 2009, FG Bukidnon entered into a Hydropower Service Contract (HSC) with the DOE, which grants FG Bukidnon the exclusive right to explore, develop, and utilize the hydropower resources within the Agusan river contract area.

FG Bukidnon shall furnish the services, technology, and financing for the conduct of its hydropower operations in the contract area in accordance with the terms and conditions of the HSC. The HSC is effective for a period of 25 years from the date of execution, or until October 2034. Pursuant to the RE Law and the HSC, the National Government and Local Government Units shall receive the Government's share equal to 1.0% of FG Bukidnon's preceding fiscal year's gross income for the utilization of hydropower resources within the Agusan river contract area.

Description of Registrant

Principal products or services.

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

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

Company	Principal products/services	Market	Effective Contribution to Consolidated Revenues* of First Gen
FGPC	- Power generation	MERALCO	US\$612.0 million
FGP	- Power generation	MERALCO	US\$308.2 million
FNPC	- Power generation	WESM	US\$98.6 million
PMPC	- Power generation	WESM	US\$17.5 million (or ₱882.5 million)
FG Bukidnon	- Power generation	CEPALCO	US\$1.0 million (or ₱50.8 million)
EDC	EDC holds service contracts with the 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. EDC operates the 3.63 MW solar rooftop project in Iloilo City	NPC (for power generation & steam sales), WESM, NGCP, electric cooperatives and industrial customers pursuant to the PPAs and PSAs, and FIT	US\$627.7 million** (or ₱31,610.1 million)
FG Hydro	- Power generation	WESM / NGCP/ various cooperatives	US\$32.7 million (or ₱1,645.1 million)
FGES	- Retail energy supply	Various contestable customers	US\$10.4 million*** (or ₱522.8 million)

* Pertains to revenues from sale of electricity only.

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

***FGES' contribution to FGEN's consolidated revenues is net of intercompany revenues from sale of electricity amounting to \$24.07 million for the period ended December 31, 2017.

Note: The Philippine-peso balances of FG Bukidnon, FG Hydro, PMPC, and EDC were translated to U.S. Dollar using the weighted average rate of ₱50.358:US\$1.00 for the year 2017. The functional currency of FGPC, FGP and FNPC is the U.S. Dollar.

EDC has evolved into being the country's premier pure renewable energy player, possessing interests in geothermal, wind, hydro, and solar power. For geothermal energy, its expertise spans the entire geothermal value chain, i.e., from geothermal energy exploration and development, reservoir engineering and management, engineering design and construction, environmental management and energy research and development. Its wind energy expertise covers project research & development and wind data assessment. With FG Hydro, EDC has not only acquired expertise in hydropower operation and maintenance, but also the capability to sell power on a merchant basis. EDC also operates the Burgos Solar Project (Phases 1 and 2), which is inside the same concession area as EBWPC wind farm.

Distribution Methods.

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

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

FNPC's San Gabriel power plant started exporting electricity commercially to the grid on November 7, 2016, while PMPC's Avion power plant started exporting electricity commercially to the grid on September 26, 2016. The Avion power plant continues to be fully merchant in 201, while the San Gabriel power plant was fully merchant in 2017 but it has recently signed a six-year , while the Avion power plants are fully-merchant and 100% of their respective capacities are being offered at the WESM. Energy is delivered to the Luzon Grid via the San Lorenzo switchyard. The San Lorenzo switchyard is connected to the Luzon Grid through a 230-kV transmission line of the NGCP to NGCP's Mahabang-Parang, Batangas substation.

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

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

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

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

Solar Projects.

- On January 11, 2017, EDC and Gaisano Capital successfully inaugurated the 1.03-MW solar rooftop system in Gaisano Capital's mall in La Paz District, Iloilo City. The solar rooftop system, currently the largest in the province, can supply up to 50% of the mall's daytime load resulting in significant savings in electricity cost for Gaisano Capital.
- On September 7, 2017 two (2) solar rooftop systems in Gaisano Capital malls, namely Kalibo (761kW) and Passi (614kW), were inaugurated. Subsequently, additional solar rooftops such as the 614kW Oton and 614kW Balasan were commissioned on November 9 and 10, 2017, respectively.

Natural Gas Projects.

FNPC entered into a PSA with Meralco for the sale and purchase of approximately 414 MW of baseload capacity. The power will be sourced from the already constructed and currently operational San Gabriel combined cycle natural gas-fired power plant which is located within the First Gen Clean Energy Complex in Batangas City. The term of the PSA is 6 years using gas from the Malampaya field, but, in the event that liquefied natural gas (LNG) becomes available, the term of the PSA could be extended upon mutual agreement with Meralco. Under the terms of the PSA, power from San Gabriel is actually available for purchase by Meralco immediately; however, the sale of electricity to Meralco will only commence upon its approval by the ERC. The PSA is set to expire on February 23, 2024, unless otherwise extended by the parties.

Hydro Projects.

- *FG Mindanao*

On November 10, 2016, the DOE has issued three Certificates of Registration to FG Mindanao as an RE Developer of 175 MW Binongan-Tineg, 160 MW Cagayan 1N and 17.5 MW Cateel River hydroelectric power projects which are covered by HSCs executed between the DOE and FG Mindanao. On November 9, 2017, following viability assessment of the projects for future development, FG Mindanao notified the DOE regarding its intention to surrender the entire contract areas covered by HSC 2016-06-658 and HSC 2016-06-660 for the 175 MW Binongan-Tineg Hydro Project in the Municipalities of Tineg and Lagayan, Abra and the 17.5 MW Cateel Hydro Project in the Municipality of Baganga, Davao Oriental, respectively. The Cagayan 1N project remains and is still under pre-development stage.

Retail Electricity Supply.

- *Retail Supply Contract (RSC)*

In 2016, FGES entered into various RSCs with contestable customers ranging from a contract period of 2 to 10 years. These agreements provide for the supply of electricity at an agreed price on a per kWh basis to contestable customers. Under the respective RSCs, FGES charges the customer for both the basic energy and pass through charges, as may be applicable. As of December 31, 2017, FGES has outstanding RSCs with 26 and 22 contestable customers, respectively.

- *Power Supply General Framework Agreement (PSGFA)*

In 2017, FGES entered into a PSGFA with several GenCo's for a total of 27.99 MW and 67.25 MW contracted energy, respectively. The said contracted energy is intended to serve the contracted energy requirement of the various RSCs entered into by FGES. In 2017, seven (7) contracts totaling 11.54 MW contracted energy were assigned to BGI RES.

- *Registration with Philippine Economic Zone Authority*

On November 15, 2016, the PEZA approved FGES's application for registration as an Ecozone Utilities Enterprise engaged in establishing, operating and maintaining its RES project. As a PEZA registered entity, FGES is entitled to VAT zero rating on its transactions with its local supplier of goods, properties, and services for its RES project inside the Cebu Light Industrial Park (CLIP) Special Economic Zone.

FGES has also contracted with contestable customers operating within First Philippine Industrial Park (FPIP) and Gateway Business Park (GBP) Special Economic Zone. On February 9, 2017, FGES entered into a supplemental agreement with the PEZA to increase its scope of authority to supply electricity to the said Economic Zones and entitlement to zero-VAT rating incentive.

Competition.

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

The successful privatization of NPC assets and NPC-IPP contracts in Luzon and Visayas, coupled with the integration of the two Grids under the WESM, introduced new players and opened competition in the power industry. Potential competitors include other parties offering baseload and other energy services such as the energy arms of Aboitiz, San Miguel, and Ayala Corporation.

The EPIRA provides for a system of RCOA. With RCOA, the end users will be given the power to choose its energy source. Prior to RCOA, distribution utilities procured power supply in behalf of its consumers. With RCOA, the RES chosen by the consumer will do the buying and selling of power and the distribution utility shall deliver the same. “Retail competition” means that eligible electricity customers (or retail customers) may themselves contract for the supply of electricity with authorized suppliers, rather than through the franchised distribution facility. “Open Access”, on the other hand, means that retail electricity customers and suppliers of electricity may also contract with the transmission company and the distribution company for the “wheeling” or delivery of energy/electricity through the transmission or distribution wires. Open Access is thus means by which Retail Competition is achieved^[2].

First Gen Group will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as in the financing for these activities.

The performance of the Philippine economy and the historical high returns of power projects in the country have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects in the Philippines. Accordingly, competition for and from new power projects may increase in line with the long-term economic growth in the Philippines.

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

[1] Source: DOE Website: www.doe.gov.ph

[2] Source: The Energy Report Philippines 2013-2014 Ed, KPMG Global Energy Institute

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

Company	Nature of the Contract
FGPC / FGP Corp.	Meralco is the sole off-taker of power output of FGPC and FGP Corp. under a 25-year PPA.
FG Bukidnon	On January 9, 2008, FG Bukidnon and CEPALCO, an electric distribution utility operating in the City of Cagayan de Oro, signed a PSA for the FG Bukidnon plant. Under the PSA, FG Bukidnon shall generate and deliver to CEPALCO and CEPALCO shall take, and pay for even if not taken, the available energy for a period commencing on the date of ERC approval until March 28, 2025. On June 14, 2012, FG Bukidnon signed a Transmission Service Agreement with NGCP for the latter's provision of the necessary transmission services to FG Bukidnon. The charges under this agreement are as provided in the Open Access Transmission Service Rules and/or applicable ERC orders/issuances. Under the PSA, these transmission-related charges shall be passed through to CEPALCO.
EDC	EDC has existing PPAs with NPC for a period of 25 years of commercial operations and may be extended upon the request of EDC by notice of not less than 12 months prior to the end of contract period, under terms and conditions as may be agreed upon by the parties. EDC's subsidiaries namely, GCGI and BGI have respective customers with long-term PSAs which will expire between 2016 and 2040.
FG Hydro	As of December 31, 2017, there are 3 remaining long-term PSAs being serviced by FG Hydro.

Details of the existing contracts are as follows:		
Related Contract	Expiry Date	Other Development
Nueva Ecija II Electric Cooperative, Inc., Area 1 (NEECO II -Area 1)	August 25, 2018	The ERC granted a provisional approval of the PSC between FG Hydro and NEECO II-Area 1 that took effect on January 13, 2014.
Edong Cold Storage and Ice Plant (ECOSIP)	December 25, 2020	A new agreement was signed by FG Hydro and ECOSIP in November 2010 for the supply of power in the succeeding ten years.
National Irrigation Administration (NIA)-Upper Pampanga River Integrated Irrigation System	October 25, 2020	FG Hydro and NIA-UPRIIS signed a new agreement in October 2010 for the supply of power in the succeeding ten years.
PAMES	December 25, 2008	There was no new agreement signed between FG Hydro and PAMES. However, FG Hydro had continued to supply PAMES' electricity requirements with PAMES' compliance to the agreed restructured payment terms.
In addition to the above contracts, FG Hydro entered into a PSA with FGES in 2016 for the delivery of electricity to a contestable customer of FGES. The PSC commenced on February 26, 2016 and will end on February 25, 2018.		
On February 26, 2016, FG Hydro entered into a PSA with BGI for the delivery of electricity to a customer of FG Hydro. The contract is for a period of thirty (30) months and will remain effective until August 25, 2018.		
In 2017, FG Hydro entered into various PSAs with FGES and BGI for the supply of replacement power to various contestable customers of FGES and BGI with varying contract periods beginning December 17, 2017 and up to February 5, 2018.		

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 generally determined by NIA
EDC	- steam	Developed by EDC by virtue of Presidential Decree (P.D.) No. 1442. However, as stated above, the Geothermal Service Contracts (GSCs) of EDC (previously governed by P.D. No. 1442) were replaced by Geothermal Renewable Energy Service Contracts (GRESs) effective October 23, 2009.
	- solar	EDC operates the 6.82 MW Burgos Solar Power Plant, which is located within the vicinity of EBWPC, using solar energy.
EBWPC	- wind	Established and operated by EDC through its subsidiary EBWPC under DOE Certificate of Registration No. WESC 2009-09-004. The wind farm consists of 50 wind turbine generator units of the Class 1 V90-3.0 MW wind turbine generator to be supplied by Vestas Wind Systems.
EDC Siklab	- solar	In January 2017, EDC Siklab started to generate electricity from its 1,030 kilowatt (kW) solar rooftop system in Gaisano Capital's mall in La Paz District, Iloilo. As of December 31, 2017, EDC Siklab is currently testing its solar rooftop system at various Gaisano Capital malls.

*FNPC only runs on natural gas.

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

Meralco is FGPC's and FGP's sole offtaker via 25-year PPA's, while NPC comprises close to 38.0% of EDC's revenues from sale of electricity through existing long-term PPAs.

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

Patent

EDC has two (2) patent registrations with the Intellectual Property Office of the Philippines. Details of the patents are as follows:

Invention	Where registered	Status	Registration No.
Continuous on-line steam purity monitoring system	Philippines	Registered	1-2007-000448
Clock actuated fluid sampling apparatus	Philippines	Registered	2-2013-000297

Trademarks

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

Franchise

First Gas

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

Concessions / Service Contracts

a) FG Mindanao

On October 23, 2009, FG Mindanao also signed five HSCs with the DOE in connection with the following projects: (1) Puyo River Hydropower Project in Jabonga, Agusan del Norte; (2) Cabadbaran River Hydropower Project in Cabadbaran, Agusan del Norte; (3) Bubunawan River Hydropower Project in Baungon and Libona, Bukidnon; (4) Tumalaong River Hydropower Project in Baungon, Bukidnon; and (5) Tagoloan River Hydropower Project in Impasugong and Sumilao, Bukidnon. The five (5) HSCs give FG Mindanao the exclusive right to explore, develop, and utilize renewable energy resources within their respective contract areas, and will enable FG Mindanao to avail itself of both fiscal and non-fiscal incentives pursuant to the RE Law.

The pre-development stage under each of the HSCs is two years from the time of execution of said contracts (the "Effective Date") and can be extended for another one year if FG Mindanao has not been in default of its exploration or work commitments and has provided a work program for the extension period upon confirmation by the DOE. Each of the HSCs also provides that upon submission of declaration of commercial viability, as confirmed by the DOE, it is to remain in force during the remaining life of the of 25-year period from the Effective Date.

On July 2, 2013 and July 3, 2013, FG Mindanao obtained from the DOE the Certificate of Confirmation of Commerciality confirming the conversion of the five (5) HSCs from Pre-development to Development stage.

On August 5, 2013, FG Mindanao entered into respective Deeds of Assignments with FGen Bubunawan, FGen Puyo, FGen Cabadbaran, FGen Tagoloan and FGen Tumalaong to assign and transfer FG Mindanao's full rights and obligations over the five (5) HSCs. On March 11, 2014, the DOE approved the assignment of Puyo, Bubunawan and Tagoloan hydro projects and issued the corresponding Certificates of Registration and Certificates of Confirmation of Commerciality under FGen Puyo, FGen Bubunawan, and FGen Tagoloan, respectively. On November 13, 2015 and December 9, 2015, the DOE approved the assignment of Cabadbaran and Tumalaong hydroelectric power projects, respectively, and issued the corresponding Certificates of Registration which FG Mindanao received on February 11, 2016.

On June 8, 2016, FGen Tumalaong notified the DOE regarding its intention to surrender the entire contract area covered by the HSC 2009-10-007 for the 9 MW Tumalaong Hydro Project in the Municipality of Baungon, Bukidnon. After several years of project development and considering the plans of NIA to develop its Bubunawan River Irrigation Project, FGen Tumalaong has concluded that the Tumalaong hydro project is no longer viable for future development. Such request was acknowledged by the DOE on October 24, 2016, and informed FGen Tumalaong that the said HSC was hereby terminated and requested to settle the remaining financial obligations pursuant to the HSC to fully and satisfactorily comply all obligations in view of the termination of the HSC. FGen Tumalaong continues to coordinate with the DOE for the settlement of its remaining obligations.

On November 10, 2016, the DOE has issued three Certificates of Registration to FG Mindanao as an RE Developer of 175 MW Binongan-Tineg, 160 MW Cagayan 1N and 17.5 MW Cateel River hydroelectric power projects which are covered by HSCs executed between the DOE and FG Mindanao. On November 9, 2017, following viability assessment of the projects for future development, FG Mindanao notified the DOE regarding its intention to surrender the entire contract areas covered by HSC 2016-06-658 and HSC 2016-06-660 for the 175 MW Binongan-Tineg Hydro Project in the Municipalities of Tineg and Lagayan, Abra and the 17.5 MW Cateel Hydro Project in the Municipality of Baganga, Davao Oriental, respectively. The Cagayan 1N project remains and is still under pre-development stage.

b) FG Prime and FG Premier

On March 29, 2012, the DOE awarded to FG Prime and FG Premier an HSC to develop a 300 MW Pump Storage Hydroelectric Power Plant in Pantabangan, Nueva Ecija and the 300 MW Angat (Pump Storage) Hydro Project in Norzagaray, Bulacan, respectively. The respective HSCs provide the companies with the exclusive right to explore, develop, and utilize renewable energy resources within FG Prime's and FG Premier's respective contract areas, and will enable FG Prime and FG Premier to avail itself of both fiscal and non-fiscal incentives pursuant to the RE Law. On April 22, 2013, FG Prime and FG Premier each engaged an international engineering consultancy firm to conduct feasibility study for their respective projects. After the site selection review, the consultancy firm recommended to FG Prime to pursue the development of an alternative project site, while the consultancy firm has recommended to FG Premier to pursue the development of the identified initial project site. The DOE has already approved FG Prime's request to amend the contract area under the HSC. In 2014, FG Prime continued to conduct preliminary engineering surveys and investigations based on the amended contract area in the new project site. With the support of the Company, FG Premier continued to conduct preliminary engineering surveys on the 300 MW Angat Pump Storage in 2014.

The pre-development stage under the HSC is two years from the time of execution of the said contract. This was extended by the DOE on October 13, 2014 for another year at the respective requests of FG Prime and FG Premier. On November 24, 2014, in accordance with DOE Department Order No. DO2014-06-0010, FG Prime and FG Premier submitted separate requests for the application of a non-extendible period of five years pre-development stage under the HSC. On October 20, 2015, FG Prime notified the DOE on its request to amend the capacity of 300 MW Pump Storage Hydroelectric Power Plant to 600 MW. On October 28, 2016, the DOE amended the HSC of FG Prime considering the non-extendible period of five years pre-development stage and the new capacity of 600 MW. On March 23, 2017, FG Prime notified the DOE of the project's commercial feasibility.

On March 28, 2016, FG Premier notified the DOE regarding its intention to surrender the entire contract area covered by the HSC 2012-01-195 for the 300 MW Angat (Pump Storage) Hydro Project in Norzagaray, Bulacan due to the non-viability of the project. Such request was acknowledged by the DOE on May 20, 2016, and informed FG Premier that the said HSC was hereby terminated and has

requested to settle the remaining financial obligations pursuant to the HSC to fully and satisfactorily comply all obligations in view of the termination of the HSC. FG Premier continues to coordinate with the DOE for the settlement of its remaining obligations.

c) FG Luzon

On March 10, 2011, a Memorandum of Agreement (“MOA”) covering the development of the proposed Balintongan Reservoir Multi-Purpose Project (“BRMPP”) was signed among the Company’s wholly owned subsidiary, FG Luzon, the Province of Nueva Ecija and the Municipality of General Tinio. The project will involve the development construction and operation of a new hydro reservoir and a new hydroelectric power plant in the Municipality of General Tinio, Nueva Ecija for purposes of power generation, irrigation and domestic water supply.

A MOA was executed on November 16, 2011 between FG Luzon and NIA for the conduct of a comprehensive study on the economic, financial and technical viability of the project. On March 29, 2012, the project was awarded an HSC under the DOE Certificate of Registration No. HSC 2012-01-194.

d) EDC

By virtue of Presidential Decree (P.D.) No. 1442, EDC entered into several GSCs with the Philippine Government through the DOE granting EDC the right to explore, develop, and utilize the country’s geothermal resource subject to sharing of net proceeds with the Philippine Government. The RE Law, which became effective in January 2009, mandates the conversion of existing GSCs under P.D. 1442 into GRESCs to avail of the incentives under the RE Law. Fiscal incentives include among others, the change in the applicable corporate tax rate from 30% to 10% for RE-registered activities. Aside from the tax incentives, the significant terms of the service concessions under the GRESCs are similar to the GSCs except that EDC has control over any significant residual interest over the steam fields, power plants, and related facilities throughout the concession period and even after the concession period.

The GSCs were fully converted to GRESCs upon signing of the parties on October 23, 2009; thereby EDC currently holds five (5) GRESCs as an RE Developer for the following geothermal projects where EDC’s geothermal steamfields are located:

- Tongonan Geothermal Project (expiring in 2031)
- Southern Negros Geothermal Project (expiring in 2031)
- Bacon-Manito Geothermal Project (expiring in 2031)
- Mt. Apo Geothermal Project (expiring in 2042)
- Northern Negros Geothermal Project (expiring in 2044)

These contract areas are located on four (4) islands of the Philippines, namely Luzon, Leyte, Negros and Mindanao. The following table provides a summary of EDC’s geothermal projects, grouped by the contract areas in which they are located:

Geothermal Renewable Energy Service Contract (GRESC) Areas

Contract Area	Expiration of GRESC	Project	Installed Capacity (in MWe)	Product	Expiration of Offtake Agreement	Minimum Take-or-pay Capacity ¹ (in GWh/year)	Plant Owner	Expiry of GOC
Tongonan Geothermal Project	2031	Tongonan	112.5	Steam and Electricity	2009 (SSA) ² 2031 (GRSC) 2040 (PSAs)	3,850.0 ¹	GCGI ⁵	2037
		Upper Mahiao	125.0	Steam and Electricity	2022 (PPA) ⁴		EDC	
		Malitbog	232.5	Steam and Electricity	2022 (PPA) ⁴		EDC	
		Mahanagdong	180.0	Steam and Electricity	2022 (PPA) ⁴		EDC	
		Optimization	50.9	Steam and Electricity	2022 (PPA) ⁴		EDC	

Geothermal Renewable Energy Service Contract (GRESK) Areas

Contract Area	Expiration of GRESC	Project	Installed Capacity (in MWe)	Product	Expiration of Offtake Agreement	Minimum Take-or-pay Capacity ¹ (in GWh/year)	Plant Owner	Expiry of GOC
Southern Negros Geothermal Project	2031	Palinpinon I	112.5	Steam and Electricity	2008 (SSA) ² 2031 (GRSC) 2040 (PSAs)		GCGI ⁵	2037
		Palinpinon II	60.0	Steam and Electricity	2009 (SSA) ² 2031 (GRSC) 2040 (PSAs)		GCGI ⁵	
		Nasulo	49.4	Steam and Electricity	2024 (PSA)		EDC	
Bacon-Manito Geothermal Project	2031	Bac-Man I	120.0	Steam and Electricity	2018 (SSA)	722.7	BGI ⁶	2037
		Bac-Man II	20.0	Steam and Electricity	2019/ (SSA) 2019 (PSAs)	131.4	BGI ⁶	
Mt. Apo Geothermal Project ³	2042 ³	Mindanao I	52.0	Steam and Electricity	2022 (PPA)	390.0	EDC	
		Mindanao II	54.0	Steam and Electricity	2024 (PPA)	398.0	EDC	
Total			1,168.8			5,492.1		

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

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

³ Includes a 25-year extension period to GRESK.

⁴ Unified Leyte PPA

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

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

On May 8, 2012, EDC, through its subsidiaries GCGI and BGI, secured three (3) GOCs, each with a 25-year contract period expiring in 2037 and renewable for another 25 years, covering the following power plant operations:

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

EDC also holds geothermal resource service contracts, each with a five-year pre-development period expiring in 2017 and a 25-year contract period expiring between 2037 and 2041, for the following prospect areas:

1. Ampiro Geothermal Project
2. Mandalagan Geothermal Project
3. Mt. Zion Geothermal Project
4. Lakewood Geothermal Project
5. Balingasag Geothermal Project
6. Mt. Zion 2 Geothermal Project
7. Amacan Geothermal Project

d. Wind Energy Service Contract (WESC) of EDC

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

On May 26, 2010, the board of directors of EDC approved the assignment and transfer to EBWPC of all the contracts, assets, permits and licenses relating to the establishment and operation of the Burgos Wind Project under DOE Certificate of Registration No. WESC 2009-09-004. On May 16, 2013, EBWPC was granted a Certificate of Confirmation of Commerciality by the DOE.

As of December 31, 2017, EBWPC holds ten (10) WESC's with the DOE. Each WESC has a contract period of 25 years and will expire between 2034 and 2040. The WESC's cover the following projects:

Projects	DOE Certificates of Registration
1) 150 MW wind project in Burgos, Ilocos Norte	WESC 2009-09-004 (expiring in 2034)
2) 84 MW wind project in Pagudpud, Ilocos Norte	WESC 2010-02-040 (expiring in 2035)
3) Burgos 1 wind project in Burgos, Ilocos Norte	WESC 2013-12-063 (expiring in 2038)
4) Burgos 2 wind project in Burgos, Ilocos Norte	WESC 2013-12-064 (expiring in 2038)
5) Matnog 1 wind project in Matnog & Magdalena, Sorsogon	WESC 2014-07-075 (expiring in 2039)
6) Matnog 2 wind project in Matnog, Sorsogon	WESC 2014-07-076 (expiring in 2039)
7) Matnog 3 wind project in Matnog, Sorsogon	WESC 2014-07-077 (expiring in 2039)
8) Iloilo 1 wind project in Batad & San Dionisio, Iloilo	WESC 2014-07-078 (expiring in 2039)
9) Burgos 3 wind project in Burgos and Pasuquin, Ilocos Norte	WESC 2015-09-085 (expiring in 2040)
10) Burgos 4 wind project in Burgos, Ilocos Norte	WESC 2015-09-086 (expiring in 2040)

In terms of the solar projects, EDC holds six (6) SESC's with the DOE. Each SESC has a contract period of 25 years. The WESC's cover the following projects:

Projects	DOE Certificates of Registration
1) 6.82 MW Burgos Solar Project in Burgos, Ilocos Norte	SESC No. 2014-07-088 (expiring 2039)
2) President Roxas Solar Project in President Roxas, North Cotabato*	SESC No. 2015-03-114 (expiring 2040)
3) Kilada - Matalam Solar Project in Matalam, North Cotabato*	SESC No. 2015-03-119 (expiring 2040 and renewable for another 25 years)
4) Bogo Solar Project in Bogo, Cebu**	SESC No. 2015-06-234 (expiring 2040 and renewable for another 25 years)
5) Iloilo Solar Project in Iloilo City	SESC No. 2016-06-306 (expiring 2041 and renewable for another 25 years)
6) Gaisano Iloilo, Iloilo City Solar Rooftop Project	SESC No. 2016-11-352 (expiring 2042 and renewable for another 25 years)

*Cancellation letter has been submitted with DOE dated March 2016, awaiting confirmation reply.

**Cancellation letter has been submitted with DOE dated July 2017, awaiting confirmation reply.

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

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

FGP, FGPC, FG Hydro and FG Bukidnon successfully renewed their relevant Certificates of Compliance (COCs) on September 6, 2010, October 29, 2013, December 1, 2010, and February 8, 2010, respectively. The COCs, which are valid for a period of 5 years, signify that the companies in relation to their respective generation facilities have complied with all the requirements under relevant ERC guidelines, the Philippine Grid Code, the Philippine Distribution Code, the WESM rules, and related laws, rules and regulations. Subsequently, FGP, FGPC, FG Hydro and FG Bukidnon successfully renewed their relevant COCs on October 29, 2013, September 1, 2015, March 1, 2016, and February 2, 2015, respectively. On September 26, 2016 and November 7, 2016, Prime Meridian and FNPC received their respective COCs from the ERC which enables both plants to sell power to the WESM. Such COCs are valid for a period of 5 years from the date of issuance.

FGES was first granted a Wholesale Aggregator's Certificate of Registration on May 17, 2007, effective for a period of five years, and the RES License on February 27, 2008, effective for a period of three (3) years. Subsequently, FGES was issued a Wholesale Aggregator Certificate on May 22, 2012 and an RES License on May 9, 2011. The ERC approved the renewal which is effective for a period of five years. On February 14, 2017, the ERC approved BGI's application for a RES license which grants BGI the right to engage in the supply of electricity to end-users in the contestable market.

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

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

Government Regulations.

ELECTRIC POWER INDUSTRY REFORM ACT of 2001 (EPIRA)

R.A. No. 9136, otherwise known as the EPIRA, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector, which include among others: the functional unbundling of the generation, transmission, distribution and supply sectors; the privatization of the generating plants and other disposable assets of the NPC, including its contracts with IPP; the unbundling of electricity rates; the creation of a WESM; and the implementation of open and nondiscriminatory access to transmission and distribution systems.

Wholesale Electricity Spot Market

WESM Luzon has already been commercially operating for almost 10 years since its commencement on June 26, 2006. Annual average Luzon spot prices ranged from approximately ₱3.28/kWh for 2017.

On the other hand, WESM Visayas was operated and integrated with the Luzon grid on December 26, 2010. Annual average Visayas spot prices ranged from approximately ₱2.45/kWh for 2017.

Meanwhile in Mindanao, the WESM started its trial operations and live parallel operations last June 28, 2017. WESM participants were encouraged to actively participate in the enhanced WESM system. To get familiarized with WESM, participant's line-up of activities included registration, customer and generator enrolment, and introduction to a new registration and settlement system. Commercial operations in Mindanao will depend on readiness of all market participants and is targeted to start by fourth quarter of 2018.

Retail Competition and Open Access (RCOA)

The EPIRA provides for a system of RCOA. With RCOA, the end users will be given the power to choose its energy source. Prior to RCOA, distribution utilities procured power supply in behalf of its consumers. With RCOA, the RES chosen by the consumer will do the buying and selling of power and the distribution utility shall deliver the same.

RCOA shall be implemented in phases. During the first phase only end users with an average monthly peak demand of 1 MW for the 12 months immediately preceding the start of RCOA, shall have a choice of power supplier, as a contestable customer. Later, in the second phase, the peak demand threshold will be lowered to 0.75 MW, and will continue to be periodically lowered until the household demand level is reached.

In a joint statement issued by the DOE and ERC, dated September 27, 2012, the 1st phase implementation of RCOA was prescribed. December 26, 2012 was marked as the Open Access date. This signaled the beginning of the six-month transition period until June 25, 2013. The transition period involved the contracting of the retail supply contracts, metering installations, registration and trainings, trial operations by March 2013, and supplier of last resort service or disconnection.

The initial commercial operations of the RCOA commenced on June 26, 2013. For this, ERC issued Resolution No. 11, Series of 2013 providing that a contestable customer can stay with its respective distribution utility until such time that it is able to find a RES. In case a contestable customer decides to participate in the competitive retail market, it should advise the distribution utility that it will be leaving the distribution utility's regulated service at least 60 days prior to the effectivity of its RSC with a RES.

The current RCOA is governed by the Transitory Rules for the Implementation of Open Access and Retail Competition (ERC Resolution No. 16, Series of 2012) that was established last December 17, 2012 to ensure the smooth transition from the existing structure to a competitive market.

In June 2015, the DOE released a Circular (DC2015-06-0010) that provided policies that will facilitate the full implementation of RCOA in the Philippines. This was supplemented by four (4) resolutions issued by ERC, namely:

1. ERC Resolution No. 5, Series of 2016 - Resolution Adopting the 2016 Rules Governing the Issuances of Licenses to RES and Prescribing the Requirements and Conditions Therefor;
2. ERC Resolution No. 10, Series of 2016 - Resolution Adopting the Revised Rules for Contestability;
3. ERC Resolution No. 11, Series of 2016 - Resolution Imposing Restrictions on the Operations of Distribution Utilities and RES in the Competitive Retail Electricity Market; and
4. ERC Resolution No. 28, Series of 2016 - Resolution on the Revised Timeframe for Mandatory Contestability, amending Resolution No. 10.

According to ERC Res. No. 28 Series of 2016, the mandatory switch dates are February 26, 2017 for contestable customers with an average monthly peak demand of at least 1 MW and June 26, 2017 for contestable customers with an average monthly peak demand of at least 750 kW.

On February 21, 2017, however, the Supreme Court (SC) issued a TRO on the DOE Circular 2015-06-0010 and the 4 recent ERC resolutions. As a result, the switching of 750-999 kW contestable customers is put on hold. Contestable Customers with 1 MW and up demand may still voluntarily switch. The DOE, ERC and PEMC are expected to release general guidelines on many other issues concerning the SC-issued TRO on RCOA implementation.

Last Nov. 29, 2017, DOE issued RCOA DCs 2017-12-0013 and 2017-12-0014. DC2017-12-0013 repealed mandatory contestability in previous RCOA DCs and changed it to voluntary participation for contestable customers with peak demand of 750kW and above. Subsequently, CCs with peak demand of 500kW and 749kW can voluntarily participate in RCOA by June 26. DC2017-12-0014 repealed Sec. 5 (h) of DC2015-06-0010 which prohibits DUs to participate as Local RES upon expiration of their RSCs.

Proposed Amendments to the EPIRA

Below are proposed amendments to the EPIRA that, if enacted, may have a material effect on First Gen Group's electricity generation business, financial condition and results of operations.

In the Philippine Congress, pending for committee approval as of December 31, 2017 are the following:

1. SBN-1719: Solar Rooftop Adoption Act of 2017
2. SBN-1623: Recoverable System Loss Act
3. SBN-1574: Philippine Energy Research and Policy Institute Act of 2017
4. SBN-1531: Energy Efficiency and Conservation Act of 2017
5. SBN-1490: Energy Regulatory Commission Governance Act of 2017
6. SBN-1439: Energy Virtual One Stop Shop Act of 2017
7. SBN-1371: Philippine Pipeline Act of 2017
8. SBN-1308: Energy Procurement Act of 2016
9. SBN-1303: Benefits to Host Communities Act of 2016
10. SBN-1293: Magna Carta of Public Energy Workers
11. HR00656: Resolution Calling For An Investigation In Aid Of Legislation By The Appropriate Committee Of The House Of Representatives To Review Sections 4, 5, 6, 7, And 8 Of Rule 29 A Of The Implementing Rules And Regulations (IRR) Of Republic Act (R.A.) 9136 Otherwise Known As EPIRA And Other Related Laws

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

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

RENEWABLE ENERGY (RE) LAW OF 2008 (RE Law)

On January 30, 2009, R.A. No. 9513, “An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes,” otherwise known as the “RE Law of 2008” or the “RE Law”, became effective. On May 25, 2009, DOE Circular No. DC2009-05-0008, otherwise known as the “Implementing Rules and Regulations (IRR) of R.A. No. 9513, was issued and became effective on June 12, 2009.

The RE Law aims to accelerate the exploration and development of RE resources, increase the utilization of renewable energy resources, increase the utilization of renewable energy, encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions, and establish the necessary infrastructure and mechanism to carry out mandates specified in the RE Law.

The RE Law also provides various fiscal and non-fiscal incentives to RE developers and manufacturers, fabricators, and suppliers of locally-produced RE equipment and components. The incentives to RE developers include, among others, the Renewable Portfolio Standards (RPS). Last December 22, 2017, DOE issued DC2017-12-0015 or the DOE circular promulgating the rules and guidelines governing the establishment of the RPS. The RPS will require DUs, RESs, and GenCo’s for Directly Connected Customers to achieve a minimum annual incremental RE Percentage equal to 1% of Net Electricity Sales from the previous year. This is in view of the long-term objective to achieve at least 35% Renewable Energy share in the energy mix by 2030.

Renewable Energy Law: Feed-In Tariff (FIT) Scheme

The Philippine FIT Scheme is a renewable energy policy mechanism that allows electricity generated from emerging RE technologies to be included in the supply of power at a guaranteed fixed rate per kWh, applicable for a period of 20 years. The FIT scheme involves a uniform charge to all electricity end consumers called the FIT All (Renewables) and the corresponding market prices of each eligible RE Plant to finance payments to actual electricity generated and delivered to the grid by FIT Eligible RE Plants.

This policy mechanism aims to accelerate the development of emerging RE resources such as wind, solar, ocean, run-of-river hydropower, and biomass energy resources in order to lessen our dependence on imported fossil fuels.

The following are the relevant approvals and issuances in the development and implementation of the FIT Scheme:

1. FIT Rules were issued by the ERC last July 12, 2010 under ERC Resolution No. 16, Series of 2010.
2. Resolution Approving the FIT Rates was approved by the ERC last July 27, 2012 under ERC Resolution No. 10 Series of 2012
3. Guidelines for the Selection Process of Renewable Energy Projects Under FIT System and the Award of Certificate for FIT Eligibility were approved by the DOE last May 28, 2013
4. Guidelines on the Collection of the Feed-in Tariff Allowance (“FIT All”) and Disbursement of the FIT All Fund were adopted by the ERC last December 16, 2013 under Resolution No. 24 Series of 2013
5. Provisional Authority for Collection of Feed-in Tariff Allowance and Disbursement of the FIT Allowance Fund was granted to TransCo last October 10, 2014 under ERC Case No. 2014-19 RC, FIT All (Renewables) was set at ₱0.0406 / kWh for 2014 and 2015

RE Technology	Installation targets (MW)	Approved Rates¹ (₱/kWh)
Solar PV	50	₱9.68
	450	₱8.69 ²
Ocean	10	Deferred
	200	₱8.53
Wind	200	₱7.40 ³
	250	₱6.6
Biomass	250	₱5.90
Run-of-river Hydro	250	

¹ Initial FIT Rates were approved by the ERC under ERC Resolution No. 10 Series of 2012

² Solar FIT 2 was approved by the ERC under ERC Resolution No. 06 Series of 2015

³ Wind FIT 2 was approved by the ERC under ERC Resolution No. 14 Series of 2015

Environmental Laws.

On November 25, 2000, the IRR of the Philippine Clean Air Act (PCAA) took effect. The IRR contain provisions that have an impact on the industry as a whole, and on FGP and FGPC in particular, that need to be complied with within 44 months (or July 2004) from the effectivity date, subject to approval by the DENR. The power plants of FGP and FGPC use natural gas as fuel and have emissions that are way below the limits set in the National Emission Standards for Sources Specific Air Pollution and Ambient Air Quality Standards. Based on FGP's and FGPC's initial assessments of the power plants' existing facilities, the companies believe that both are in full compliance with the applicable provisions of the IRR of the PCAA.

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

Company	Cost of compliance with Environmental Laws
FGPC	US\$0.05 million
FGP	US\$0.03 million
FNPC	US\$0.09 million
PMPC	US\$0.07 million
EDC	₱124.8 million

Development Activities

EDC follows the full cost method of accounting for its exploration costs determined on the basis of each service contract area. Under this method, all exploration costs relating to each service contract are accumulated and deferred under the "Exploration and evaluation assets" account in the consolidated statement of financial position pending the determination of whether the wells has proven reserves. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses.

Project development costs are expensed as incurred until management determines that the project is technically, commercially and financially viable, at which time, project development costs are capitalized. Project viability generally occurs in tandem with management's determination that a project should be classified as an advanced project, such as when favorable results of a system impact study are received, interconnected agreements are obtained and project financing is in place.

Amount Spent on Development Activities and its Percentage to EDC's consolidated revenues:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Exploration and Evaluation Assets	₱3,063,186,879	₱3,109,014,646	₱3,073,600,767
Tanawon Project	(1,344,708)	109,489,476	746,326,785
Solar Project Phase 2	-	-	167,625,968
Total Development Activities (DA)	₱3,061,842,171	₱3,218,504,122	₱3,987,553,520
Consolidated revenues of EDC	₱33,255,190,724	₱34,235,563,322	₱34,360,459,794
Percentage of DA to Revenue	9.2%	9.4%	11.6%

Employees.

Company	Number of regular employees	Union Members	CBA Expiration
First Gen	70	None	NA
Executive(Expatriate)	6		
Vice President and up	11		
Assistant Vice President	10		
Senior Manager	9		
Manager	7		
Assistant Manager	13		
Supervisor	7		
Assistant	7		
Staff	0		
FGHC	14	None	NA
Vice President and up	2		
Assistant Vice President	2		
Senior Manager	0		
Manager	2		
Assistant Manager	3		
Supervisor	4		
Assistant	1		
Staff	0		
FGPC	100	None	NA
Vice-President and up	6		
Assistant Vice-President	9		
Senior Manager	9		
Manager	15		
Assistant Manager	16		
Supervisor	17		
Assistant	23		
Staff	5		
FGP Corp.	86	None	NA
Vice President and up	10		
Assistant Vice President	5		
Senior Manager	5		
Manager	14		
Assistant Manager	8		
Supervisor	27		
Assistant	15		
Staff	2		
FGBPC	12	None	NA
Assistant Manager	1		
Supervisor	2		
Assistant	6		
Staff	3		
FGRI	3		
Assistant Manager	2		
Staff	1		
FGMHPC	10		
Assistant Vice-President	0		
Senior Manager	0		
Manager	1		
Assistant Manager	0		
Supervisor	5		
Assistant	2		
Staff	2		
FGHPC	66		
Assistant Vice President	1		
Senior Manager	2		
Manager	3		
Assistant Manager	12		
Supervisor	17		
Assistant	13		
Staff	18		
FGES	20		
Assistant Vice President	1		
Manager	1		
Assistant Manager	2		

Supervisor	2			
Assistant	14			
Staff	0			
PMPC		28	None	NA
Assistant Vice President	1			
Assistant Manager	1			
Supervisor	7			
Assistant	19			
Staff	0			
FNPC		49	None	NA
Senior Manager	2			
Manager	5			
Assistant Manager	4			
Supervisor	7			
Assistant	22			
Staff	8			
Professional (Fixed Term)	1			
FGEN LNG		6	None	NA
Vice President and up	1			
Senior Manager	1			
Manager	1			
Assistant Manager	1			
Supervisor	1			
Assistant	1			
EDC		1,811*		
President	1			
Senior VP, VP & AVP	32			
Sr. Manager, Manager	88			
Asst. Mgr	72			
Supervisor, P/T	1,295		403	
Staff	382		340	

* This includes the employees of GCGI (composed of 123 employees), BGI (composed of 64 employees) and EBWPC (composed of 27 employees) as of December 31, 2017.

EDC has fourteen (14) labor unions, each representing a specific collective bargaining unit allowed by law. They are distributed in the different locations as follows:

No.	Union Name		Site	No. of Members
1	PEGEA	PNOC-Energy Group of Employees' Association	HO	27
2	UPE	United Power Employees' Union*	LGBU	11
3	SNGPF RF	PNOC-EDC SNGPF Rank and File Union	NIGBU	68
4	TWU	Tongonan Worker's Union- National Federation of Labor Unions	LGBU	16
5	LAGPEU	Leyte "A" Geothermal Project Employees' Union	LGBU	129
6	DSM-ADLO	Demokratikong Samahang Manggagawa ng PNOC-BGPF/Association of Democratic Labor Organization (DSM – ADLO)	BGBU	39
7	MAWU	Mt. Apo Worker's Union/ Association of Labor Unions	MAGBU	49
8	BAPTEU	Bacman Geothermal Production Field Professional and Technical Employees Union	BGBU	66
9	MAPTEU	Mt. Apo Professional and Technical Employees' Union	MAGBU	53
10	LEGPTEU	Leyte Geothermal Professional and Technical Employees Union	LGBU	136
11	PESSA	PNOC EDC Southern Negros Geothermal Project Association – Association of Professional, Office and Technical employees' Union - Trade Union	NIGBU	95
12	EBSEU	EDC-BGPF Supervisory Employees' Union	BGBU	16
13	BGI-PROTEC	Bacman Geothermal Inc. - Professional & Technical Employees Coalition	BGBU	28
14	BGI-PPSEU	Bacman Geothermal Inc. - Power Plant Supervisory Employees Union	BGBU	10
TOTAL				743

*NOTE: Delisted as of February 2018

These unions enter into regular Collective Bargaining Agreements (CBAs) with EDC as regards to number of working hours, compensation, employee benefits, and other employee entitlements as provided under Philippine Labor Laws. On February 28, 2017, EDC and seven (7) Rank and File (RF) Unions held a Unified CBA negotiation, followed by a Unified Supervisory and Professional Technical (SPT) Union CBA negotiation on March 23, 2017. These Unified CBA Negotiations were concluded with the UNIFIED CBA Signing Ceremony held on May 17, 2017.

Highlights of the agreements are the following:

- performance-based salary administration
- improvement of Night Differential pay and particular OT rates
- alignment of certain provisions from one Union to all RF/SPT Unions
- Rationalization of the different Collective Bargaining Units

The management believes that EDC management's current relationship with its employees is generally good. Although EDC had been involved in arbitrations with its labor unions, it has not experienced in the last fifteen (15) years any strikes, lock-outs or work stoppages as a result of labor disagreements.

FACTORS AFFECTING THE COMPANY'S RESULTS OF OPERATIONS

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

Impact of Coal

The Philippine 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.

The Philippine electricity market experienced an influx of new coal plants coinciding with the 5-year low of coal prices as a result of a coal supply glut from 2015 to the 1st half of 2016. Worldwide demand for coal decreased in the said period due to a general slowdown in economic growth, particularly in China which is the world's largest consumer of commodities, including coal. China is also making efforts to move away from "dirty" fuels such as coal in order to tackle its major pollution problems. The collapse of U. S. coal market has also been dramatic as low natural gas prices and mounting environmental regulations weaken demand to record lows. However, coal prices saw a major recovery in 2017. Average 2017 prices were 35% higher at \$89.80/MT as compared to the 2016 Average of \$66.31/MT, with coal prices reaching a maximum of \$105.28/MT for the last week of 2017. This is attributed to the a resurgence of coal demand in China as its coal imports increased by 14% in the first 8 months of 2017, combined with the supply constraints due to cyclones and labor strikes in Australia and heavy rainfall in Indonesia. Coal prices are forecasted to remain high in 2018 at an average of \$85/MT as China is expected to continually decrease its domestic coal production.

Unfortunately, while the rest of the world is consciously moving toward cleaner fuel sources, cheap coal has established itself as the Philippines' dominant power plant fuel with 65% to 70% of announced incoming capacities up to 2025 coming from coal plants. Moreover, with electric power industry policy and decision-makers are seemingly oblivious to the fact that the heavy reliance on imported fossil fuel, the country is moving towards a coal future which impacts on the Company's competitive position considering coal's low variable cost and high minimum stable load requirements. Furthermore, increased competition is putting a downward pressure on bilateral contract prices from coal plants, coal being relatively cheap compared to geothermal without considering environmental costs. Last December 2017, the Tax Reform for Acceleration and Inclusion (TRAIN) Act was signed into law. The TRAIN provided for excise tax on domestic or imported coal at ₱50/MT effective January 2018, ₱100/MT effective January 2019, and ₱150/MT effective January 2020. It is yet to be determined if such excise tax sufficiently captures the negative externalities from the burning of coal. However, if externalities are efficiently valued and internalized, geothermal rates should be more competitive than coal.

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

Major Risks.

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

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

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

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

Interest Rate Risk

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

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

In November 2008, FGPC entered into interest rate swap (IRS) agreements to cover the interest payments for up to 91.0% of its combined debt under the Covered and Uncovered Facilities. Under the swap agreement, FGPC agreed to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed-upon notional principal amounts. 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 entered into three IRS agreements to cover interest payments up to 24.3% of its Term Loan Facility.

EDC entered into 12 non-deliverable cross-currency swap (NDCCS) agreements with an aggregate notional amount of \$110.0 million to partially hedge the foreign currency and interest rate risks on its Refinanced Syndicated Term Loan that is benchmarked against US LIBOR and with flexible interest reset feature that allows EDC to select what interest reset frequency to apply (i.e., monthly, quarterly, or semi-annually). As it is EDC's intention to reprice the interest rate on the hedged loan quarterly, EDC utilizes NDCCS with quarterly interest payments and receipts. All NDCCS were settled as of December 31, 2017.

EDC's subsidiary, EBWPC, entered into four (4) IRS agreements in the last quarter of 2014 and three (3) IRS agreements in the first quarter of 2016 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. In the first quarter of 2016, EBWPC entered into three (3) additional IRS with aggregate notional amount of \$30.0 million.

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

As of December 31, 2017, approximately 59.1%, of First Gen Group's borrowings are subject to fixed interest rate after considering the effect of its interest rate swap agreements.

Foreign Currency Risk / Exchange Rate Fluctuations

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

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 SSAs and PPAs of EDC are indexed to the U.S. Dollar vis-à-vis the Philippine Peso. Certain financial assets and liabilities as well as some costs and expenses are denominated in various foreign currencies. To manage the foreign currency risk, First Gen Group may consider entering into derivative transactions, as necessary.

Foreign Currency Risk with Respect to U.S. Dollar.

For entities within First Gen Group where the Philippine Peso is the functional currency, they are mainly exposed to foreign currency risk through monetary assets and liabilities denominated in U.S. dollar. Any depreciation of the U.S. dollar against the Philippine peso posts foreign exchange losses relating to its monetary assets and liabilities. The U.S. dollar denominated monetary assets are translated to Philippine peso using the exchange rate of ₱49.93 to \$1.00 as at December 31, 2017.

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

In 2016, EDC entered into five (5) call spread swaps with an aggregate notional amount of \$45.5 million. These derivative contracts are designed to hedge possible foreign exchange losses on a portion of EDC's \$80.0 million club loan.

In 2017, EDC entered into four (4) call spread swaps with an aggregate notional amount of \$25.0 million. These derivative contracts are designed to hedge possible foreign exchange losses on its \$300.0 million dollar Bond, of which \$211.0 million remains outstanding after the redemption in April 2017.

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

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

Concentration of Credit Risk

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

from Meralco, it is the intention of the Company, FGP and FGPC to ensure that the pass-through mechanisms, as provided for in their respective PPAs, are followed.

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

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

Liquidity Risk

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

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

Merchant Risk

In 2017, the Company had two (2) fully-merchant power plants, namely FNPC and PMPC. 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 variability in the operating results of the aforementioned plants. In 2018, FNPC was awarded a PSA for 414 MW of its capacity by Meralco. The term of the PSA is for six (6) years.

First Gen Group plans to mitigate these risks by having a balanced portfolio of contracted and spot capacities. As of December 31, 2017, the First Gen Group was 80.0% contracted in terms of installed capacity. This percentage will increase to 92.0% upon approval of the FNPC PSA with Meralco by the ERC.

Item 2. Properties

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

First Gas Holdings Corporation / First Gas Power Corporation

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

With the new 7-year Facility Agreement that was entered by FGPC in April 2017, FGPC's real and other properties and shares of stocks are no longer mortgaged and pledged as part of security to the lenders. The net book value of FGPC's property, plant and equipment amounted to US\$233.4 million as of December 31, 2017

Unified Holdings Corporation / FGP Corp.

UHC's 60%-owned subsidiary, FGP, operates the 500 MW San Lorenzo Power Plant located in Santa Rita, Batangas City. The power plant consists of 2 units where each unit is composed of a gas turbine, a steam turbine, and a generator connected to a common shaft and the corresponding heat recovery steam generator. The plant site occupies a total land area of 24 hectares. Buildings and structures consists of a power island, which consists of 1 block with a capacity of 500 MW. It also shares some of the facilities being used by the Santa Rita plant (e.g. control room and administration building, transmission line, circulating water pump building, tank farm, liquid fuel unloading jetty, water treatment plant, gas receiving station, among others). The net book value of FGP's property, plant and equipment amounted to US\$158.2 million as of December 31, 2017.

FNPC

FNPC owns and operates the 420 MW San Gabriel Combined-Cycle Power Plant located in Santa Rita Aplaya & Karsada, Batangas City. The power plant consists of 1 unit, and it is composed of a gas turbine, a steam turbine, and a generator connected to a common shaft. The steam turbine runs on steam produced by the heat recovery steam generator, which is heated from the exhaust gases of the gas turbine. The plant site occupies a total land area of 4.53 hectares. Buildings and structures consists of a power island, switchyard, control room and administration building, circulating water pump building, circulating water intake and outfall structure, water storage plant, gas receiving station and other support structures. The power plant also includes a short transmission line, about 250 meters of distance to its injection point at the San Lorenzo Power Plant switchyard.

As of December 31, 2017, the net book value of FNPC's property, plant and equipment amounted to US\$380.0 million.

PMPC

PMPC operates the 100 MW Avion Plant that uses General Electric's LM6000 PC Sprint aero-derivative gas turbines and have the capability to burn natural gas or liquid fuel. The Avion plant site occupies a total land area of 5.0 hectares and is located in Bolbok, Batangas City. The Avion plant is within First Gen's Clean Energy Complex which is the home of the Company's other natural gas power plants in Batangas City.

As of December 31, 2017, the net book value of PMPC's property, plant and equipment amounted to ₱4.72 billion.

FG Bukidnon Power Corp.

The FGBHPP is located at Damilag, Manolo Fortich, Bukidnon, approximately 36 kms. Southeast of Cagayan de Oro City and 4 kms. from the pineapple plantations of Del Monte Philippines in Mindanao. The run-off-river plant consists of 2 generating units each rated at 1,000 kVA, 0.8 pf. Power is generated by 2 identical Francis horizontal shaft reaction turbines and generators with an effective head of 121.5 meters running at 900 rpm and 2.4 kV generated voltage. The plant generates power through the use of water from Agusan River. The water from the dam passes through a waterway open canal 5,545 meters along with a bottom width of 1 meter. The water is then conveyed through the thrash rack located at the intake structure of the reservoir with a total storage capacity of 40,000 m³, covering 2.83 ha. The water flows to the penstock and is directed to 2 pipes leading to each generating unit. As of December 31, 2017, the net book value of FGBHPP's property, plant and equipment amounted to ₱58.53 million.

Energy Development Corporation

EDC is the registered owner of land located in various parts of the Philippines. In December 2016 (latest valuation), these lands were valued by CB Richard Ellis Philippines for EDC at around ₱1.2 billion. The Company's landholdings include real estate properties in Bonifacio Global City in Taguig with a total area of 5,794.5 square meters, Baguio City with an area of 2,558 sq.m. and numerous parcels of land used for its geothermal operations in the cities of Ormoc, Bago, and Sorsogon and in the municipalities of Kananga, Leyte; Valencia, Negros Oriental; and Manito, Albay with an aggregate area of more or less 360 hectares.

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

Location/Project	Parcels of Land	Area (hectares)	Under Expropriation	Leased	Acquired	
					w/ title to EDC	Title for Consolidation
Fort Bonifacio	4	0.58	None	None	4	None
Baguio	1	0.26	None	None	1	None
Bacon-Manito Geothermal Project	36	24.31	3	None	13	20
Northern Negros Geothermal Project	151	105.16	19	119	12	1
Southern Negros Geothermal Project	64	77.93	2	17	None	45
Leyte Geothermal Project	108	205.25	11	9	37	51
Burgos Wind Project	2,146	815.73	1,696	450	None	None
Pagudpud Wind Project	6	2.00	None	6	None	None
Burgos 1 Wind Project	1	2.02	None	1	None	None
Matnog 1 Wind Project	1	1.00	None	1	None	None
Matnog 2 Wind Project	1	1.00	None	1	None	None
Matnog 3 Wind Project	1	1.00	None	1	None	None
Mindanao Geothermal Project	1	3.9	None	None	None	1
Total	2,521	1,240.14	1,731	605	67	118

None of the properties owned by EDC is subject to any mortgage, lien, or encumbrance.

Leased properties for the Pagudpud, Burgos 1, Matnog 1, Matnog 2 and Matnog 3 Wind Projects have a lease term of 5 to 10 years and are used for the 80-meter meteorological masts erected for gathering wind data over the project site.

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

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

Location/Project	Parcels of land	Structures	Duration of lease	Payment Terms	Lease Amount (in Php millions)	Renewal options
Northern Negros Geothermal Project	119	Dedicated point-to-point limited facilities	Long-term	One time	₱0.27	Not applicable
Southern Negros Geothermal Project	17	Pipelines, Drilling Pads and Access Roads	2 years	Annual	0.30	Renewable
Leyte Geothermal Project	9	Drilling Pads, Access Roads	25 years	One Time	1.37	First option to buy
Burgos Wind Project	144	Wind farm area / Dedicated point-to-point limited facilities	25 years	One Time	363.41	Renewable, with first option to buy
Pagudpud Wind Project	6	80-meter Meteorological Mast	5 years	One Time	0.884	
Burgos 1 Wind Project	1	80-meter Meteorological Mast	5 years	One Time	0.092	Not applicable
Matnog 1 Wind Project	1	80-meter Meteorological Mast	10 years	One Time	0.211	Renewable
Matnog 2 Wind Project	1	80-meter Meteorological Mast	5 years	One Time	0.105	Renewable
Matnog 3 Wind Project	1	80-meter Meteorological Mast	5 years	One Time	0.079	Renewable
Total	299				₱366.721	

First Gen Hydro Power Corporation

The 120 MW Pantabangan Hydroelectric Power Plant (PHEP) is located at the foot of the Pantabangan dam and consists of two generators, each capable of generating full load power of 60.40 MW. Each generator is coupled to a vertical shaft Francis Turbine that converts the kinetic energy of the water from the dam at a design head of 75 meters. The electric power output of PHEP is delivered to the Luzon Grid through a 13.8kV/230kV Ring Bus Switchyard, composed of two 75 MVA transformers.

Located some 7 kms. downstream of PHEP is the 12 MW Masiway Hydroelectric Power Plant (MHEP). It uses a Kaplan turbine to convert the energy of the low head but high flow release of water from the Masiway re-regulating dam. The power output of MHEP is delivered to the Grid through a switchyard mainly composed of a 15 MVA transformer, switching and protective equipment all owned by FG Hydro. In 2015, FG Hydro replaced the excitation, protection and governor system as well as the main step-up transformer of MHEP. For both PHEP and MHEP, the power components owned and operated by FG Hydro are the power houses and generating equipment plus auxiliary systems, warehouses, lay down and areas associated with the powerhouses. In addition, FG Hydro also owns the steel penstock and main step-up transformers at PHEP. For MHEP, the intake and trash rack machine as well as the main step-up transformer that includes the 69 KV switchyard equipment are owned by FG Hydro. The transmission facilities including the switchyard at PHEP are owned by NGCP.

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

As of December 31, 2017, the net book value of property, plant and equipment amounted to ₱3,057.2 million. Of this amount, ₱2,883.0 million has been mortgaged as security for long-term debt.

Green Core Geothermal, Inc.

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

Bac-Man Geothermal, Inc.

Located in Bacon, Sorsogon City and Manito, Albay in the Bicol region, the Bac-Man Geothermal Power Plant facilities consist of two steam power generating plant complexes. Bac-Man I facility originally included two 55-MW units, which were both commissioned in 1993. Bac-Man II facility, on the other hand, originally consisted of two 20-MW units namely, Cawayan (located in Barangay Basud) and Botong (located in Osiao, Sorsogon City). Following the plant acquisition in 2010, BGI relocated the non-operational Botong equipment to Cawayan and rehabilitated the two units at Bac-Man I facility. Bac-Man Geothermal Power Plant now operates with a re-rated capacity of two 60-MW units in Bac-Man I and one 20-MW unit (Cawayan) in Bac-Man II for a total gross capacity of 140-MW. EDC supplies the steam to the Bac-Man Geothermal Power Plants.

EDC Burgos Wind Power Corporation

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

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

Unified Leyte Geothermal Energy, Inc.

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

Item 3. Legal Proceedings

- **FGPC**

Deficiency Income Tax

FGPC was assessed by the BIR on July 19, 2004 for deficiency income tax for taxable years 2001 and 2000. FGPC filed its Protest Letter with the BIR on October 5, 2004. On account of the BIR's failure to act on FGPC's Protest within the prescribed period, FGPC filed with the CTA on June 30, 2005 a Petition against the Final Assessment Notices and Formal Letters of Demand issued by the BIR. On February 20, 2008, the CTA granted FGPC's Motion for Suspension of Collection of Tax until the final resolution of the case.

In a Decision dated September 25, 2012, the 3rd Division of the CTA granted the Petition and ordered the cancellation and withdrawal of the Final Assessment Notices and Formal Letters of Demand. Subsequently, the BIR filed with the CTA en banc a Petition for Review dated January 16, 2013, to which FGPC filed its Comment in March 2013. The CTA en banc again requested both parties to submit a Memorandum not later than July 6, 2013, which FGPC complied with accordingly.

On August 14, 2013, the CTA en banc issued a resolution that the case is deemed submitted for decision based on the respective Memorandums. On October 7, 2014, the CTA En Banc denied the Motion for Reconsideration filed by the BIR and affirmed the tax position of FGPC mainly due to the legal infirmities on statutory waiver of prescription and validity of assessment forms issued by the BIR. On December 7, 2014, the BIR filed an appeal with the SC within the 30-day extension requested by the BIR.

On April 3, 2015, FGPC filed its Comment on the Petition for Review filed by the BIR with the SC last December 7, 2014, in compliance with the SC's Resolution dated February 16, 2015. The appeal filed by the BIR was its remaining legal recourse against the CTA En Banc's decision affirming the tax position of FGPC mainly due to the legal infirmities on statutory waiver of prescription and validity of assessment forms issued by the BIR. On August 12, 2015, the SC issued a Resolution requiring the Office of the Solicitor General (OSG) to file a Reply to FGPC's Comment within ten (10) days from notice. However, the OSG requested for an additional period of thirty (30) days or until November 8, 2015 within which to file their Reply. On December 7, 2015, FGPC's legal counsel received from the SC a copy of the OSG's reply dated November 27, 2015 in response to FGPC's Comment filed in April 2015. On January 11, 2016, the SC issued a Resolution noting the filing of the BIR's Reply. As of March 15, 2018, FGPC's legal counsel has not received the foregoing or any other resolution from the SC and the case remains pending.

Real Property Tax

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

FGPC sought, and was granted, a preliminary injunction by the Regional Trial Court (Branch 7) of Batangas City (RTC) to enjoin the Provincial Treasurer of Batangas City from collecting the RPT pending the decision of the LBAA. Despite the injunction, the LBAA issued an Order requiring FGPC to pay the RPT within 15 days from receipt of the Order. FGPC filed an appeal before the Central

Board of Assessment Appeals (CBAA) assailing the validity of the LBAA order. The CBAA in December 2006 set aside the LBAA Order and remanded the case to the LBAA. The LBAA was directed to proceed with the case on the merits without requiring FGPC to first pay the RPT on the questioned assessment. The LBAA case remains pending.

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

In connection with the prohibition case pending before the RTC which issued the preliminary injunction, the Province filed a Motion to Dismiss in May 2011 which was denied by the RTC. FGPC was directed to amend its petition to include the Provincial Assessor as a party respondent, and in November 2012 FGPC filed its Compliance with Amended Petition. As of March 15, 2018, the case remains pending.

- **Other legal proceedings**

*West Tower Condominium Corporation, et al. vs.
First Philippine Industrial Corporation, et al.
G.R. No. 194239, Supreme Court of the Philippines*

On November 15, 2010, a Petition for the Issuance of a Writ of Kalikasan was filed before the SC by the West Tower Condominium Corporation, et al., against respondents First Philippine Industrial Corporation (FPIC), the Company, their respective boards of directors and officers, and John Does and Richard Roes. The petition was filed in connection with the oil leak which is being attributed to a portion of FPIC's white oil pipeline located in Bangkal, Makati City.

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

On November 19, 2010, the SC issued a Writ of Kalikasan with Temporary Environmental Protection Order (TEPO) directing the respondents to: (i) make a verified return of the Writ within a non-extendible period of 10 days from receipt thereof; (ii) cease and desist from operating the pipeline until further orders from the court; (iii) check the structural integrity of the whole span of the pipeline, and in the process apply and implement sufficient measures to prevent and avert any untoward incident that may result from any leak in the pipeline; and (iv) make a report thereon within 60 days from receipt thereof.

The Company and its impleaded directors and officers filed a verified Return in November 2010, and a Compliance in January 2011, explaining that the Company is not the owner and operator of the pipeline, and is not involved in the management, day-to-day operations, maintenance and repair of the pipeline. For this reason, neither the Company nor any of its directors and officers has the capability, control, power or responsibility to do anything in connection with the pipeline, including to cease and desist from operating the same.

For the purpose of expediting the proceedings and the resolution of all pending incidents, the SC reiterated its order to remand the case to the Court of Appeals to conduct subsequent hearings within a period of 60 days, and after trial, to render a report to be submitted to the SC. On December 21, 2012, the former 11th Division of the Court of Appeals rendered its Report and Recommendation in which the following recommendations were made to the SC: (i) that certain persons/organizations be allowed

to be formally impleaded as petitioners subject to the submission of the appropriate amended petition; (ii) that FPIC be ordered to submit a certification from the DOE that the white oil pipeline is safe for commercial operation; (iii) that the petitioners' prayer for the creation of a special trust fund to answer for similar contingencies in the future be denied for lack of sufficient basis; (iv) that respondent Company not be held solidarily liable under the TEPO; and (v) that without prejudice to the outcome of the civil and criminal cases filed against respondents, the individual directors and officers of FPIC and the Company not be held liable in their individual capacities.

Petitioners filed a Motion for Partial Reconsideration in January 2013, in which they prayed, among others, that the Department of Science and Technology (DOST), specifically its Metal Industry Research and Development Center, be tasked to chair the monitoring of FPIC's compliance with the directives of the court and issue the certification required to prove that the pipeline is safe to operate before commercial operation is resumed; that stakeholders be consulted before a certification is issued; that a trust fund be created to answer for future contingencies; and that the Company and the directors and officers of the Company and FPIC also be held liable under the Writ of Kalikasan and the TEPO.

In a Compliance dated January 25, 2013, FPIC submitted to the SC a Certification signed by then DOE Secretary Carlos Jericho L. Petilla stating that the black oil pipeline is safe for commercial operation.

On July 30, 2013, the SC resolved to adopt the recommendations of the CA in its December 2012 resolution. Specifically, the SC ordered FPIC to secure a certification from the DOE that the white oil pipeline is safe to resume commercial operations, as well as consider FPIC's adoption of an appropriate leak detection system used in monitoring the entire pipeline's mass input versus mass output and the necessity of replacing pipes with existing patches and sleeves. On October 25, 2013 the DOE issued a certification that the white oil pipeline is safe to return to commercial operations. FPIC submitted the DOE certification to the SC on October 29, 2013. On June 16, 2015, the SC issued another resolution recognizing the powers of the DOE to oversee the operation of the pipelines. The resolution also stated that the DOE is fully authorized by law to issue an order for the return to commercial operations of the pipeline following integrity tests. Petitioners have filed several motions for the SC to reconsider this resolution. As of March 15, 2018, the final resolution of the Writ remains pending with the SC.

*West Tower Condominium Corporation, et al. vs.
First Philippine Industrial Corporation, et al.
Civil Case No. 11-256, Regional Trial Court, Makati Branch 58*

On March 24, 2011, a civil case for damages was filed by the West Tower Condominium Corporation and some residents of the West Tower Condominium against FPIC, the FPIC directors and officers, the Company, Pilipinas Shell Petroleum Corporation (Shell), and Chevron Philippines, Inc. (Chevron) before the Makati City RTC. In their complaint, the Plaintiffs alleged that FPIC, its directors and officers, and the Company violated R.A. No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 8749 (Philippine Clean Air Act of 1999) and Its Implementing Rules and Regulations, and RA 9275 (Philippine Clean Water Act of 2004). The complaint sought payment by the Defendants of actual damages comprising incurred rentals for alternative dwellings, incurred additional transportation and gasoline expenses and deprived rental income; recompense for diminished or lost property values to enable the buying of new homes; incurred expenses in dealing with the emergency; moral damages; exemplary damages; a medical fund; and attorney's fees.

First Gen filed its Answer in May 2011, in which it was argued that the case is not an environmental case under the Rules of Procedure for Environmental Cases, but an ordinary civil case for damages under the Rules of Court for which the appropriate filing fees should be paid before the court can acquire jurisdiction thereof. In an Order dated August 22, 2011, Makati City RTC (Branch 158) Judge Eugene Paras ruled that the complaint is an ordinary civil action for damages and that the Plaintiff should pay the appropriate filing fees in accordance with the Rules of Court within 10 days from receipt of the Order. The other individual plaintiffs were ordered dropped as parties in the case. The Plaintiffs filed a Motion to Inhibit Judge Paras as well as a Motion for Reconsideration of the Order. In an Order dated October 17, 2011, the court reiterated that it has no jurisdiction over the case and ordered the referral of the case to the Executive Judge for re-raffle.

In an Order dated December 1, 2011, Judge Elpidio Calis of the Makati City RTC (Branch 133) declared that the records of the case have been transferred to his court. In an Order dated March 29, 2012, Judge Calis denied the plaintiffs' Motion for Reconsideration for lack of merit, and ordered the

plaintiffs to pay the appropriate filing fees within 10 days from receipt of the Order, with a warning that non-compliance will constrain the court to dismiss the case for lack of jurisdiction. Instead of paying the filing fees, the plaintiffs filed a Petition for Certiorari with the CA to nullify the order of Branch 133.

In a resolution dated June 30, 2014, the CA denied the petition of West Tower and affirmed the trial court's recognition of the case as being an ordinary action for damages. The CA, however, also ruled that the individual residents who joined West Tower in the civil case need not file separate cases, but instead can be joined as parties in the present case. West Tower and FPIC each filed a motion for partial reconsideration, with West Tower arguing that the case is an ordinary action for damages, and FPIC assailing the ruling that the individual residents can be joined as parties in the present case. Both motions were denied in a CA resolution dated December 11, 2014. Both parties subsequently filed separate Petitions for Certiorari with the SC assailing the CA's resolution. As of March 15, 2018, the case remains pending.

West Tower Condominium Corporation vs. Leonides Garde, et al.
NPS No. XV-05-INQ-11J- 02709
Office of the City Prosecutor
Makati City

This is a criminal complaint for negligence under Article 365 of the Revised Penal Code against FPIC directors and some of its officers, as well as directors of the Company, Pilipinas Shell Petroleum Corporation and Chevron Philippines, Inc.

On December 14, 2011, a Counter-Affidavit with Verified Manifestation was filed by Francis Giles B. Puno, Director, President and Chief Operating Officer of the Company and one of the Respondents. The other Respondent-Directors of the Company verified the Verified Manifestation and adopted the factual allegations and defenses in the Counter-Affidavit of Respondent Puno.

Makati City Prosecutor Feliciano Aspi motu proprio (on his own) inhibited himself from the case on the ground that he had previously worked for the counsel of the Company. Complainant then filed with the Department of Justice (DOJ) a petition for change of venue, which petition was granted by way of Department Order No. 63 dated January 18, 2012, which designated Manila Senior Assistant City Prosecutor Raymunda Apolo as special investigating prosecutor for the case.

In an Order dated February 3, 2012, Makati City Prosecutor Aspi ordered the consolidation of the case with another case entitled Anthony M. Mabasa et al. vs. Roberto B. Dimayuga et al. for violation of Article 183 of the Revised Penal Code.

In a Resolution dated February 22, 2018, the complaint was dismissed for lack of probable cause. The prosecutor held that considering that the respondent-directors and officers of FPIC, the Company, Shell and Chevron were not personally, directly or in supervisory capacity assigned to perform acts of operation, maintenance and control over the pipeline, they cannot be held criminally liable for negligence under Article 365 of the Revised Penal Code.

Bayan Muna Representatives, et al. vs. ERC and Meralco (G.R. No. 210245)
NASECORE, et al. vs. Meralco, ERC and DOE (G.R. No. 210255)
Meralco vs. Philippine Electricity Market Corporation (PEMC), et al (G.R. No. 210502)
Supreme Court
Manila

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

On February 26, 2014, FGPC, FGP, FG Hydro, BGI, and BEDC filed with the SC a Memorandum with Motion to Lift TRO. It is First Gen Group's position that its right to the payment of the generation charges owed by Meralco is neither dependent nor conditional upon Meralco's right to collect the same

from its consumers. In the case of FGPC and FGP, Meralco's obligation to pay is contractual and thus governed by the terms and conditions of their respective PPAs. Ultimately, Meralco is bound to comply with its contractual obligations to FGPC and FGP, whether via the pass-through mechanism or some other means.

On April 22, 2014, the subject TRO was extended indefinitely and until further orders from the SC.

In the meantime, the SC ordered the parties to comment on the March 2014 Order of ERC declaring void the WESM prices for November and December 2013, and imposing regulated prices for the said months to be calculated by the PEMC. First Gen Group filed its Comment in May 2014, where it noted that the ERC has not made any adverse finding against the group or any ruling that the group committed an abuse of market power or anti-competitive behavior. There has been no further substantial movement in the case since then.

- **EDC**

- Expropriation Proceedings

- Several expropriation proceedings filed by the Republic of the Philippines, through the DOE, and PNOC to acquire lands needed by the Company for its power plants and projects are still pending before various Philippine courts, in particular, with respect to the land requirements of the Leyte Geothermal Production Field, the Southern Negros Geothermal Production Field, Northern Negros Geothermal Project and the Burgos Wind Project. By 2017, around 2,178 of such cases had been filed of which 584 still remain pending in courts as of December 31, 2017. To date, neither the authority to expropriate land for the Company's use nor the Company's possession of the lands expropriated has been questioned in the pending proceedings. The common issue in these cases is the amount of compensation to be paid to the owners of expropriated lands.

- Tax Cases

- - Real Property Taxes

- - From 2009 to 2017, EDC paid under protest (and for refund) real property taxes ("RPT") in excess of the preferential RPT rate of 1.5% under Section 15 (c) of the "RE Act" in the total amount of ₱300.77 million. This includes RPT payment under protest to (and for refund from): (i) the City of Ormoc in the total amount of ₱175.78 million; (ii) Province of Leyte in the total amount of ₱78.08 million; (iii) City of Kidapawan in the total amount of ₱18.93; (iv) the City of Bago in the total amount of ₱17.47 million; (v) Province of Negros Occidental in the total amount of ₱0.91 million; (vi) Province of Negros Oriental in the total amount of ₱8.72 million and (vi) Municipal of Burgos, Ilocos Norte in the total amount of ₱0.87 million. The foregoing protests have been appealed to the respective LBAA having jurisdiction over the said cities and provinces and these appeals are still pending with the LBAA as of December 31, 2017.

As of December 31, 2017, EDC's subsidiaries, namely BGI, GCGI and EBWPC have also paid under protest (and for refund) RPT payments mainly for being in excess of the 1.5% preferential RPT rate under the RE Act totalling ₱228.74 million. Of this amount, BGI has RPT paid under protest to (and for refund from): (i) the City of Sorsogon in the total amount of ₱3.92 million and to the Province of Albay in the total amount of ₱23.05 million; while GCGI has paid RPT under protest to (and for refund from): (i) the Province of Leyte in the total amount of ₱25.81 million; and (ii) the Province of Negros Oriental in the total amount of ₱98.85 million, and c) EBWPC has paid RPT under protest to (and refund from): (i) the City of Laoag in the total amount of ₱0.76 million; (ii) to the Municipal of Burgos in the total amount of ₱72.71 million and (iii) to the Municipal of Pasuquin in the total amount of ₱3.64 million. These protests have been appealed to the respective LBAA having jurisdiction over the said city and provinces and these appeals are still pending with the LBAA as of December 31, 2017, except for the ₱17.82 million appeal by GCGI in the Province of Negros Oriental; and for the ₱0.41 million appeal by EBWPC which are now pending with the CBAA.

EDC and GCGI also have several appeals pending with the LBAA in relation to assessments or claims for exemption of certain real properties, including machineries and equipment for pollution control or environmental protection, which are exempt from RPT; while there is one appeal pending with the CBAA on the certain real properties located in Province of Negros Oriental. For EDC, assessments or claims for exemption on certain real properties located in the Province of Leyte and the Cities of Sorsogon and Kidapawan were appealed and are still pending with the LBAA as of December 31, 2017. On the other hand, GCGI's Palinpinon I power plant assets

located in Valencia, Negros Oriental, were issued an assessment which have been appealed to and is now pending before the LBAA as of December 31, 2017.

- *Franchise Taxes*

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

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

In relation to the Consolidated Cases, there is a pending case in the SC docketed as SC G.R. No. 203124 regarding EDC’s motion for the issuance of a Writ of Preliminary Injunction restraining the Province from levying and collecting franchises taxes from EDC.

On March 22, 2017, GCGI filed a Complaint with the RTC in Tacloban City, Leyte to appeal the inaction of the Provincial Treasurer of Leyte on GCGI’s protest letter against the franchise tax assessment for the period 2010-2015 amounting to ₱100.2 million. The case is still pending with the RTC as of December 31, 2017.

EDC and GCGI believe that they are not liable for franchise tax since they are not holders of any legislative franchise, local or national, nor they are required for the operations or business of EDC or GCGI.

- *Input Value Added Tax (Input VAT)*

On April 24, 2009 and December 29, 2009, EDC filed Petitions for Review with the Court of Tax Appeals (CTA) with respect to its un-acted claim from the BIR for tax credit on input VAT relating to EDC’s VAT zero-rated sales for 2007 and 2008, respectively. The aggregate claims amount to ₱298.28 million. These cases are both entitled Energy Development Corporation (Formerly PNOC Energy Development Corporation) vs. Commissioner of Internal Revenue (CIR) and have been docketed as CTA Case No. 7926 and 8019, respectively. EDC believes that it is entitled to a tax refund or tax credit of its unutilized input taxes attributable to VAT zero-rated sale of renewable energy pursuant to the provisions of the RE Act and the National Internal Revenue Code (NIRC), as amended. The 2007 and 2008 input VAT claims have been appealed up to the SC where they are still pending as of December 31, 2017.

On August 26, 2016, EBWPC filed a Petition for Review with the CTA with respect to the denial by the BIR of its administrative claim for tax refund or tax credit of its input VAT for the 1st and 2nd quarters of 2014 attributable to VAT zero-rated sales in the aggregate amount of ₱33.90 million. The case is entitled EDC Burgos Wind Power Corporation v. CIR and is docketed as CTA Case No. 9446. EBWPC believes that it is entitled to a tax refund or tax credit of its unutilized input taxes attributable to VAT zero-rated sales of wind energy pursuant to the provisions of the RE Act and the NIRC, as amended. The case is still pending with the CTA as of December 31, 2017.

Civil Cases

As of December 31, 2017, there are 18 civil cases to which EDC is a party. Although the aggregate monetary claims in these cases amount to approximately ₱21.7 million, EDC does not believe that an adverse result in any one case pose a material risk to its operations.

Labor Cases

As of December 31, 2017, there were 8 pending labor cases against EDC, most of which deal with plaintiffs’ claims of illegal dismissal and backwages. Although the aggregate monetary claims in these

cases amount to approximately ₱83.2 million, EDC does not believe that any one case poses a material risk to its operations.

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

Not Applicable.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

First Gen was incorporated in the Philippines on December 22, 1998. First Gen and its operating subsidiaries FGPC (Santa Rita power plant), FGP (San Lorenzo power plant), FNPC (San Gabriel power plant), PMPC (Avion power plant), FG Bukidnon (Agusan power plant), FG Hydro (Pantabangan-Masiway power facility), and EDC and its subsidiaries are involved in power generation. EDC is also involved in steam generation. All its subsidiaries are incorporated in the Philippines. First Gen's ownership interests in these operating companies are indirectly held through intermediate holding companies, with the exception of FG Hydro where First Gen also directly holds a 40% interest.

MARKET INFORMATION

First Gen's common shares were listed with the Philippine Stock Exchange, Inc. on February 10, 2006. The high and low stock prices for 2016, 2017, and the 1st quarter of 2018 (as of March 15, 2018) are indicated below:

	High	Low
2018		
1Q (as of March 15, 2018)	18.20	14.32
2017		
4Q	19.72	16.88
3Q	19.80	16.80
2Q	22.30	18.54
1Q	23.20	20.85
2016		
4Q	25.35	20.90
3Q	26.60	24.00
2Q	26.00	19.48
1Q	22.80	17.60

The closing price of First Gen's common shares as of March 15, 2018 was ₱16.94 per share.

As of March 15, 2018, First Gen's public float is at 32.32%, computed as follows:

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

$$\frac{1,181,329,026}{3,654,852,357} \times 100 = \mathbf{32.32\%}$$

As of March 15, 2018, there were 360 common stockholders of record and 3,654,852,357 common shares issued and outstanding.

Following are the top 20 stockholders of First Gen as of March 15, 2018:

Common Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	2,440,028,959	66.76%
2	PCD NOMINEE CORPORATION (FILIPINO)	773,151,191	21.15%
3	PCD NOMINEE CORPORATION (FOREIGN)	406,225,021	11.11%
4	F. YAP SECURITIES, INC.	10,429,800	0.29%
5	FEDERICO R. LOPEZ	5,569,511	0.15%
6	OSCAR M. LOPEZ	4,375,520	0.12%
7	CROSLO HOLDINGS CORPORATION	2,010,000	0.05%
8	FRANCIS GILES B. PUNO	1,800,001	0.05%
9	RICHARD B. TANTOCO	1,768,681	0.05%
10	PACITA KING YAP &/OR PHILIP KING YAP	1,150,000	0.03%
11	FRANCIS GILES B. PUNO &/OR MA. PATRICIA D. PUNO	1,105,800	0.03%
12	ARLENE YAP TAN &/OR PAUL KING YAP JR.	530,000	0.01%
13	REGINA PIA BANAL GO	500,000	0.01%
14	BENJAMIN K. LIBORO &/OR LUISA BENGZON LIBORO	480,400	0.01%
15	NESTOR H. VASAY	333,633	0.01%
16	CONSUELO R. LOPEZ	310,050	0.01%
17	LOZANO A. TAN	300,000	0.01%
18	MONINA D. LOPEZ	264,738	0.01%
19	CESAR G. AGUILAR	248,490	0.01%
20	PERLA R. CATAHAN	245,460	0.01%
TOTAL SHARES (TOP 20)		3,650,827,255	99.89%
TOTAL SHARES (REST OF STOCKHOLDERS)		4,025,102	0.11%
TOTAL ISSUED AND OUTSTANDING SHARES		3,654,852,357	100.00%

Series “B” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	1,000,000,000	100.00%
TOTAL ISSUED AND OUTSTANDING SHARES		1,000,000,000	100.00%

Series “E” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	468,553,892	100.00%
TOTAL ISSUED AND OUTSTANDING SHARES		468,553,892	100.00%

Series “F” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	61,202,920	96.84%
2	KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS.	1,000,000	1.58%
3	EUGENIO LOPEZ FOUNDATION, INC.	500,000	0.79%
4	CROSLO HOLDINGS CORPORATION	200,000	0.32%
5	PERLA RAYOS DEL SOL CATAHAN &/OR ROBERTO BUENAVIDEZ CATAHAN	50,000	0.08%
6	JOVITO VICTORINO GERTES	30,000	0.05%
7	MARIANELA ALDEGUER WIENEKE	30,000	0.05%
8	DANILO COMELIO LACHICA &/OR MA. BERNARDITA FERNANDEZ LACHICA	20,000	0.03%
9	BENJAMIN KALUAG LIBORO	20,000	0.03%
10	ANTHONY MILITAR MABASA	20,000	0.03%

11	EMELITA DE LEON SABELLA &/OR RONALDO CUSTODIO SABELLA	20,000	0.03%
12	FELIX BELLEN CHAVEZ OR IRENE TANG LEE SAY CHAVEZ	16,730	0.03%
13	PCD NOMINEE CORPORATION (FOREIGN)	12,510	0.02%
14	ARDEL LABRADOR FADRI	10,000	0.02%
15	MILAGROS DELA VEGA FADRI	10,000	0.02%
16	LEONIDES ULIT GARDE &/OR MARIA SALUD DE SANTOS GARDE &/OR LIANA ALEXANDRA DE SANTOS GARDE	10,000	0.02%
17	MA. LOURDES ELVIRA RUFINO MACEDA &/OR JOSEFINA PADILLA RUFINO	10,000	0.02%
18	VICTORIA A. MARTINEZ	10,000	0.02%
19	BRIGIDA QUINTOS PAGDAGDAGAN &/OR RAMON TAGARDA PAGDAGDAGAN	10,000	0.02%
20	RICARDO BATISTA YATCO &/OR CYNTHIA ACOSTA YATCO	10,000	0.02%
	RICARDO BATISTA YATCO &/OR GERARDO BATISTA YATCO	10,000	0.02%
TOTAL ISSUED AND OUTSTANDING SHARES		63,202,160	100.00%

Series “G” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	74,300,505	58.57%
2	FIRST PHILIPPINE HOLDINGS CORPORATION	50,296,450	39.65%
3	LOPEZ, INC.	500,000	0.39%
4	FIRST PHILIPPINE HOLDINGS CORPORATION PENSION FUND	300,000	0.24%
5	CROSLO HOLDINGS CORPORATION	200,000	0.16%
6	EUGENIO LOPEZ FOUNDATION, INC.	200,000	0.16%
7	PCD NOMINEE CORPORATION (FOREIGN)	157,900	0.12%
8	PERLA R. CATAHAN &/OR ROBERTO B. CATAHAN	100,000	0.08%
9	OSCAR M. LOPEZ &/OR CONSUELO R. LOPEZ	100,000	0.08%
10	LOPEZ HOLDINGS CORPORATION	100,000	0.08%
11	ANTONIO GUAY TINSAY &/OR JOIE CLARAVALL TINSAY &/OR IRENE CLARAVALL TINSAY	75,000	0.06%
12	ALEXANDER TAN SOLIS &/OR GINA TAN SINFUEGO	50,000	0.04%
13	G. D. TAN & CO., INC.	40,000	0.03%
14	ENRIQUE C. CLEMENTE, III	30,000	0.02%
15	MARIANELA A. WIENEKE &/OR JORGE NOEL Y. WIENEKE	30,000	0.02%
16	ANGELES Z. LORAYES	25,000	0.02%
17	MARIANELA ALDEGUER WIENEKE	25,000	0.02%
18	ALFONSO SY TEH	22,000	0.02%
19	ALMIRA JAZMIN P. ESGUERRA	20,000	0.02%
20	MARGARITA B. FRAGANTE	20,000	0.02%
	PHILIPPINE BRITISH ASSURANCE CO.,INC.	20,000	0.02%
	IRENEO A. RAULE JR. &/OR VALERIE F. RAULE	20,000	0.02%
TOTAL SHARES (TOP 20)		126,631,855	99.82%
TOTAL SHARES (REST OF STOCKHOLDERS)		223,665	0.18%
TOTAL ISSUED AND OUTSTANDING SHARES		126,855,520	100.00%

DIVIDENDS

First Gen has a dividend policy to declare, subject to certain conditions, an annual cash dividend on its common shares equivalent to 30.0% of the prior year’s recurring net income. Any such declaration of cash dividend is conditional upon the recommendation of the BOD, after taking into consideration factors such as, but not limited to, debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves, and working capital. Further, the declaration of a cash dividend is subject to the preferential dividend rights of the voting preferred shares

and perpetual preferred shares. This dividend policy may be revised by the BOD for whatever reason it deems necessary, reasonable, or convenient.

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

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

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

On June 15, 2016, the BOD approved the declaration of cash dividends on its Series “F” and “G” preferred shares as follows:

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

The cash dividends have a record date of June 29, 2016 and a payment date of July 25, 2016.

On September 14, 2016, the BOD approved the declaration of cash dividends on its issued and outstanding common stocks at the rate of ₱0.35 a share with record date of September 28, 2016 and payment date of October 14, 2016.

On November 28, 2016, the Company’s BOD approved the declaration of cash dividends on the company’s preferred shares as follows:

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

The cash dividends have a record date of December 29, 2016 and a payment date of January 25, 2017.

On June 15, 2017, the Company declared cash dividends on its Series “F” and “G” preferred shares as follows:

- ₱4.00 per share on 63,202,160 outstanding Series “F” preferred shares;
- ₱3.8904 per share on 113,105,520 outstanding Series “G” preferred shares; and
- ₱0.38904 per share on the 13,750,000 outstanding Series “G” preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of June 29, 2017 and a payment date of July 25, 2017.

On September 26, 2017, the BOD of the Company declared cash dividends on outstanding common shares at ₱0.35 per share. The cash dividends have a record date of October 10, 2017 and a payment date of October 30, 2017.

On November 24, 2017, the Company declared the following cash dividends on preferred shares:

- ₱0.02 per share on all outstanding Series “B” preferred shares;
- ₱0.01 per share on all outstanding Series “E” preferred shares;
- ₱4.00 per share on all outstanding Series “F” preferred shares;
- ₱3.8904 per share on the 113,105,520 outstanding Series “G” preferred shares; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 2, 2018 and a payment date of January 25, 2018.

SALE OF UNREGISTERED / EXEMPT SECURITIES

Executive Stock Option Plan. Under the Corporation’s ESOP which was approved by the board of directors in July 2002, there was only one option grant which was dated July 1, 2003. Options awarded pursuant to this option grant are no longer exercisable following the Option Expiration Date of July 1, 2013. There is currently no ESOP in place.

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

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

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

Item 7. Financial Statements

The Company’s audited consolidated financial statements for the years ended December 31, 2017 and 2016 are hereto attached as **Exhibit “B”**.

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

SyCip Gorres Velayo & Co. (SGV) has acted as the Corporation’s external auditors since its incorporation in December 1998. SGV is in compliance with Rule 68, paragraph 3(b)(iv) of the SRC which requires the rotation of the handling partner every 5 consecutive years. The engagement partner who conducted the audit for calendar year 2017 is Ms. Jhoanna Feliza C. Go. She replaced Mr. Ladislao Z. Avila, who was the handling partner for the calendar years 2013-2014.

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

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

	For the years ended December 31		
AUDIT FEES (in Philippine peso)	2017	2016	2015
Audit and Audit-Related Fees	₱7,805,336	₱7,485,867	₱10,031,201
Tax Fees	1,158,720	2,389,594	-
All Other Fees ^[1]	509,040	408,579	712,381
TOTAL	₱9,473,096	₱10,284,040	₱10,743,582

^[1] For services relating to the issuance of agreed-upon procedures (AUP) report for the increase in capital stock of various subsidiaries, AUP for the conversion of deposits for future stock subscriptions into equity, special report on the determination of functional currency, due diligence for various financing activities, conduct of transfer pricing studies, and conduct of trainings / seminars.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

First Gen's amended articles of incorporation provide for 9 seats in the board of directors. The corporation is required to have at least 2 independent directors or such independent directors as shall constitute at least 20% of the members of such board, whichever is lesser, pursuant to the requirements of Section 38 of the Securities Regulation Code. There are now 3 independent directors in the board, or 33% of the board's total membership.

The directors serve for a period of 1 year and until their successors shall have been duly elected and qualified.

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

The following members of the board of directors were elected by the stockholders during the Annual General Meeting held on May 9, 2017:

Director	Nationality	Position	Age	Year Position was Assumed
Oscar M. Lopez	Filipino	Chairman Emeritus	88	1998
Federico R. Lopez	Filipino	Chairman	56	1998
Francis Giles B. Puno	Filipino	Director	53	2005
Richard B. Tantoco	Filipino	Director	51	2005
Peter D. Garrucho Jr.	Filipino	Director	74	1998
Eugenio L. Lopez III	Filipino	Director	65	2009
Tony Tan Caktiong	Filipino	Independent Director	65	2005
Jaime I. Ayala	Filipino	Independent Director	56	2013
Cielito F. Habito	Filipino	Independent Director	65	2016

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

Federico R. Lopez, born August 5, 1961, Filipino, has been a member of the board since December 1998. He is Chairman and CEO of publicly-listed companies First Gen, FPH, and EDC. He is a director of ABS-CBN Corporation and Vice Chairman of Rockwell Land Corporation, both of which are listed companies. He is also the Treasurer of Lopez Holdings Corporation. Mr. Lopez is Chairman of the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundation (OML Center) and the Sikat Solar Challenge Foundation. He is a member of the board of trustees of the Philippine Forest Foundation Philippines, World Wildlife Fund Philippines, and the Philippine Disaster Resilience Foundation. He is the President of Ang Misyon, an El Sistema-inspired foundation committed to igniting social change and youth development through the pursuit of excellence in classical music. This advocacy has led to the formation of the Orchestra of the Filipino Youth which is composed of some 55 talented, young musicians from underprivileged families, and handpicked from various ensembles spread throughout the Philippines. Mr. Lopez is a member of the New York Philharmonic International Advisory Board, Asia Business Council, World Presidents Organization, ASEAN Business Club, Management Association of the Philippines, Philippine Chamber of Commerce and Industry, European Chamber of Commerce of the Philippines, and Makati Business Club. Mr. Lopez is a graduate of the University of Pennsylvania with a Bachelor of Arts degree double major in Economics and International Relations (*cum laude*, 1983).

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

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

Peter D. Garrucho Jr., born May 4, 1944, Filipino, has been a member of the board since the company's incorporation in December 1998. He is also a member of the board of directors of listed company FPH. Until his retirement in January 2008 as Managing Director for Energy of FPH, Mr. Garrucho held the positions of Vice Chairman and CEO of the company. Mr. Garrucho served in Government as Secretary of Tourism and Secretary for Trade & Industry during the administration of President Corazon C. Aquino. He was also Executive Secretary and the Presidential Advisor for Energy Affairs under President Fidel V. Ramos. In 2017, he was elected Chairman of the board of trustees of the Asian Institute of Management. Mr. Garrucho has an AB-BSBA degree from De La Salle University (1966) and a master's degree in Business Administration from Stanford University (1971).

Eugenio L. Lopez III, born August 13, 1952, Filipino, was first elected to the board of directors in September 2009. He is Chairman of ABS-CBN Corporation, a director of FPH and Rockwell Land, and Vice Chairman of Lopez Holdings, all of which are listed companies. Aside from leading ABS-CBN, he also serves as Chairman of ABS-CBN Lingkod Kapamilya Foundation, Inc., Sky Cable Corporation, and Play Innovations, Inc. Mr. Lopez earned a Bachelor of Arts degree in Political Science from Bowdoin College (1974), and a Master's degree in Business Administration from the Harvard Business School (1980).

Tony Tan Caktiong, born January 5, 1953, Filipino, has been an Independent Director of the company since April 2005. He is the Chairman and Founder of Jollibee Foods Corporation (JFC) and Co-Chairman of DoubleDragon Properties Corp., both of which are publicly-listed companies. He is at the helm of Jollibee, Chowking, Greenwich, Red Ribbon, Mang Inasal, and the Burger King franchise in the Philippines, along with Yonghe King, Hong Zhuang Yuan, and the Dunkin Donuts franchise in China. He is also a Director for JFC's joint venture entities with the SuperFoods Group - owner of Highlands Coffee (with stores in Vietnam and the Philippines), Pho 24 (with stores in Vietnam, Indonesia, Korea and Australia), and Smashburger in the United States. He is involved in non-profit work as Chairman of Jollibee Group Foundation and a member of the Board of Trustees of Temasek Foundation International of Singapore. He is an Agora Awardee for Outstanding Marketing Achievement, Asian Institute of Management (AIM) Triple A Alumni Awardee, TOYM Awardee for Entrepreneurship, and a recipient of the World Entrepreneur of the Year award in 2004. Mr. Tan Caktiong has a BS in Chemical Engineering from the University of Santo Tomas (1975) and management tutoring certifications from Harvard University, AIM, the University of Michigan Business School, and Harvard Business School. He is also on the International Advisory Board of The Philharmonic-Symphony Society of New York, Inc. Mr. Tan Caktiong was conferred the degree of Doctor of Business Administration, honoris causa, by his alma mater, the University of Santo Tomas.

Jaime I. Ayala, born March 24, 1962, Filipino, was elected Independent Director of the company in May 2013. He is the Founder and CEO of Hybrid Social Solutions, a social enterprise focused on empowering rural villages through solar energy. He was recognized as the Schwab Foundation Social Entrepreneur of the Year in 2013 and as the Ernst & Young Entrepreneur of the Year Philippines in 2012. Mr. Ayala was President and CEO of publicly-listed Ayala Land, Inc. and Senior Managing Director of Ayala Corporation. Prior to that, he was a director (global senior partner) at McKinsey & Company, where he played a number of global and regional leadership roles, including head of the firm's Asian Energy Practice, and President of McKinsey's Manila office. Mr. Ayala is a member of the National Advisory Council of the World Wildlife Fund, trustee of Stiftung Solarenergie – Solar Energy Foundation and Philippine Tropical Forest

Conservation Foundation, and Chairman of Healthway Medical Inc. He earned his MBA from Harvard Business School (honors, 1988) and completed his undergraduate work in Economics at Princeton University (*magna cum laude*, 1984).

Cielito F. Habito, born April 20, 1953, Filipino, was elected Independent Director of the company in May 2016. An accomplished economist, Dr. Habito is a Professor of Economics at the Ateneo de Manila University and is also Chairman of Brain Trust Inc. and Operation Compassion Philippines. He is an Independent Trustee of BPI Foundation and Manila Water Foundation, Chairman of the Board of Advisers of the TeaM Energy Center for Bridging Leadership-Asian Institute of Management, and Member of the Advisory Committee of the Japan International Cooperation Agency (JICA)-Philippines, the National Advisory Council of WWF Philippines, Council of Advisers of the Philippine Rural Reconstruction Movement, and Board of Trustees of the International Center for Innovation, Transformation and Excellence in Governance (INCITEGov), among others. Dr. Habito is the recipient of numerous awards including the Philippine Legion of Honor (1998), The Outstanding Young Men (TOYM) Award (for Economics) in 1991, Most Outstanding Alumnus of the University of the Philippines-Los Baños (UPLB) in 1993, and the Gawad Lagablab (Outstanding Alumnus Award) of the Philippine Science High School in 1991. He served in the Cabinet of former President Fidel V. Ramos throughout his 6-year presidency in 1992-1998 as Secretary of Socioeconomic Planning and Director-General of the National Economic and Development Authority (NEDA). From 2013-2017, he headed the USAID Trade-Related Assistance for Development (TRADE) Project as Chief of Party (Project Leader). He also writes the twice-weekly column “No Free Lunch” in the Philippine Daily Inquirer. Dr. Habito holds Ph.D. in Economics (1984) and Master of Arts (1981) degrees, both from Harvard University; a Master of Economics degree from the University of New England in Australia (1978); and a Bachelor of Science in Agriculture (Agricultural Economics) degree from the University of the Philippines (1975), where he graduated *summa cum laude*.

As of March 15, 2018, the Company’s senior management is composed of the following:

Officer	Nationality	Position	Age	Year position was assumed
Federico R. Lopez	Filipino	Chairman & CEO	56	Chairman since 2010, CEO since 2008
Francis Giles B. Puno	Filipino	President & COO	53	June 2010
Richard B. Tantoco	Filipino	Executive Vice President	51	2008
Jonathan C. Russell	British	EVP & Chief Commercial Officer	53	EVP since 2010, Chief Commercial Officer since 2017
Renato A. Castillo	Filipino	SVP & Chief Risk Officer	63	2011
Victor Emmanuel B. Santos Jr.	Filipino	Senior Vice President	50	2010
Emmanuel P. Singson	Filipino	SVP, CFO, & Treasurer	52	CFO since 2011, SVP & Treasurer since 2010
Nestor H. Vasay	Filipino	Senior Vice President	64	2010
Julicer A. Alvis	Filipino	Vice President	42	2014
Ramon J. Araneta	Filipino	Vice President	57	2014
Erwin O. Avante	Filipino	Vice President	43	2009
Jerome H. Cainglet	Filipino	Vice President	49	2011
Ramon A. Carandang	Filipino	VP for Corporate Communications	50	2015
Ma. Aurora E. Ceniza	Filipino	Vice President	55	2015
Reman A. Chua	Filipino	Vice President	47	2015
Nurjehan Maria D. Dayrit	Filipino	Vice President	50	2016
Teodorico R. Delfin	Filipino	Vice President	49	2017
Cara Martha R. De Guzman	Filipino	Asst. Corporate Secretary	34	2016
Valerie Y. Dy Sun	Filipino	VP & Head of Investor Relations	41	Head of IR since 2011, VP since 2012, Compliance Officer since 2017
Anna Karina P. Gerochi	Filipino	VP & Head of Human Resources	50	2012
Dennis P. Gonzales	Filipino	Vice President	47	2009
Rachel R. Hernandez	Filipino	VP & Corporate Secretary	51	Corporate Secretary since 2009, VP since 2013
Shirley C. Hombrebuena	Filipino	Vice President	48	2011
Raymundo N. Jarque Jr.	Filipino	Vice President	51	2015
Ariel Arman V. Lapus	Filipino	Vice President	48	2009
Rassen M. Lopez	Filipino	Vice President	48	2015

Jorge H. Lucas	Filipino	Vice President	61	2010
Grace Stephanie L. Marcelo	Filipino	Vice President	58	2017
Aloysius L. Santos	Filipino	Vice President	56	2007
Ronaldo B. Tablante	Filipino	Vice President	50	2017
Carmina Z. Ubaña	Filipino	VP & Comptroller	41	2011
Daniel H. Valeriano Jr.	Filipino	Vice President	68	2001
Carlos Lorenzo L. Vega	Filipino	Vice President	36	2017
Conrado Ernesto C. Viejo	Filipino	Vice President	45	2015
Ma. Theresa M. Villanueva	Filipino	Vice President & Head of Internal Audit	41	Head of IA since 2013, VP since 2017
Vincent C. Villegas	Filipino	Vice President	45	2009

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

Renato A. Castillo, Filipino, born June 7, 1954, is the Senior Vice President and Chief Risk Officer of the Company and FPH, both of which are listed companies. Mr. Castillo has a degree in Bachelor of Science in Commerce major in Accounting from De La Salle University (1974).

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

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

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

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

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

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

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

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

Ma. Aurora E. Ceniza, born December 24, 1962, Filipino, is a Vice President of the Company. She holds an Economics degree from UP Diliman (1983), a joint program for MS in Energy Management and Policy

from the University of Pennsylvania, and an M.S. Politique Et Gestion De l'Energie At École Nationale Supérieure Du Pétrole - Institut Français Du Pétrole (IFP), France (1991).

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

Nurjehan Maria D. Dayrit, born April 12, 1968, Filipino, is a Vice President of the Company. She holds Bachelor of Science in Economics (1988) and Master of Business Administration (1995) degrees from the University of the Philippines.

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

Cara Martha R. De Guzman, born June 1, 1983, Filipino, is Assistant Corporate Secretary of the Company. She has a Bachelor of Arts degree in Sociology from University of the Philippines (2004) and a Juris Doctor degree from Ateneo de Manila School of Law (2008). She is a member of the Philippine bar.

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

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

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

Rachel R. Hernandez, born April 24, 1967, Filipino, is the Vice President and Corporate Secretary of the Company. She obtained her Bachelor of Arts degree in Philosophy (1986) and Bachelor of Laws degree (1992) from the University of the Philippines, and is a member of both the Philippine Bar and New York Bar.

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

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

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

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

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

degree in Energy Engineering from the University of the Philippines (1991-92). He is a registered professional mechanical engineer and electrical engineer.

Grace Stephanie L. Marcelo, born October 19, 1959, Filipino, is a Vice President of the Company and EDC, both publicly-listed companies. She holds degrees in BSC Accounting (1981) and AB English (1981), both from the College of the Holy Spirit. She is a certified public accountant.

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

Ronaldo B. Tablante, born May 11, 1968, Filipino, is a Vice President of the Company. Mr. Tablante holds a Bachelor of Science in Management degree from the Ateneo de Manila University (1989).

Carmina Z. Ubaña, born November 2, 1976, Filipino, is Vice President and Comptroller of the Company and FPH, both of which are listed companies. She has a Bachelor of Science degree in Accountancy from the Polytechnic University of the Philippines (1996). Ms. Ubaña is a certified public accountant.

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

Carlos Lorenzo L. Vega, born November 19, 1981, Filipino, is a Vice President of the Company. Mr. Vega holds a Bachelor of Science in Economics degree from the University of the Philippines (2002) and a master's degree in Business Management from the Asian Institute of Management (2006).

Conrado Ernesto C. Viejo, born May 19, 1972, Filipino, is a Vice President of the Company. Mr. Viejo holds a Bachelor of Science in Commerce major in Business Management degree from San Beda College (1993).

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

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

(2) Significant Employees

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

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

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

- a. Any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, or executive officer of the Corporation, was a general

partner or executive officer either at the time of the bankruptcy or within 2 years prior to that time;

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

Item 10. Executive Compensation

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

Name and Position	Year	Salary (in PHP)	Bonus/Other Income (in PHP)
Federico R. Lopez Chairman and CEO			
Francis Giles B. Puno President and COO			
Richard B. Tantoco Executive Vice President			
Jonathan Russell Executive Vice President			
Victor B. Santos Jr. Senior Vice President			
CEO and the 4 most highly compensated officers named above	2016	170,401,627	121,930,215
	2017	211,176,150	82,761,239
	2018 (est)	219,595,133	87,353,253
Aggregate compensation paid to all officers and directors as a group unnamed	2016	351,477,021	256,321,858
	2017	491,959,138	258,925,948
	2018 (est)	485,341,852	220,406,239

- b) Standard Arrangements

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

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

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

d) Warrants and Options Outstanding

Executive Stock Option Plan (ESOP)

Under the Corporation's ESOP which was approved by the board of directors in July 2002, there was one option grant which was dated July 1, 2003. Options awarded pursuant to this option grant are no longer exercisable following the Option Expiration Date of July 1, 2013. There is currently no ESOP in place.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record & Beneficial Owners

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

As of March 15, 2018, the Company knows of no one who is directly or indirectly the record or beneficial owner of more than 5% of the corporation's capital stock except as set forth below:

COMMON SHARES:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Common Shares
Common	First Philippine Holdings Corporation <i>6th Floor Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City</i> FPH is the parent of the Corporation.	FPH is the record and beneficial owner of the shares indicated. ¹	Filipino	2,440,028,959	66.76%
Common	PCD Nominee Corp. <i>37th Floor Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City</i>	Various	Filipino Foreign	773,151,191 406,225,021* <i>*This is inclusive of 186,927,276 shares of Eastspring Investments (Singapore) Limited</i>	21.15% 11.11%

	Owner of more than 5% under PCD Nominee Corp.				
Common	Deutsche Bank Manila-Clients A/C <i>26th Floor Ayala Tower One Ayala Triangle Makati City</i>	Various	Foreign	206,296,231	5.64%

PREFERRED SHARES:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Voting Preferred Shares
Voting Preferred Shares (Series B and E)	First Philippine Holdings Corporation	FPH is the record and beneficial owner of the shares.	Filipino	1,468,553,892	100.00%

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

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Non-Voting Preferred Shares
Non-Voting Preferred Shares (Series F)	PCD Nominee Corp. (Filipino)	Various	Filipino	61,202,920*	32.20%
			Foreign	12,510	.007%
				<i>*This is inclusive of 16,745,930 shares of FPH</i>	

	Owner of more than 5% under PCD Nominee Corp.				
Non-Voting Preferred Shares (Series F)	BDO Securities Corporation 27 th Floor Tower I & Exchange Plaza Ayala Ave., Makati City	Various	Filipino	25,205,280	13.26%
			Foreign	10,000	.005%
Non-Voting Preferred Shares (Series F)	RCBC Securities, Inc. Unit 1008 Tower I & Exchange Plaza Ayala Ave., Makati City	Various	Filipino	10,000,000	5.26%
			Foreign	1,000	.00%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Non-Voting Preferred Shares
Non-Voting Preferred Shares (Series G)	First Philippine Holdings Corporation	FPH is the record and beneficial owner of the shares.	Filipino	50,296,450	26.46%
Non-Voting Preferred Shares (Series G)	PCD Nominee Corp. (Filipino)	Various	Filipino	74,300,505	39.09%
			Foreign	157,900	.08%

	Owner of more than 5% under PCD Nominee Corp.				
Non-Voting Preferred Shares (Series G)	BDO Securities Corporation 27 th Floor Tower I & Exchange Plaza Ayala Ave., Makati City	Various	Filipino	34,153,680	17.97%
			Foreign	90,000	.05%
Non-Voting Preferred Shares (Series G)	Citibank N.A.	Various	Filipino	10,478,019	5.51%

(2) Security Ownership of Management as of March 15, 2018:

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

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percentage to Common Shares
Common	Oscar M. Lopez	Direct - 4,375,520	Indirect - 310,050	Filipino	0.1282%
Common	Federico R. Lopez	Direct - 5,569,811	Indirect - 264,738	Filipino	0.1596%
Common	Francis Giles B. Puno	Direct - 8,090,930		Filipino	0.2214%
Common	Richard B. Tantoco	Direct - 2,426,220		Filipino	0.0664%
Common	Peter D. Garrucho Jr.	Direct - 6,887,004		Filipino	0.1884%
Common	Eugenio L. Lopez III	Direct - 150		Filipino	0.0000%
Common	Tony Tan Caktiong	Direct - 165		Filipino	0.0000%
Common	Jaime I. Ayala	1		Filipino	0.0000%
Common	Cielito F. Habito	Direct - 100		Filipino	0.0000%
Common	Jonathan C. Russell	Direct - 1,484,538		British	0.0406%
Common	Renato A. Castillo	0		Filipino	0.0000%
Common	Victor B. Santos Jr.	0		Filipino	0.0000%
Common	Emmanuel P. Singson	Direct - 605,000		Filipino	0.0166%
Common	Nestor H. Vasay	Direct - 408,633		Filipino	0.0112%
Common	Julicer A. Alvis	0		Filipino	0.0000%
Common	Ramon J. Araneta	Direct - 60,028		Filipino	0.0016%
Common	Erwin O. Avante	Direct - 269,275		Filipino	0.0074%
Common	Jerome H. Cainglet	Direct - 294,416		Filipino	0.0081%
Common	Ramon A. Carandang	0		Filipino	0.0000%
Common	Ma. Aurora E. Ceniza	0		Filipino	0.0000%
Common	Reman A. Chua	Direct - 4,500		Filipino	0.0001%
Common	Nurjehan Maria D. Dayrit	0		Filipino	0.0000%
Common	Teodorico R. Delfin	0		Filipino	0.0000%
Common	Cara Martha R. De Guzman	0		Filipino	0.0000%
Common	Valerie Y. Dy Sun	0		Filipino	0.0000%
Common	Ana Karina P. Gerochi	0		Filipino	0.0000%
Common	Dennis P. Gonzales	Direct - 465,000		Filipino	0.0127%
Common	Rachel R. Hernandez	Direct - 8,299		Filipino	0.0002%
Common	Shirley C. Hombreueno	Direct - 410,749		Filipino	0.0112%
Common	Raymundo N. Jarque Jr.	Direct - 42,948		Filipino	0.0012%
Common	Ariel Arman V. Lapus	0		Filipino	0.0000%
Common	Rassen M. Lopez	0		Filipino	0.0000%
Common	Jorge H. Lucas	Direct - 169,729		Filipino	0.0046%
Common	Grace Stephanie L. Marcelo		Indirect - 26,300	Filipino	0.0007%
Common	Aloysius L. Santos	0		Filipino	0.0000%
Common	Ronaldo B. Tablante	Direct - 10,000		Filipino	0.0003%
Common	Carmina Z. Ubaña	Direct - 10,268		Filipino	0.0003%
Common	Daniel H. Valeriano Jr.	Direct - 1,300,000		Filipino	0.0356%
Common	Carlos Lorenzo L. Vega	0		Filipino	0.0000%
Common	Conrado Ernesto C. Viejo	0		Filipino	0.0000%
Common	Ma. Theresa M. Villanueva	0		Filipino	0.0000%
Common	Vincent C. Villegas	0		Filipino	0.0000%

As of March 15, 2018, the aggregate amount of common shares registered in the names of the directors and officers of the Corporation is 33,494,372.

(3) Voting Trust Holders of 5% or more

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

(4) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

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

The following are the other significant transactions with related parties:

- a. Due to related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of certain entities in the Lopez Group.
- b. First Gen Group leases its office premises where its new principal offices are located from Rockwell Land Corporation (Rockwell), a subsidiary of FPH.
- c. The 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 Company and EDC agreed to further extend the Consultancy Agreement for a period of 24 months, from January 1, 2017 to December 31, 2018, for a monthly fee of \$0.6 million (₱28.0 million, net of withholding taxes plus VAT).
- d. Following the usual bidding process, EDC awarded to First Balfour, Inc. (First Balfour) procurement contracts for various works such as civil, structural and mechanical/ piping works in EDC's geothermal, solar and wind power plants. EDC also engaged the services of Thermaprime Well Services, Inc. (Thermaprime), a subsidiary of First Balfour, for the drilling services such as, but not limited to, rig operations, rig maintenance, well design and engineering. Thermaprime provides drilling services and drilling rig preservation services to EDC. The contracts for drilling services are for a period of five (5) years which will end on January 31, 2019 for Rig 1 and July 31, 2019 for Rig 2. The contract for drilling rig preservation services will end on March 1, 2018.

As of December 31, 2017, the outstanding balances of EDC's payables to First Balfour and Thermaprime totaled to \$16.5 million, recorded under "Accounts payable and accrued expenses" account in the consolidated statement of financial position. First Balfour is a wholly owned subsidiary of FPH.

- e. GSPA between PMPC 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 power 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

First Gen

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

As of December 31, 2016, the Company issued guarantees totalling to \$8.0 million, in favor of the Board of Investments (BOI), to guarantee the payment of customs duties waived in the event that FNPC and/or PMPC does not comply with the terms and conditions of their respective Certificates of Authority specifically on the installation and permanent use of imported capital equipment, spare parts and accessories that were installed in the San Gabriel and Avion power plants. On

February 8, 2017, the BOI granted the respective requests of FNPC and PMPC for the cancellation of the Company guarantees in view of San Gabriel and Avion power plants' compliance of its obligations under their respective Certificates of Authority.

EDC

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

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance. Pursuant to SEC Memorandum Circular No. 20 (Series of 2016), the Annual Corporate Governance Report (ACGR) for 2017 is no longer required to be attached herein.

PART V - EXHIBITS AND SCHEDULES

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

(1) Exhibits

Exhibit "A"	Management Report
Exhibit "B"	Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016, and the Audited Parent Company Financial Statements stamped received by the BIR
Exhibit "C"	SRC Rule 68, As Amended (2011) [Schedules]
Exhibit "D"	Audit Committee Report for the year 2017

(2) Reports on SEC Form 17-C

The Company filed the following reports on SEC Form 17-C (Current Report) during the period January to December 2017:

January 12, 2017	The Company disclosed that it purchased from the market 1.8 million Series G preferred shares at ₱113.00 per share and 400,000 Series F preferred shares at ₱108.00 per share. The transactions were made pursuant to the 2-year preferred share buyback extension program approved by its board of directors on May 11, 2016 covering up to ₱10 billion worth of Series F and G preferred shares.
February 15, 2017	The Company reported the approval by its board of directors of the details of the 2017 annual general meeting as follows: Date: May 9, 2017 (Tuesday) Time: 10:00 am Venue: Philippine Stock Exchange (PSE) Centre Auditorium Ground Floor, PSE Centre Exchange Road, Ortigas Center Pasig City Record Date: March 1, 2017
February 28, 2017	The Company disclosed the retirement of Executive Vice President Ernesto B. Pantangco effective March 1, 2017.
March 15, 2017	The Company reported the approval by its board of directors of the following material resolutions:

1. The nominations of the following for election to the board of directors for the period 2017- 2018 and until the election and qualification of their successors:

For Regular Directors:

- 1) Mr. Oscar M. Lopez
- 2) Mr. Federico R. Lopez
- 3) Mr. Francis Giles B. Puno
- 4) Mr. Richard B. Tantoco
- 5) Mr. Peter D. Garrucho Jr.
- 6) Mr. Eugenio L. Lopez III

For Independent Directors:

- 7) Mr. Tony Tan Caktiong
- 8) Mr. Jaime I. Ayala
- 9) Mr. Cielito F. Habito

2. The Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015; and
3. The appointment of SyCip Gorres Velayo & Co. as the Company's external auditors for 2017-2018.

March 15, 2017	The Company disclosed that it purchased from the market 22,840 Series F preferred shares at ₱108.00 per share.
March 22, 2017	The Company reported its purchase from the market of 49,000 Series G preferred shares at ₱118.00 per share.
April 3, 2017	The Company advised that it purchased from the market 19,200 Series G preferred shares at ₱113.80 per share.
April 3, 2017	The Company reported the retirement of Senior Vice President Colin Fleming.
April 10, 2017	Following the earthquakes that hit Mabini, Batangas on April 8, 2017, the Company disclosed the status of its 4 gas-fired power plants located in the Batangas Clean Energy Complex.
April 17, 2017	The Company provided an update on the status of the San Lorenzo switchyard which was damaged by the April 2017 earthquakes.
April 19, 2017	The Company advised that the connection to the grid of its San Lorenzo, San Gabriel, and Avion power plants has been restored.
April 24, 2017	The Company released a press statement on US\$500 million debt facility of First Gas Power Corporation.
May 9, 2017	The Company disclosed stockholder approval of the following matters: 1. Election of the following members of the board of directors: 1) Federico R. Lopez 2) Oscar M. Lopez 3) Francis Giles B. Puno 4) Richard B. Tantoco 5) Peter D. Garrucho Jr. 6) Eugenio L. Lopez III 7) Tony Tan Caktiong (Independent Director) 8) Jaime I. Ayala (Independent Director) 9) Cielito F. Habito (Independent Director)

2. Approval of the Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015.
3. Re-appointment of SyCip Gorres Velayo & Co. as the Company's external auditors for 2017-2018.

Following the stockholders' meeting, the directors approved the following material resolutions in their organizational meeting:

1. Election of the following officers of the Corporation:
 - 1) Oscar M. Lopez - Chairman Emeritus
 - 2) Federico R. Lopez - Chairman and Chief Executive Officer
 - 3) Francis Giles B. Puno - President and Chief Operating Officer
 - 4) Richard B. Tantoco - Executive Vice President
 - 5) Jonathan C. Russell – EVP and Chief Commercial Officer
 - 6) Renato A. Castillo - Senior Vice President and Chief Risk Officer
 - 7) Victor B. Santos Jr. - Senior Vice President
 - 8) Emmanuel P. Singson - SVP, Chief Financial Officer and Treasurer
 - 9) Nestor H. Vasay - Senior Vice President
 - 10) Ferdinand Edwin S. Co Seteng - Senior Vice President
 - 11) Julicer A. Alvis - Vice President
 - 12) Ramon J. Araneta - Vice President
 - 13) Erwin O. Avante - Vice President
 - 14) Jerome H. Cainglet - Vice President
 - 15) Dominic M. Camu Jr. - Vice President
 - 16) Ramon A. Carandang - Vice President for Corporate Communications
 - 17) Ma. Aurora E. Ceniza - Vice President
 - 18) Reman A. Chua - Vice President
 - 19) Nurjehan Maria D. Dayrit - Vice President
 - 20) Teodorico R. Delfin - Vice President
 - 21) Valerie Y. Dy Sun - VP, Head of Investor Relations, and Compliance Officer
 - 22) Anna Karina P. Gerochi - Vice President and Head of Human Resources
 - 23) Dennis P. Gonzales - Vice President
 - 24) Shirley C. Hombrebueno - Vice President
 - 25) Raymundo N. Jarque Jr. - Vice President
 - 26) Ariel Arman V. Lapus - Vice President
 - 27) Rassen M. Lopez - Vice President
 - 28) Jorge H. Lucas - Vice President
 - 29) Aloysius L. Santos - Vice President
 - 30) Carmina Z. Ubaña - Vice President and Comptroller
 - 31) Daniel H. Valeriano Jr. - Vice President
 - 32) Charlie R. Valerio - Vice President and Chief Information Officer
 - 33) Conrado Ernesto C. Viejo - Vice President
 - 34) Ma. Theresa M. Villanueva - Head of Internal Audit
 - 35) Vincent C. Villegas - Vice President
 - 36) Rachel R. Hernandez - Vice President and Corporate Secretary
 - 37) Cara Martha R. De Guzman - Assistant Corporate Secretary
2. Election of the members of the following committees:

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

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

Audit Committee: Jaime I. Ayala (Chairman/Independent Director), Tony Tan Caktiong (Independent Director), Peter D. Garrucho Jr., Cielito F. Habito (Independent Director)

Risk Management Committee: Peter D. Garrucho Jr. (Chairman), Francis Giles B. Puno, Jaime I. Ayala (Independent Director), Cielito F. Habito (Independent Director)

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

June 15, 2017	The Company reported that the directors approved the declaration of cash dividends on its Series F and G preferred shares as follows: ₱4.00 per share on the 63,202,160 outstanding Series F preferred shares; ₱3.8904 per share on the 113,105,520 Series G preferred shares; and ₱0.38904 per share on the 13,750,000 Series G preferred shares issued to First Philippine Holdings Corp. by way of private placement. Record date is June 29, 2017 and payment date is July 25, 2017.
August 3, 2017	The Company requested a 1-day trading suspension and advised that it entered into an Implementation Agreement with Philippines Renewable Energy Holdings Corporation (PREHC), Red Vulcan Holdings Corporation (Red Vulcan) and Northern Terracotta Power Corp. (NTPC) under which PREHC would conduct a voluntary tender offer for a minimum of 6.6 billion common shares and up to a maximum of 8.9 billion common shares of Energy Development Corporation (EDC) at a price of ₱7.25 per share. First Gen and NTPC, which own approximately 992 million and 986 million common shares, respectively, would be tendering their shares to PREHC, subject to scale-back provisions under applicable regulations. Red Vulcan would not participate and thus retain its 60.0% voting stake in EDC. The Company reported that the Implementation Agreement envisions the following: (i) changes in the membership of the EDC board in proportion to the voting interest to be held by PREHC upon completion of the tender offer; (ii) the eventual delisting of EDC from the Philippine Stock Exchange, Inc. (PSE) and its subsequent conversion to a non-public / non-reporting company; and (iii) the execution of an agreement among PREHC, Red Vulcan, and EDC with mutually acceptable shareholder voting and governance mechanisms that would govern, among others, the operation and management of EDC.
August 31, 2017	The Company reported the resignation of Vice President Dominador M. Camu Jr.
September 26, 2017	The Company reported that its board declared cash dividends on outstanding common shares at ₱0.35 per share with a record date of October 10, 2017 and a payment date of October 30, 2017.
September 29, 2017	The Company advised the resignation of Vice President & Chief Information Officer Charlie R. Valerio.
September 29, 2017	The Company disclosed the execution of a shareholders' agreement by and among Red Vulcan, Philippines Energy Markets B.V. (PEMB), PREHC, and EDC. It also reported on the number of EDC shares tendered by First Gen and NTPC which were scaled back.
October 11, 2017	The Company disclosed its decision to purchase some of its Reg S US\$300MM 6.5% fixed rate notes (Notes) from the market. The Notes are due 2023 and are listed on the Singapore Exchange Securities Trading Limited (SGX).
October 16, 2017	The Company announced the passing of Senior Vice President Ferdinand Edwin S. Co Seteng.

November 2, 2017	The Company announced the appointments of the following as Vice Presidents: Ronaldo B. Tablante, Carlos Lorenzo L. Vega, Ma. Theresa M. Villanueva, and Grace Stephanie L. Marcelo.
November 8, 2017	In connection with the Company's intent to purchase some of its Notes from the market, the Company advised that it sent notice to Noteholders in connection with the optional redemption of the Notes on December 15, 2017 in the aggregate principal amount of US\$150,000,000 at a price to be calculated in accordance with the relevant provisions of the contract.
November 10, 2017	The Company advised that stock transfer agent Securities Transfer Services, Inc. (STSI) terminated its agreement with the Corporation effective December 15, 2017.
November 24, 2017	The Company disclosed board approval of the following: (i) appointments of Ronaldo B. Tablante, Carlos Lorenzo L. Vega, Ma. Theresa M. Villanueva, and Grace Stephanie L. Marcelo as Vice Presidents; and (ii) declaration of cash dividends on its preferred shares as follows: ₱0.02 per share on all outstanding Series B preferred shares; ₱0.01 per share on all outstanding Series E preferred shares; : ₱4.00 per share on all outstanding Series F preferred shares; ₱3.8904 per share on the 113,105,520 outstanding Preferred G shares; and ₱0.38904 per share on the 13,750,000 Series G preferred shares issued to First Philippine Holdings Corporation by way of private placement. The cash dividends have a record date of January 2, 2018 and a payment date of January 25, 2018.
December 1, 2017	The Company disclosed the extension of its service agreement with STSI to January 10, 2018.
December 22, 2017	The Company disclosed its engagement of BDO Unibank, Inc. – Trust and Investments Group as its stock transfer agent, in replacement of STSI, effective January 10, 2018.

SIGNATURES

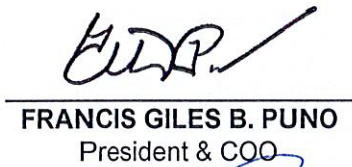
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig, this MAR 26 day of March 2018.

FIRST GEN CORPORATION Issuer

By:


FEDERICO R. LOPEZ
Chairman & CEO


MARIA CARMINA Z. UBAÑA
VP & Comptroller


FRANCIS GILES B. PUNO
President & COO


RACHEL R. HERNANDEZ
Corporate Secretary


EMMANUEL P. SINGSON
SVP & CFO

SUBSCRIBED AND SWORN to before me this MAR 26 day of March 2018, affiants exhibiting to me their CTC and SSS Numbers as follows:

NAME	CTC/SSS NOS.	DATE OF ISSUE	PLACE OF ISSUE
FEDERICO R. LOPEZ	SSS 0372789020 CTC 11312222	January 25, 2018	Pasig City
FRANCIS GILES B. PUNO	SSS 3355362021 CTC 11312221	January 25, 2018	Pasig City
EMMANUEL P. SINGSON	SSS 0388564598 CTC 07871315	January 26, 2018	Pasig City
MARIA CARMINA Z. UBAÑA	SSS 3352113846 CTC 07822065	January 4, 2018	Pasig City
RACHEL R. HERNANDEZ	SSS 3318848948 CTC 07871293	January 25, 2018	Pasig City

Doc. No. 457
Page No. 093
Book No. III
Series of 2018




JASON S. JIMENEZ
NOTARY PUBLIC
FOR AND IN THE CITIES OF PASIG AND SAN JUAN
AND IN THE MUNICIPALITY OF PATEROS, METRO MANILA
UNTIL DECEMBER 31, 2018
PTR NO. 3897606; 1/30/18; PASIG CITY
IBP NO. 1060948; RSM CHAPTER; LIFETIME MEMBER
ROLL NO. 65776 / APPOINTMENT NO. 113 (2017-2018)
6F ROCKWELL BUSINESS CENTER TOWER 3
ORTIGAS AVENUE, PASIG CITY

EXHIBIT “A”

Management Report

MANAGEMENT REPORT

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 audited 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 year ended December 31, 2017 should be read in conjunction with its audited consolidated financial statements and the accompanying notes as at December 31, 2017 and 2016. 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 audited 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 audited 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 audited consolidated financial statements were made based on the exchange rate quoted through the Philippine Dealing System as at December 31, 2017.

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 December 31, 2017, 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 (LSML)] 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 Corp. (FGP), and First NatGas Power Corporation (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.
 - o 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 serves the base load to mid-merit requirements of the Luzon Grid. It went into commercial operations in November 2016. For 2017, San Gabriel was a 100.0% merchant plant. In 2018, it was awarded a Power Supply Agreement (PSA) by Meralco for 414 MW of San Gabriel's baseload capacity. The sale of electricity will commence upon the approval of the PSA by the Energy Regulatory Commission (ERC), and will expire on February 23, 2024, which could 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 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. As of December 31, 2017, EDC is the Philippines' largest producer of geothermal energy, operating 12 geothermal power plants in the four geothermal service contract areas where it is principally involved in: (i) the production of geothermal steam for sale to subsidiaries; and, (ii) the generation and sale of electricity through EDC-owned geothermal power plants to National Power Corporation (NPC) and various offtakers. Likewise, EDC owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 6.82 MW Burgos Solar Project (Burgos Solar) both situated in Burgos, Ilocos Norte. The Burgos Wind Project achieved commercial operations in November 2014, while the two-phased Burgos Solar Project achieved commercial operations in March 2015 and January 2016, respectively. 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 December 31, 2017, the Company's voting stake in Prime Terracota 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). The then 112 MW PMHEPP was transferred to FG Hydro on November 18, 2006, representing the first major generating asset of NPC to be successfully transferred to the private sector. On October 15, 2008, First Gen's Board of Directors (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. The plant resumed operations in early December 2015 and formal takeover took place in 2016.

Following the tender offer mentioned above, the Company's effective economic stake in FG Hydro is equivalent to 65.0% as of December 31, 2017.

- 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 82.7 MW from 30 contestable customers as of December 31, 2017.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

As at December 31, 2017 and 2016

And For the Years Ended December 31, 2017 and 2016

(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)

	31-Dec-17	31-Dec-16	Change	YoY %
	(Audited)			
Revenues from sale of electricity	\$1,708,122	\$1,561,484	\$146,638	9.4%
Operating income	\$446,696	\$497,921	(\$51,225)	-10.3%
Consolidated net income	\$208,154	\$291,811	(\$83,657)	-28.7%
Net income attributable to equity holders of the Parent Company	\$134,424	\$199,590	(\$65,166)	-32.6%

	31-Dec-17	Dec. 2016	Change	YoY %
	(Audited)	(Audited)		
Total assets	\$5,500,860	\$5,289,303	\$211,557	4.0%
Long-term debt (including current portion)	\$2,512,687	\$2,678,132	(\$165,445)	-6.2%

Key Performance Indicators	31-Dec-17	31-Dec-16 (As restated)
EBITDA ⁽¹⁾	\$658,628	\$695,505
EPS ⁽²⁾	\$0.030	\$0.047
RNI ⁽³⁾	\$163,266	\$162,580
FCF ⁽⁴⁾	\$348,359	\$299,660
Plant Capacity ⁽⁵⁾	3,491 MW	3,479 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 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 2017 by \$36.9 million primarily due to a \$47.9 million decrease in EDC's revenue contributions due to the earthquake and the typhoon that hit the ULGEI plants, and the \$15.7 million decline in revenue contribution of FG Hydro as its Ancillary Services Procurement Agreement (ASPA) with NGCP and its PSA with Nueva Ecija Electric Cooperative (NEECO) II Area II expired in February 2017 and December 2016, respectively. These were largely offset by increased contributions from FNPC and PMPC following their full operations this year. Likewise, the higher revenues from FGES due to higher contracted demand partially offset the decline in EBITDA.
- EPS decreased in 2017 due to lower attributable net income to equity holders of the Parent due to the absence of non-recurring gains in 2017 such as FNPC's liquidated damages which amounted to \$47.8 million and EDC's insurance claim proceeds amounting to \$32.0 million from business interruption due to lightning, machinery breakdown, and damages due to typhoons Seniang and Yolanda. This was supplemented by the Parent's \$14.4 million premium paid for the buyback and partial redemption of its \$300.0 million Bond in October and December 2017, respectively. The decline was likewise due to EDC's \$10.2 million premium paid for the partial redemption of its Dollar-denominated Bonds in April and October 2017. The movement was further supplemented by FGPC's one-time interest rate swap termination costs, and the write-off of unamortized debt issuance costs (DIC), resulting from the full prepayment of its then outstanding loan following its \$500.0 million debt refinancing in May 2017, as well as FNPC's higher interest expense. The decreases were partially offset by lower professional fees and staff costs, and benefit from deferred income tax and foreign exchange gains.
- RNI improved in 2017 due to the decrease in recurring interest expenses from FGPC's refinancing and also Parent Company's U.S. Dollar Bond buyback and redemption, FGPC's higher income contributions from its higher NDC, as well as FNPC's higher revenue contribution followings its first full year of operations. These were partially offset by EDC's lower RNI due to lower earnings in 2017 from a decline in volume sales brought about by the natural calamities. This was made worse by FG Hydro as it registered a lower RNI contribution due to the expiration of its ASPA and its PSA with NEECO II Area II in February 2017 and December 2016, respectively. The increase was likewise offset by a net loss contribution from PMPC, as well as FGP's lower net income contribution due to its lower dispatch and higher taxes.
- FCF increased in 2017 mainly due to lower capital expenditures this year as the construction works of San Gabriel and Avion were in full swing in 2016. This was further supplemented by the higher operating income contributions of FGPC. The increase was partially offset by the absence of non-recurring gains such as FNPC's liquidated damages amounting to \$47.8 million and the higher insurance claim proceeds amounting to \$32.0 million received by EDC in 2016 compared to \$12.8 million in 2017.
- Plant Capacity increased following EDC's incremental uptick in capacity of 10.5 MW as Tongonan's capacity was upgraded following a rehabilitation of its units increasing the plant's capacity to 123 MW. The increase in capacity was also due to EDC's 3.63 MW Gaisano Rooftop Solar project, of which 1.03 MW was completed in January 2017, 1.38 MW commissioned in September 2017, while additional solar rooftops, 614 kW Oton and 614 kW Balasan were commissioned in November 2017.

Review of December 31, 2017 operations vs. December 31, 2016 operations

The First Gen Group generated a consolidated net income of \$208.2 million in 2017, \$83.6 million or 28.7% lower than the \$291.8 million posted in 2016. Consolidated revenues from the sale of electricity reached \$1,708.1 million in 2017, \$146.6 million or 9.4% higher than the \$1,561.5 million posted last year.

Net Income Attributable to Equity Holders of the Parent Company

The net income attributable to the equity holders of the Parent Company decreased by \$65.2 million, or 32.6%, to \$134.4 million in 2017, compared to \$199.6 million that was recognized last year. The decrease in attributable net income was mainly due to the movements in the contributions of the following subsidiaries:

- FNPC contributed net losses of \$7.9 million in 2017, a \$25.4 million reversal from the \$17.5 million net profit booked in 2016 that was primarily due to FNPC's receipt of liquidated damages. In 2017, the gas plant had moderate sales volumes following the 20-day Malampaya Outage in February, and a temporary shutdown following the Batangas earthquake in April 2017. The plant did, however, do better in the second half of the year as it sold 835 GWh during this period;

- EDC's attributable net income contribution declined by \$23.8 million, or 24.0%, to \$75.4 million in 2017 from \$99.2 million last year. The lower net income contribution was primarily due to lower revenue contribution and higher cost of sales from the Unified Leyte and the Tongonan plants due to the typhoon and the earthquake, lesser insurance claim proceeds booked this year, as well as the premium EDC paid 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. The lower contribution was partially offset by lower interest expenses, foreign exchange losses, and staff costs due to EDC's organizational restructuring in 2017;
- The Parent's attributable net loss contribution increased by \$6.2 million, or 12.5%, to \$56.0 million in 2017 from \$49.8 million in 2016. This was due to the \$14.4 million loss that was recognized, which represents the premium the Parent paid for the partial buyback and partial redemption (\$208.3 million of the Bond in total) of its \$300.0 million Bond. The higher net loss contribution was partially offset by lower G&A expenses, interest expense, and foreign exchange gains;
- FG Hydro's attributable net income contribution declined by \$5.5 million, or 41.0% to \$8.0 million in 2017 compared to \$13.5 million in 2016, primarily due to its ASPA expiration in February 2017 and the expiration of its PSA with NEECO II Area II in December 2016 that resulted in the plant selling more power to the WESM. The lower net income contribution was partially offset by FG Hydro's lower income tax provision as a result of its lower income tax rate of 10.0% as a registered Renewable Energy (RE) developer and its lower taxable income, further supplemented by decreased insurance and professional fees, and lower interest expenses due to voluntary debt prepayments in November 2016 and May 2017; and
- PMPC had a net loss contribution of \$3.7 million in 2017, or a \$4.2 million reversal from the \$0.5 million net profit booked last year. The losses booked in 2017 were mainly due to Avion's soft sales volume mostly due to the plant's temporary outage following the Batangas earthquake in April 2017 and weak spot market prices.

The above items were slightly offset by the lower interest expense incurred by Red Vulcan as it fully paid its loan in September 2017. This was likewise offset by the higher contribution from FGPC due to its higher Net Dependable Capacity (NDC) and lower provision for income tax due to the reassessment of its tax method. FGES likewise generated higher revenues from additional contracts signed, which grew from 35.5 MW as of December 31, 2016 to 82.7 MW as of December 31, 2017.

FIRST GEN MATERIAL CHANGES IN FINANCIAL CONDITION
(December 31, 2017 vs. December 31, 2016)

CONSOLIDATED STATEMENTS OF INCOME

Horizontal and Vertical Analyses of Material Changes for the years ended December 31, 2017 and 2016

	HORIZONTAL ANALYSIS				VERTICAL ANALYSIS	
	2017	2016	2017 vs. 2016	2017 vs. 2016	2017	2016
Revenues from sale of electricity	\$1,708,122	\$1,561,484	\$146,638	9.4%	100.0%	100.0%
TOTAL REVENUES	1,708,122	1,561,484	146,638	9.4%	100.0%	100.0%
OPERATING EXPENSES						
Costs of sale of electricity	(1,074,885)	(872,390)	(202,495)	23.2%	-62.9%	-55.9%
General and administrative expenses	(186,541)	(191,173)	4,632	-2.4%	-10.9%	-12.2%
Sub-total	(1,261,426)	(1,063,563)	(197,863)	18.6%	-73.8%	-68.1%
FINANCIAL INCOME (EXPENSE)						
Interest income	10,132	8,964	1,168	13.0%	0.6%	0.6%
Interest expense and financing charges	(175,097)	(166,370)	(8,727)	5.2%	-10.3%	-10.7%
Sub-total	(164,965)	(157,406)	(7,559)	4.8%	-9.7%	-10.1%
OTHER INCOME (CHARGES)						
Proceeds from insurance claims	14,294	31,977	(17,683)	-55.3%	0.8%	2.0%
Foreign exchange gains (losses) – net	1,157	(16,960)	18,117	106.8%	0.1%	-1.1%
Mark-to-market gain on financial assets at FVPL – net	281	72	209	290.3%	0.0%	0.0%
Loss on extinguishment of long-term debts	(24,633)	-	(24,633)	100.0%	-1.4%	0.0%
Mark-to-market loss on derivatives – net	(276)	(2,371)	2,095	-88.4%	0.0%	-0.2%
Loss on direct write-off of exploration and evaluation assets	(764)	-	(764)	100.0%	0.0%	0.0%
Income from liquidated damages from contractors	-	47,826	(47,826)	-100.0%	0.0%	3.1%
Others – net	(1,246)	(3,581)	2,335	-65.2%	-0.1%	-0.2%
Sub-total	(11,187)	56,963	(68,150)	-119.6%	-0.7%	3.6%
INCOME BEFORE INCOME TAX	270,544	397,478	(126,934)	-31.9%	15.8%	25.5%
Provision for (benefit from) Income Tax						
Current	70,774	100,542	(29,768)	-29.6%	4.1%	6.4%
Deferred	(8,384)	5,125	(13,509)	-263.6%	-0.5%	0.3%
	62,390	105,667	(43,277)	-41.0%	3.7%	6.8%
NET INCOME	\$208,154	\$291,811	(\$83,657)	-28.7%	12.2%	18.7%
Net income attributable to:						
Equity holders of the Parent Company	\$134,424	\$199,590	(\$65,166)	-32.6%	7.9%	12.8%
Non-controlling Interests	\$73,730	\$92,221	(\$18,491)	-20.1%	4.3%	5.9%

Revenues from sale of electricity

The following table shows the composition of First Gen Group's consolidated revenues by platform for the years ended December 31, 2017 and 2016:

Revenue Mix	31-Dec-17	%	31-Dec -16	%	Changes	%
Natural gas	\$1,036,350	60.7%	\$834,822	53.5%	\$201,528	24.1%
Geothermal/Wind/Solar	627,711	36.7%	675,637	43.3%	(47,926)	-7.1%
Hydro	33,680	2.0%	49,123	3.1%	(15,443)	-31.4%
Others	10,381	0.6%	1,902	0.1%	8,479	445.8%
	\$1,708,122	100.0%	\$1,561,484	100.0%	\$146,638	9.4%

Revenues for 2017 increased by \$146.6 million, or 9.4% to \$1,708.1 million compared to \$1,561.5 million in 2016. The increase was due to the movements per platform as explained in detail below:

Natural Gas

The increase in total consolidated revenues was attributable to a \$201.5 million increase from the natural gas plants from \$834.8 million in 2016 to \$1,036.3 million in 2017. This was mainly due to the \$108.0 million in full-year contributions from Avion and San Gabriel, as the plants declared commercial operations in September and November 2016, respectively. This was further supplemented by the higher average gas prices of the Santa Rita and San Lorenzo power plants (an average of \$7.5/MMBtu in 2017 compared to an average of \$6.5/MMBtu last year) and the use of liquid fuel during the 20-day Malampaya Outage in February 2017.

The foregoing increases were partially offset by the lower combined dispatch of the Santa Rita and San Lorenzo power plants of 73.3% in 2017 compared to 75.1% last year, primarily due to a lower dispatch request from Meralco, the temporary shutdown of the natural gas plants when an earthquake hit Batangas in April 2017, as well as the scheduled major maintenance outages of Santa Rita's Units 10 and 40 and San Lorenzo's Units 50 and 60.

Geothermal/Wind/Solar ("GWS")

There was a \$47.9 million decrease in revenues from the GWS platform, or a 7.1% decrease in EDC's consolidated revenues (ex-FG Hydro) from \$675.6 million in 2016 to \$627.7 million in 2017. The decrease in revenues was principally driven by the unfavorable movement of weighted average foreign exchange rates (₱50.358:\$1.00 for the year 2017 compared to ₱47.288: \$1.00 in 2016) used to translate EDC's Philippine Peso-denominated revenues into U.S. Dollars, as this is First Gen's functional currency. Excluding the unfavorable impact of foreign exchange translation, EDC's revenues from the GWS platform went down by \$7.1¹ million, or 1.1%, from \$675.6 in 2016 to \$668.5 in 2017. This was due to the lower revenue contributions of the Unified Leyte and Tongonan plants which were affected by two (2) major natural calamities. The decrease was partially tempered by higher revenues brought by the Burgos Wind plant due to its higher generation.

Hydro

Revenues from the Hydro platform decreased by \$15.4 million, or 31.4%, from \$49.1 million in 2016 to \$33.7 million in 2017. This movement was primarily due to the expiration of FG Hydro's ASPA in February 2017 and the expiration of its PSA with NEECO II Area II last December 2016. The plant also had lower availability as it went through its annual preventive maintenance. Meanwhile, FG Bukidnon's revenues increased in 2017 due to its higher dispatch, as compared to 2016 when the plant underwent maintenance and experienced lower water levels during the first quarter of the year.

Others

Others increased by \$8.5 million, or 445.8%, from \$1.9 million in 2016 to \$10.4 million in 2017 as a result of FGES' higher revenue contribution. As of December 31, 2017, FGES was serving 30 customers with a total contracted demand of 82.7 MW, compared to only 11 customers with a total contracted demand of 35.5 MW as of December 31, 2016. 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 years ended December 31, 2017 and 2016 are summarized in the following tables:

<i>Cost of sale of electricity</i>	31-Dec-17	%	31-Dec-16	%	Changes	%
Fuel	\$633,454	58.9%	\$475,675	54.5%	\$157,779	33.2%
Depreciation and amortization	202,722	18.9%	188,744	21.7%	13,978	7.4%
Power plant operations and maintenance	200,984	18.7%	166,990	19.1%	33,994	20.4%
Others	37,725	3.5%	40,981	4.7%	(3,256)	-7.9%
	\$1,074,885	100.0%	\$872,390	100.0%	\$202,495	23.2%

<i>Cost of sale of electricity</i>	31-Dec-17	%	31-Dec-16	%	Changes	%
Natural gas	\$759,157	70.6%	\$570,469	65.4%	\$188,688	33.1%
Geothermal/Wind/Solar	295,444	27.5%	287,990	33.0%	7,454	2.6%
Hydro	12,671	1.2%	13,097	1.5%	(426)	-3.3%
Others	7,613	0.7%	834	0.1%	6,779	812.8%
	\$1,074,885	100.0%	\$872,390	100.0%	\$202,495	23.2%

The costs of sale of electricity for the year ended December 31, 2017 increased by \$202.5 million, or 23.2%, to \$1,074.9 million in 2017 as compared to \$872.4 million in 2016. The increase was due to the movements per platform as explained in detail below:

¹ The variance was computed by converting the 2017 Peso-denominated costs of sale of electricity to U.S. Dollar using the 2017 weighted average foreign exchange rate of ₱50.358:\$1.00.

Natural Gas

Costs of sale of electricity of the natural gas platform increased by \$188.7 million, or 33.1%, from \$570.5 million in 2016 to \$759.2 million in 2017. Out of the \$188.7 million increase in costs of sale of electricity, \$96.7 million, or 51.3%, is attributable to the full-year operations of San Gabriel and Avion following their commercial operations in the latter part of 2016.

For Santa Rita and San Lorenzo, fuel costs increased due to higher average gas prices (an average of \$7.5/MMBtu in 2017 compared to an average of \$6.5/MMBtu in 2016) that was partially offset by the lower combined dispatch of Santa Rita and San Lorenzo (73.3% in 2017 compared to 75.1% in 2016). The lower combined dispatch of Santa Rita and San Lorenzo in 2017 was due to scheduled major maintenance outages, as well as the plants' temporary shutdown following an earthquake that hit Batangas in April 2017.

GWS

The costs of sale of electricity from the GWS platform increased by \$7.4 million, or 2.6%, from \$288.0 million in 2016 to \$295.4 million in 2017. This is due to the increase in repairs and maintenance, professional fees, and purchased parts and supplies for the Mindanao plants, Burgos Wind's typhoon recovery costs, and from ULGEI's recovery from damages brought by the earthquake and Typhoon Urduja. This was tempered by the higher weighted average foreign exchange rate (₱50.358:\$1.00 in 2017 compared to ₱47.288:\$1.00 in 2016) used to translate EDC's Peso-denominated costs of sale of electricity into U.S. Dollars due to First Gen's functional currency. Excluding the impact of foreign exchange translation, costs of sale of electricity increased by \$26.6 million², or 9.2%, in 2017 due to the aforementioned reasons.

Hydro

The Hydro platform's costs of sale of electricity slightly decreased by \$0.4 million, to \$12.7 million in 2017 from \$13.1 million in 2016, which was mainly due to the impact of foreign exchange translation. Excluding the impact of foreign exchange, the Hydro platform's costs of sale of electricity slightly increased by \$0.4 million², or 3.0% in 2017, mainly due to FG Hydro's higher service fees paid to NIA as a result of the plant's increased generation, and the higher O&M expense of the Masiway plant as it underwent testing to determine the useful life of its generator.

Others

There was a \$6.8 million increase in FGES' operating costs from \$0.8 million in 2016 to \$7.6 million in 2017 due to the generation, transmission, and distribution costs incurred by FGES from its new customers, where contracted demand increased from 35.5 MW as of December 31, 2016 to 82.7 MW as of December 31, 2017.

G&A Expenses

G&A expenses decreased by \$4.6 million, or 2.4%, to \$186.5 million in 2017 from \$191.2 million last year, which was primarily due to EDC's lower staff costs as a result of its organizational restructuring that occurred in 2016, and its lower professional fees. The decline in G&A expenses was partially offset by FNPC's and PMPC's expense recognition of their plant insurance upon start of commercial operations.

Interest income

Interest income increased by \$1.1 million, or 13.0%, to \$10.1 million in 2017 from \$9.0 million in 2016, due to higher investible funds of FGPC and Parent due to the former's loan refinancing and the latter's proceeds from the EDC Tender Offer.

Interest expense and financing charges

Interest expense and financing charges increased by \$8.7 million, or 5.2%, to \$175.1 million for 2017 from \$166.4 million in 2016. The increase was primarily due to 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 using the proceeds from FGPC's \$500.0 million debt refinancing in May 2017, as well as FNPC's interest expense from its loan upon declaration of commercial operations last November 2016. The foregoing increases were partially offset by lower interest expense from the loans of EDC, Red Vulcan, FG Hydro, and the Parent Company as a result of debt prepayments.

Foreign exchange gains (losses) – net

The First Gen Group recognized foreign exchange gains of \$1.1 million in 2017, an \$18.1 million reversal from the \$17.0 million losses incurred in 2016. This movement was primarily driven by EDC's debt reduction and hedging

² The variance was computed by converting the 2017 Peso-denominated costs of sale of electricity to U.S. Dollar using the 2017 weighted average foreign exchange rate of ₱50.358:\$1.00.

programs to reduce its foreign currency exposure. This was partially offset by the Parent's increased in Peso-denominated cash due to the sale of its EDC shares.

There was a lower depreciation of the Philippine Peso against the U.S. Dollar in 2017 (from ₱49.720:\$1.00 as of end-2016 to ₱49.930:\$1.00 as of December 31, 2017) compared to the significant movement of the Peso against the U.S. Dollar in 2016 (₱47.060:\$1.00 as of end-2015 versus ₱49.720:\$1.00 as of end-2016).

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

For the year 2017, the net MTM loss on derivatives and MTM gain on financial assets at FVPL stood at \$0.005 million, a \$2.3 million reversal from a \$2.3 million net MTM loss booked in 2016. The movement was mainly due to EDC's higher derivative gains from its foreign currency forwards contracts that it entered with various banks.

Other Income / Charges - net

Other charges amounted to \$12.3 million, a 116.2% reversal from the \$76.2 million income booked in 2016. This movement in 2017 was due to the absence of non-recurring gains like FNPC's \$47.8 million income from liquidated damages, as well as EDC's lower insurance claim proceeds in 2017 amounting to \$12.8 million compared to \$32.0 million in 2016 for damages brought by typhoons Yolanda and Seniang. This was supplemented by a \$14.4 million loss that was recognized, which represents the premium the Parent paid from the partial redemption and buyback (\$208.3 million of the Bond in total) of its \$300.0 million Bond. Likewise, the loss in 2017 was due to the \$10.2 million premium EDC paid from the partial redemption (\$89.0 million) of its Dollar-denominated Bond due to its debt reduction program.

Provision for Income Tax

The provision for income tax recognized a decrease of \$43.3 million, or 41.0%, to \$62.4 million in 2017 from \$105.7 million in 2016, as the liquidated damages that FNPC received in 2016 was taxable. This was supplemented by EDC's and FG Hydro's lower taxable incomes. FG Hydro's income tax rate of 10.0% (as a registered RE developer), which became effective in end-February 2017, led to lower taxes. The lower income tax provision this year was supplemented by an \$8.4 million benefit from deferred income tax from a provision for deferred income tax of \$5.1 million in 2016 primarily due to the reassessment of the tax method for FGPC.

Net Income

First Gen's consolidated net income decreased by \$83.6 million, or 28.7%, from \$291.8 million in 2016 to \$208.2 million in 2017. The decrease in net income was mainly due to the movements in the contributions of the following subsidiaries:

- EDC's consolidated net income contribution declined by \$40.1 million, or 21.6%, to \$145.6 million in 2017 from \$185.7 million last year. The lower net income contribution was primarily due to the \$47.9 million decrease in revenues as a result of the typhoon and the earthquake, the \$10.2 million loss on the premium paid by EDC on the partial redemption of its U.S. Dollar-denominated Bond, and the lower insurance claim proceeds booked in 2017. The buyback of debt is in line with EDC's initiative of reducing its foreign currency exposure. The lower contribution was partially offset by a \$24.6 million decrease in interest expenses and foreign exchange losses. The movement was likewise tempered by lower staff costs due to its organizational restructuring in 2016;
- FNPC contributed net losses of \$7.9 million in 2017, a \$25.4 million reversal from the \$17.5 million net profit booked in 2016 that was primarily due to FNPC's receipt of liquidated damages. In 2017, the gas plant had moderate sales volumes following the 20-day Malampaya Outage in February, and a temporary shutdown following the Batangas earthquake in April 2017. The plant did, however, recover in the second half of the year as it sold 835 GWh during this period;
- The Parent's attributable net loss contribution increased by \$6.2 million, or 12.5%, to \$56.0 million in 2017 from \$49.8 million in 2016. This is due to the \$14.4 million loss that was recognized, which represents the premium the Parent paid for the partial buyback and partial redemption (\$208.3 million of the Bond in total) of its \$300.0 million Bond. The higher net loss contribution was partially offset by lower G&A expenses, interest expense, and foreign exchange gains;
- FG Hydro's net income contribution declined by \$7.7 million, or 40.0%, to \$11.5 million in 2017 compared to \$19.2 million in 2016, primarily due to lower ancillary service revenues upon the ASPA contract expiration in February 2017 and the expiration of its PSA with NEECO II Area II in December 2016 that resulted in the plant selling more power to the WESM. The lower net income contribution was partially offset by FG Hydro's lower income tax provision as a result of its lower income tax rate of 10.0% for being a registered RE

developer and its lower taxable income, further supplemented by decreased insurance and professional fees and lower interest expenses due to voluntary debt prepayments in November 2016 and May 2017; and,

- PMPC had a net loss contribution of \$3.7 million in 2017, or a \$4.2 million reversal from the \$0.5 million net profit booked last year. The losses booked in 2017 were mainly due to Avion's soft sales volume mostly due to the plant's temporary outage following the Batangas earthquake in April 2017 and weak spot market prices.

The above items were slightly offset by the lower interest expense incurred by Red Vulcan as it fully paid its loan in September 2017. This was likewise offset by the higher contribution from FGPC due to its higher NDC and lower provision for income tax due to the reassessment of its tax method. FGES generated higher revenues from additional contracts signed, which grew from 35.5 MW as of December 31, 2016 to 82.7 MW as of December 31, 2017.

Net Income Attributable to Equity Holders of the Parent Company

The net income attributable to the equity holders of the Parent Company decreased by \$65.2 million, or 32.6%, to \$134.4 million in 2017, compared to \$199.6 million that was recognized last year. The decrease in attributable net income was mainly due to the movements in the contributions of the following subsidiaries:

- FNPC contributed net losses of \$7.9 million in 2017, a \$25.4 million reversal from the \$17.5 million net profit booked in 2016 that was primarily due to FNPC's receipt of liquidated damages. In 2017, the gas plant had moderate sales volumes following the 20-day Malampaya Outage in February, and a temporary shutdown following the Batangas earthquake in April 2017. The plant did, however, recover in the second half of the year as it sold 835 GWh during this period;
- EDC's attributable net income contribution declined by \$23.8 million, or 24.0%, to \$75.4 million in 2017 from \$99.2 million last year. The lower net income contribution was primarily due to lower revenue contribution and higher cost of sales from the Unified Leyte and the Tongonan plants due to the typhoon and the earthquake, lesser insurance claim proceeds booked this year, as well as the premium EDC paid 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. The lower contribution was partially offset by lower interest expenses, foreign exchange losses, and staff costs due to EDC's organizational restructuring in 2017;
- The Parent's attributable net loss contribution increased by \$6.2 million, or 12.5%, to \$56.0 million in 2017 from \$49.8 million in 2016. This was due to the \$14.4 million loss that was recognized which represents the premium the Parent paid for the partial buyback and partial redemption (\$208.3 million of the Bond in total) of its \$300.0 million Bond. The higher net loss contribution was partially offset by lower G&A expenses, interest expense, and foreign exchange gains;
- FG Hydro's attributable net income contribution declined by \$5.5 million, or 41.0% to \$8.0 million in 2017 compared to \$13.5 million in 2016, primarily due to its ASPA expiration in February 2017 and the expiration of its PSA with NEECO II Area II in December 2016 that resulted in the plant selling more power to the WESM. The lower net income contribution was partially offset by FG Hydro's lower income tax provision as a result of its lower income tax rate of 10.0% as a registered RE developer and its lower taxable income, further supplemented by decreased insurance and professional fees, and lower interest expenses due to voluntary debt prepayments in November 2016 and May 2017; and
- PMPC had a net loss contribution of \$3.7 million in 2017, or a \$4.2 million reversal from the \$0.5 million net profit booked last year. The losses booked in 2017 were mainly due to Avion's soft sales volume mostly due to the plant's temporary outage following the Batangas earthquake in April 2017 and weak spot market prices.

The above items were slightly offset by the lower interest expense incurred by Red Vulcan as it fully paid its loan in September 2017. This was likewise offset by the higher contribution from FGPC due to its higher NDC and lower provision for income tax due to the reassessment of its tax method. FGES likewise generated higher revenues from additional contracts signed, which grew from 35.5 MW as of December 31, 2016 to 82.7 MW as of December 31, 2017.

Adjusting for non-recurring items such as loan and interest rate swap extinguishment expenses, typhoon- and earthquake-related expenses, proceeds from liquidated damages and 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 \$163.3 million for the year 2017. This was \$0.7 million, or 0.4%, higher than the attributable RNI of \$162.6 million in 2016. RNI increased due to FGPC's higher income contributions from its higher NDC and lower recurring interest expenses, FNPC's higher revenue contribution followings its first full year of operations, as well as the Parent Company's lower interest expense.

The increase in RNI was largely offset by lower net income contributions of EDC due to lower volume sales caused by the natural calamities that struck its plants, FG Hydro's lower revenues due to the expiration of its ASPA in February 2017 and its PSA with NEECO II Area II in December 2016, a net loss contribution from PMPC, as well as FGP's lower net income contribution due to its lower dispatch and higher taxes.

Amount in USD thousands	For the years ended December 31	
	2017	2016 (restated)
Net income attributable to the Parent Company	\$134,424	\$199,590
Adjustment of non-recurring items attributable to the Parent Company:		
FGPC's swap termination costs	13,368	-
FGPC's unamortized DIC written-off from its extinguished loan	2,071	-
Parent's loss on loan extinguishment	14,415	-
EDC's loss on loan extinguishment	4,959	-
Capitalized interest	-	(7,278)
Liquidated damages – FNPC	-	(35,863)
Insurance proceeds – FGPC	(1,244)	-
Insurance proceeds – EDC	(6,201)	(16,166)
EDC's input VAT claims written off	635	607
EDC's expenses related to earthquake damages	10,742	-
EDC's expenses related to typhoon damages	631	-
EDC's employee retirement/manpower reduction program (ERP/MRP)	-	7,191
Movement in deferred income tax of FGPC, FGP, FNPC, FGES and FG Bukidnon	(9,369)	3,280
Movement in deferred income tax of EDC	479	(464)
Unrealized foreign exchange loss (gain) of FGPC, FGP, FNPC, PMPC and Parent	(2,151)	3,297
Unrealized foreign exchange loss of EDC, FG Hydro and Red Vulcan	501	7,215
MTM loss on derivatives of Parent	17	18
MTM loss (gain) on derivatives of EDC	(11)	1,153
Recurring Net Income attributable to Parent Company	\$163,266	\$162,580

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Horizontal and Vertical Analyses of Material Changes as of December 31, 2017 and December 31, 2016

	Dec. 31, 2017	Dec. 31, 2016	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
(Amounts in US\$ and in Thousands)	(Audited)	(Audited)	2017 vs. 2016	2017 vs. 2016	Dec. 31, 2017	Dec. 31, 2016
ASSETS						
Current Assets						
Cash and cash equivalents	\$671,251	\$497,980	\$173,271	34.8%	12.2%	9.4%
Receivables	356,947	344,482	12,465	3.6%	6.5%	6.5%
Inventories	93,494	118,242	(24,748)	-20.9%	1.7%	2.2%
Financial assets at fair value through profit or loss (FVPL)	20,720	22,534	(1,814)	-8.1%	0.4%	0.4%
Other current assets	170,891	129,573	41,318	31.9%	3.1%	2.4%
Total Current Assets	1,313,303	1,112,811	200,492	18.0%	23.9%	21.0%
Noncurrent Assets						
Property, plant and equipment – net	2,759,965	2,746,392	13,573	0.5%	50.2%	51.9%
Goodwill and intangible assets	1,036,467	1,055,587	(19,120)	-1.8%	18.8%	20.0%
Deferred income tax assets – net	30,808	30,711	97	0.3%	0.6%	0.6%
Other noncurrent assets	360,317	343,802	16,515	4.8%	6.6%	6.5%
Total Noncurrent Assets	4,187,557	4,176,492	11,065	0.3%	76.1%	79.0%
TOTAL ASSETS	\$5,500,860	\$5,289,303	\$211,557	4.0%	100.0%	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	\$405,329	\$378,473	\$26,856	7.1%	7.4%	7.2%
Dividends payable	14,478	14,719	(241)	-1.6%	0.3%	0.3%
Income tax payable	9,115	11,617	(2,502)	-21.5%	0.2%	0.2%
Due to a related party	145	145	0	0.0%	0.0%	0.0%
Current portion of:						
Long-term debts	301,179	289,274	11,905	4.1%	5.5%	5.5%
Derivative liabilities	158	88	70	79.5%	0.0%	0.0%
Total Current Liabilities	730,404	694,316	36,088	5.2%	13.3%	13.1%
Noncurrent Liabilities						
Long-term debts – net of current portion	2,211,508	2,388,858	(177,350)	-7.4%	40.2%	45.2%
Retirement and other post-employment benefits	20,462	26,306	(5,844)	-22.2%	0.4%	0.5%
Derivative liabilities – net of current portion	1,605	16,347	(14,742)	-90.2%	0.0%	0.3%
Deferred income tax liabilities – net	29,368	32,861	(3,493)	-10.6%	0.5%	0.6%
Other noncurrent liabilities	43,325	41,048	2,277	5.5%	0.8%	0.8%
Total Noncurrent Liabilities	2,306,268	2,505,420	(199,152)	-7.9%	41.9%	47.4%
Total Liabilities	3,036,672	3,199,736	(163,064)	-5.1%	55.2%	60.5%
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%	21.2%	22.0%
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	425	345	80	23.2%	0.0%	0.0%
Cumulative translation adjustments	(133,148)	(135,488)	2,340	-1.7%	-2.4%	-2.6%
Equity reserve	(237,884)	(378,744)	140,860	-37.2%	-4.3%	-7.2%
Retained earnings	1,068,526	986,981	81,545	8.3%	19.4%	18.7%
Cost of stocks held in treasury						
Redeemable preferred stock	(102,997)	(97,829)	(5,168)	5.3%	-1.9%	-1.8%
Common stock	(24,625)	(24,289)	(336)	1.4%	-0.4%	-0.5%
Sub-total	1,882,270	1,662,949	219,321	13.2%	34.2%	31.4%
Non-controlling Interests	581,918	426,618	155,300	36.4%	10.6%	8.1%
Total Equity	2,464,188	2,089,567	374,621	17.9%	44.8%	39.5%
TOTAL LIABILITIES AND EQUITY	\$5,500,860	\$5,289,303	\$211,557	4.0%	100.0%	100.0%

Cash and cash equivalents

Cash and cash equivalents increased by \$173.3 million, or 34.8%, from \$498.0 million as of end-December 2016 to \$671.3 million as of end-December 2017, primarily due to \$239.5 million in proceeds from the Parent's and Northern Terracotta's sale of its EDC shares (9.0% out of their combined 10.6% economic stake), \$238.6 million in net proceeds from a \$500.0 million refinancing undertaken by FGPC in May 2017, and EDC's fresh ₱8.0 billion loan. The increase was supplemented by net cash from operating activities and the conversion of a portion of FGPC's and FGP's fuel inventories into cash upon the consumption of liquid fuel during the Malampaya Outage. The higher cash and cash equivalents balance was partially offset by the buyback and partial redemption (\$208.3 million of the Bond in total) of the Parent's \$300.0 million Bond, and partial redemption (\$89.0 million) of EDC's \$300.0 million Bond, redemption of preferred shares, debt service payments and prepayments, dividend payments to shareholders, and additions to Property, plant, and equipment during the year.

Inventories

Inventories decreased by \$24.7 million, or 20.9% from \$118.2 million as of end-December 2016 to \$93.5 million as of end-December 2017 primarily due to FGPC's and FGP's consumption of liquid fuel during the Malampaya Outage in February 2017, though partially offset by EDC's purchase of materials and spare parts for the maintenance and rehabilitation of its plants.

Financial assets at FVPL

Financial assets at FVPL decreased by \$1.8 million, or 8.1%, from \$22.5 million as of end-December 2016 to \$20.7 million as of end-December 2017 mainly due to reduction in the Parent's investments (net of the redemption of the funds placed under investment) and the MTM changes during the year.

Other current assets

Other current assets increased by \$41.3 million, or 31.9%, from \$129.6 million as of end-December 2016 to \$170.9 million as of end-December 2017 mainly due to the Debt Service Reserve Account (DSRA) of FGPC and FGP. This was partially offset by the reclassification of FNPC's and PMPC's Input VAT to the "Other noncurrent assets" account following their commercial operations in late 2016.

Property, plant, and equipment

Property, plant and equipment increased by \$13.6 million, or 0.5%, from \$2,746.4 million as of end-December 2016 to \$2,760.0 million as of end-December 2017 mainly due to EDC's newly commissioned solar projects, additions to plant maintenance requirements, and the LNG project's additions to its pre-construction requirements. This was partially offset by the depreciation of existing assets.

Goodwill and intangible assets

Goodwill and intangible assets decreased by \$19.1 million, or 1.8%, from \$1,055.6 million as of end-December 2016 to \$1,036.5 million as of end-December 2017. This is lower due to the depreciation of EDC's concession rights and foreign exchange adjustments in Red Vulcan's goodwill in EDC as a result of a change in reporting date-end foreign exchange rates (₱49.930:\$1.00 on December 31, 2017 compared to ₱49.720:\$1.00 on December 31, 2016). There was a further decrease due to the amortization of other intangible assets such as the water rights of FG Hydro and the pipeline rights of FGP.

Other noncurrent assets

Other noncurrent assets increased by \$16.5 million, or 4.8%, from \$343.8 million as of end-December 2016 to \$360.3 million as of end-December 2017 mainly due to the reclassification of FNPC's and PMPC's Input VAT from "Other current assets" to this account. The increase was partially offset by the reclassification of FGPC's and FGP's prepaid major spare parts to Property, plant, and equipment following the completion of the scheduled major maintenance outages of Units 10 and 40 of Santa Rita and Units 50 and 60 of San Lorenzo. The increase in the account was likewise partially offset by the use of tax credit certificates by EDC to pay for its taxes.

Accounts payable and accrued expenses

Accounts payable and accrued expenses increased by \$26.8 million, or 7.1%, from \$378.5 million as of end-December 2016 to \$405.3 million as of end-December 2017, primarily due to an increase in EDC's trade payables, supplemented by an increase in the fuel expense payable and deferred output VAT of FGPC and FGP due to their higher dispatch in December 2017 vs. December 2016. The increase is partially offset by the payment of the liquid fuel importation of FGPC and FGP (following the 20-day Malampaya Outage in February 2017), using the proceeds from the short-term loan it obtained.

Long-term debt – current portion

The current portion of long-term debt increased by \$11.9 million, or 4.1%, from \$289.3 million as of end-December 2016 to \$301.2 million as of end-December 2017, primarily due to the higher current portion of FGPC's loan following its \$500.0 million refinancing in May 2017, the higher scheduled debt payments in 2018 of FGP's loan, and the

Parent's \$200.0 million Term Loan. The increase was largely offset by the full early payment of the Red Vulcan loan in September 2017. The movement was likewise partially offset by payments of the maturing obligations of EDC and FG Hydro.

Derivative liabilities –current portion

The current portion of the derivative liabilities increased by \$0.07 million, or 79.5%, from \$0.09 million as of end-December 2016 to \$0.16 million as of end-December 2017 due to unfavorable movements in FGPC's, FGP's and FNPC's Euro derivatives that are used to hedge the outstanding and forecasted monthly payables under their respective O&M contracts. This was further supplemented by EBWPC interest rate swap contracts that resulted in some MTM losses.

Long-term debt – net of current portion

Long-term debt decreased by \$177.3 million, or 7.4%, from \$2,388.8 million as of end-December 2016 to \$2,211.5 million as of end-December 2017, primarily due to the Parent's \$208.3 million Bond buyback and partial redemption in October and December, respectively. This was also due to EDC's \$89.0 million partial redemption of its \$300.0 million Bond in 2017. These were further supplemented by debt service payments and the reclassification of a portion of Long-term debt to the current portion. The decrease was tempered by EDC's \$8.0 billion new loan, as well as FGPC's \$500.0 million long-term debt refinancing that was obtained last May 2017, a portion of the proceeds of which were used to fully prepay FGPC's previously outstanding debt of \$222.4 million.

Derivative liabilities – net of current portion

Derivative liabilities decreased by \$14.7 million, or 90.2%, from \$16.3 million as of end-December 2016 to \$1.6 million as of end-December 2017, mainly due to the termination of FGPC's interest rate swap when its previous loan, which was covered by the swap, was fully prepaid using the \$500.0 million long-term debt refinancing proceeds last May 2017.

Retirement and other post-employment benefits

This account decreased by \$5.8 million, or 22.2%, to \$20.5 million as of end-December 2017 from \$26.3 million as of end-December 2016 mainly due to the higher contribution to the retirement fund, and the actuarial adjustment of EDC's retirement liability.

Deferred income tax liabilities

This account decreased by \$3.5 million, or 10.6%, from \$32.9 million as of end-December 2016 to \$29.4 million as of end-December 2017 mainly due to a reduction of FGPC's deferred tax liabilities following the reassessment of its tax method.

Accumulated unrealized gain on Available-for-sale (AFS) financial assets

This account increased by \$0.08 million, or 23.2%, from \$0.34 million as of end-December 2016 to \$0.42 million as of end-December 2017 mainly due to the favorable fair value adjustments of the AFS investments held by EDC.

Equity Reserve

The equity reserve account decreased by \$140.9 million, or 37.2%, from \$378.7 million as of end-December 2016 to \$237.8 million as of end-December 2017 following the Parent's and Northern Terracotta's sale of their 9.0% combined economic stake in EDC, which resulted in a \$31.0 million gain.

Retained earnings

Retained earnings increased by \$81.5 million, or 8.3%, from \$987.0 million as of end-December 2016 to \$1,068.5 million as of end-December 2017. The increase was due to the Company's attributable earnings of \$134.4 million for the year 2017 though partially offset by the \$28.1 million and \$25.2 million dividends declared to preferred and common shareholders, respectively.

Cost of common and preferred stocks held in treasury

The cost of common and preferred stocks held in treasury increased by \$5.5 million, or 4.5%, from \$122.1 million as of end-December 2016 to \$127.6 million as of end-December 2017 following the buyback of Series "F" and "G" preferred shares totaling \$5.5 million from the open market during the year.

FIRST GEN MATERIAL CHANGES IN FINANCIAL CONDITION
(December 31, 2016 vs. December 31, 2015)

CONSOLIDATED STATEMENTS OF INCOME

Horizontal and Vertical Analyses of Material Changes for the years ended December 31, 2016 and 2015

			HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2016	2015	2016 vs. 2015	2016 vs. 2015	2016	2015
Revenues from sale of electricity	\$1,561,484	\$1,836,268	(\$274,784)	-15.0%	100.0%	100.0%
TOTAL REVENUES	1,561,484	1,836,268	(274,784)	-15.0%	100.0%	100.0%
OPERATING EXPENSES						
Costs of sale of electricity	(872,390)	(1,145,809)	273,419	-23.9%	-55.9%	-62.4%
General and administrative expenses	(191,173)	(213,307)	22,134	-10.4%	-12.2%	-11.6%
Sub-total	(1,063,563)	(1,359,116)	295,553	-21.7%	-68.1%	-74.0%
FINANCIAL INCOME (EXPENSE)						
Interest income	8,964	10,075	(1,111)	-11.0%	0.6%	0.5%
Interest expense and financing charges	(166,370)	(167,299)	929	-0.6%	-10.7%	-9.1%
Sub-total	(157,406)	(157,224)	(182)	0.1%	-10.1%	-8.6%
OTHER INCOME (CHARGES)						
Income from liquidated damages from contractors	47,826	-	47,826	100.0%	3.1%	0.0%
Proceeds from insurance claims	31,977	34,675	(2,698)	-7.8%	2.0%	1.9%
Mark-to-market gain (loss) – financial assets at fair value through profit or loss (FVPL)	72	(169)	241	142.6%	0.0%	0.0%
Foreign exchange losses – net	(16,960)	(33,614)	16,654	-49.5%	-1.1%	-1.8%
Mark-to-market loss on derivatives – net	(2,371)	-	(2,371)	100.0%	-0.2%	0.0%
Reversal of impairment of damaged assets due to Typhoon Yolanda	-	372	(372)	-100.0%	0.0%	0.0%
Loss on direct write-off of exploration and evaluation assets	-	(250)	250	-100.0%	0.0%	0.0%
Others – net	(3,581)	(3,284)	(297)	9.0%	-0.2%	-0.2%
Sub-total	56,963	(2,270)	59,233	2609.4%	3.6%	-0.1%
INCOME BEFORE INCOME TAX	397,478	317,658	79,820	25.1%	25.5%	17.3%
Provision for (benefit from) Income Tax						
Current	100,542	74,561	25,981	34.8%	6.4%	4.1%
Deferred	5,125	(2,175)	7,300	335.6%	0.3%	-0.1%
	105,667	72,386	33,281	46.0%	6.8%	3.9%
NET INCOME	\$291,811	\$245,272	\$46,539	19.0%	18.7%	13.4%
Net income attributable to:						
Equity holders of the Parent Company	\$199,590	\$167,318	\$32,272	19.3%	12.8%	9.1%
Non-controlling Interests	\$92,221	\$77,954	\$14,267	18.3%	5.9%	4.2%

Revenues from sale of electricity

The following table shows the composition of First Gen Group's consolidated revenues by platform for the years ended December 31, 2016 and 2015:

Revenue Mix	31-Dec-16	%	31-Dec-15	%	Changes	%
Natural gas	\$834,822	53.5%	\$1,076,472	58.6%	(\$241,650)	-22.4%
Geothermal/Wind/Solar	675,637	43.3%	716,917	39.1%	(41,280)	-5.8%
Hydro	49,123	3.1%	42,372	2.3%	6,751	15.9%
Others	1,902	0.1%	507	0.0%	1,395	275.1%
	\$1,561,484	100.0%	\$1,836,268	100.0%	(\$274,784)	-15.0%

Revenues for the year 2016 decreased by \$274.8 million, or 15.0%, to \$1,561.5 million compared to \$1,836.3 million for the year 2015. The decrease was due to the movements per platform as explained in detail below:

Natural Gas

The decline in revenues was attributable to a \$249.8 million decrease in revenues from the Santa Rita and San Lorenzo gas plants during the year from \$1,076.5 million in 2015 to \$826.7 million. This was mainly due to a decrease in fuel revenues resulting from lower gas prices (an average of \$6.5/MMBtu in 2016 compared to an average of \$9.1/MMBtu in 2015), worsened by the lower combined dispatch of 75.1% during 2016 compared to 80.5% during 2015. The decline was slightly offset by the fresh contributions of the San Gabriel and Avion plants of \$6.6 million and \$1.6 million, respectively, as the two plants declared commercial operations in late 2016. Revenues generated prior to the commercial operations date were booked as part of other income.

Geothermal/Wind/Solar (“GWS”)

There was a \$41.3 million drop in revenues from the GWS platform, or a 5.8% decrease in EDC’s consolidated revenues from \$716.9 million in 2015 to \$675.6 million in 2016. This was mainly due to an unfavorable foreign exchange translation brought about by a higher weighted average rate in 2016 of \$1.00:₱47.288 compared to \$1.00:₱45.300 in 2015. First Gen translates EDC’s Philippine Peso-denominated revenues into US Dollars. Excluding the impact of foreign exchange translation, EDC’s actual revenue contributions declined by \$11.1 million, primarily due to the lower contributions from BacMan and Nasulo as average spot market prices declined, though partially offset by higher sales volume from EBWPC and higher average tariffs for the Tongonan and Palinpinon plants.

Hydro

The Hydro platform revenues increased by \$6.7 million, or 15.9%, from \$42.4 million in 2015 to \$49.1 million in 2016 due to FG Hydro’s increase in ancillary service revenues and its slightly higher dispatch, though partially offset by lower average spot market prices. FG Bukidnon’s revenues were flat as the increase in revenues was offset by unfavorable foreign exchange translation.

Others

Others increased by \$1.4 million with the higher revenue contributions of FGES following the addition of twenty (20) new customers in 2016.

Costs of sale of electricity

The details of the Group’s consolidated costs and expenses for the years ended December 31, 2016 and 2015 are summarized in the following tables:

Costs of sale of electricity	31-Dec-16	%	31-Dec-15	%	Changes	%
Fuel	\$475,675	54.5%	\$725,774	63.3%	(\$250,099)	-34.5%
Depreciation and amortization	188,744	21.6%	176,231	15.4%	12,513	7.1%
Power plant operations and maintenance	166,990	19.1%	206,824	18.1%	(39,834)	-19.3%
Others	40,981	4.7%	36,980	3.2%	4,001	10.8%
	\$872,390	100.0%	\$1,145,809	100.0%	(\$273,419)	-23.9%

Costs of sale of electricity	31-Dec-16	%	31-Dec-15	%	Changes	%
Natural gas	\$570,469	65.4%	\$816,462	71.3%	(\$245,993)	-30.1%
Geothermal/Wind/Solar	287,990	33.0%	316,100	27.6%	(28,110)	-8.9%
Hydro	13,097	1.5%	13,245	1.2%	(148)	-1.1%
Others	834	0.1%	2	0.0%	832	41,600.0%
	\$872,390	100.0%	\$1,145,809	100.0%	(\$273,419)	-23.9%

The costs of sale of electricity for the year ended December 31, 2016 decreased by \$273.4 million, or 23.9% to \$872.4 million in 2016 as compared to \$1,145.8 million in 2015. The decrease was due to the movements per platform as explained in detail below:

Natural Gas

The decline in the costs of sale of electricity was mainly attributable to a \$253.5 million decrease in costs from the Santa Rita and San Lorenzo gas plants to \$563.0 million in 2016 from \$816.5 million in 2015. This was mainly caused by a decrease in fuel costs for the year by \$250.1 million, or 34.5% from \$725.8 million in 2015 to \$475.7 million in 2016 as a result of lower gas prices (an average of \$6.5/MMBtu in 2016 compared to an average of \$9.1/MMBtu in 2015). This was supplemented by Santa Rita’s lower variable O&M expenses due to a cap placed on its CNEO upon reaching a certain number of equivalent operating hours during a given contract year, which was operationally reached in July 2016. This enabled the plant to produce power without incurring variable O&M charges. FGPC, however, paid a NDC bonus to SPOI as the actual NDC value of the Santa Rita plant for the period was 1.7% higher than the guaranteed NDC value. These reductions were partially offset by the costs from San Gabriel and Avion of \$7.5 million as they declared commercial operations in the latter part of 2016.

GWS

The costs of sale of electricity from the GWS platform decreased by \$28.1 million, or 8.9% from \$316.1 million in 2015 to \$288.0 million in 2016. This was due to the foreign exchange translation brought about by a higher weighted average rate in 2016 of \$1.00:₱47.288 compared to \$1.00:₱45.300 in 2015. EDC's actual costs of sales decreased by only 4.9% due to lower purchased services and utilities for its BacMan and Leyte operations attributable to the rationalization of drilling activities, but partially offset by higher depreciation expenses of the BacMan and Leyte plants due to additional capitalized well costs and the Burgos plant's additional capitalized transmission line costs.

Hydro

The Hydro platform's costs of sale of electricity posted a slight decline of \$0.1 million to \$13.1 million in 2016 from \$13.2 million in 2015. This was due to lower depreciation and amortization of the plant brought about by the retirement of assets replaced during the rehabilitation of the Masiway plant, partially offset by its higher operations and maintenance expense due to the higher plant dispatch.

Others

There was an increase of \$0.8 million in the operating costs of FGES to \$0.8 million in 2016 from \$0.002 million in 2015 due to the higher distribution costs incurred by FGES from its twenty (20) new customers.

G&A Expenses

G&A expenses decreased by \$22.1 million, or 10.4% to \$191.2 million in 2016, compared to \$213.3 million in 2015. This was primarily a result of a \$12.1 million decrease in miscellaneous G&A expenses from EDC's lower materials and supplies purchases and lower business-related travel expenses, further supplemented by the Parent's lower transportation and travel costs. In addition, there was a \$7.7 million decrease in professional fees due to EDC's payment of legal and professional fees in 2015 that were absent in 2016. This was partially offset by higher professional and technical service fees for the Liquefied Natural Gas (LNG) terminal project in 2016. Moreover, there was a \$1.1 million decrease in staff costs resulting from EDC's organizational restructuring, though partially offset by First Gen's increase in employee headcount in 2016.

Interest income

Interest income decreased by \$1.1 million, or 11.0% to \$9.0 million for 2016 from \$10.1 million in 2015 primarily due to lower investible funds coupled with lower weighted average interest rates.

Interest expense and financing charges

Interest expense and financing charges slightly decreased by \$0.9 million, or 0.6% to \$166.4 million for 2016 from \$167.3 million in 2015 due to the payments of the scheduled loan principal amortization though partially offset by incremental effect of the Parent Company's \$200 million loan interest expense obtained in September 2015 and higher interest expense incurred by FNPC from its loan upon declaration of commercial operations last November 2016.

Foreign exchange losses – net

For 2016, the First Gen Group recognized unrealized foreign exchange losses of \$17.0 million, this was lower by \$16.6 million or 49.5% as compared to the \$33.6 million in foreign exchange losses booked in 2015. This was a result of the change of EBWPC's functional currency to U.S. Dollar from Philippine Peso starting January 2016. The improvement was partially offset by the unrealized foreign exchange losses of FNPC arising from the translation of the Input VAT balances from Philippine peso to U.S. Dollar.

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

For the year 2016, net MTM loss on derivatives and MTM loss on financial assets at FVPL amounted to \$2.3 million, an increase of \$2.1 million from the \$0.2 million loss that was booked in 2015. The movement was mainly due to the unfavorable movements in the forward foreign exchange contracts and the call spread options of EDC in 2016.

Other Income

Other income increased by \$44.7 million, or 141.9% from \$31.5 million in 2015 to \$76.2 million in 2016 primarily due to the proceeds from liquidated damages received by FNPC from its contractor amounting to \$47.8 million following San Gabriel's construction delay, supplemented by a higher receipt of insurance claims in EDC amounting to \$32.0 million in 2016 versus the \$25.9 million in 2015. These higher claims were partially offset by the absence of an \$8.5 million insurance claim proceeds that FGP received in 2015.

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

Provision for Income Tax

The provision for income tax increased by \$33.3 million, or 46.0%, from \$72.4 million in 2015 to \$105.7 million in 2016. This was mainly due to the higher taxable income from EDC's insurance receipts, FNPC's liquidated damages, and the higher operating income of FG Hydro. This was partially offset by a deferred income tax benefit from EDC due to its recognition of net operating loss carry-over (NOLCO) from exploration and other non-renewable energy related activities.

Net Income

First Gen's consolidated net income increased by \$46.5 million, or 19.0%, from \$245.3 million in 2015 to \$291.8 million in 2016. The increase in net income was mainly due to the movements in the contributions of the following subsidiaries:

- An increase in net income contribution of EDC by \$20.8 million, or 13.6% to \$173.9 million in 2016 compared to \$153.1 million in 2015 due to higher insurance proceeds resulting from the insurance claim received by BacMan from its steam turbine rotor incident, supplemented by lower plant O&M expenses, lower G&A expenses, and lower foreign exchange losses;
- Higher net income contribution of FNPC by \$19.6 million to \$17.5 million in 2016 due to its receipt of liquidated damages from its contractor, compared to a \$2.1 million net loss in 2015 as the plant was in the middle of construction then, though partially offset by higher interest expense from its loan following its commercial operations in November 2016;
- FGPC's higher net income contribution by \$8.4 million, or 11.5% mainly due to lower interest expenses and plant O&M expenses brought about by the 75.0% cap in the CNEO that was reached in July 2016; and
- FG Hydro's higher net income contribution by \$7.2 million, or 60.2% to \$19.2 million in 2016 compared to \$12.0 million in 2015 due to higher ancillary sales and higher plant dispatch.

The above items were partially offset by FGP's lower net income contribution and the Parent Company's higher interest expense. FGP's net income contribution decreased by \$8.6 million, or 16.8% from \$50.9 million in 2015 to \$42.3 million in 2016 mainly due to the absence of \$8.5 million in insurance claims proceeds received in 2015. The Parent Company, on the other hand, recognized the full-year effect of interest expense of its \$200 million term loan facility.

Net Income Attributable to Equity Holders of the Parent Company

The net income attributable to the equity holders of the Parent Company increased by \$32.3 million, or 19.3% to \$199.6 million in 2016, compared to \$167.3 million that was recognized in 2015. The increase in attributable net income was mainly due to the movements in the contributions of the following subsidiaries:

- An increase in net income contribution of FNPC by \$19.6 million to \$17.5 million in 2016 due to its receipt of liquidated damages from its contractor, compared to a \$2.1 million net loss in 2015 as the plant was in the middle of construction then, though partially offset by higher interest expense from its loan following its commercial operations in November 2016;
- Higher net income contribution of EDC by \$10.8 million, or 13.8% to \$89.1 million in 2016 compared to \$78.3 million in 2015 due to higher insurance proceeds as a result of the insurance claim made by BacMan for its steam turbine rotor incident, supplemented by lower plant O&M expenses, lower G&A expenses, and lower foreign exchange losses;
- FGPC's higher net income contribution by \$8.4 million, or 11.5%, mainly due to lower interest expenses and lower plant O&M expenses brought about by the 75.0% cap in the CNEO that was reached in July 2016; and
- FG Hydro's higher net income contribution by \$5.1 million, or 60.3% to \$13.5 million in 2016 compared to \$8.4 million in 2015 due to higher ancillary sales and higher plant dispatch.

The above items were partially offset by FGP's lower net income contribution and the Parent Company's higher interest expense. FGP's net income contribution decreased by \$8.6 million, or 16.8%, from \$50.9 million in 2015 to \$42.3 million in 2016 mainly due to the absence of \$8.5 million in insurance claims proceeds received in 2015. The Parent Company, on the other hand, recognized the full-year effect of interest expense from its \$200 million term loan facility.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of the years ended December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2016	2015	2016 vs. 2015	2016 vs. 2015	2016	2015
(Amounts in US\$ and in Thousands)						
ASSETS						
Current Assets						
Cash and cash equivalents	\$497,980	\$730,463	(\$232,483)	-31.8%	9.4%	13.2%
Receivables	344,482	317,482	27,000	8.5%	6.5%	5.8%
Inventories	118,242	101,618	16,624	16.4%	2.2%	1.8%
Financial assets at fair value through profit or loss	22,534	30,108	(7,574)	-25.2%	0.4%	0.5%
Other current assets	129,573	119,321	10,252	8.6%	2.4%	2.2%
Total Current Assets	1,112,811	1,298,992	(186,181)	-14.3%	21.0%	23.5%
Noncurrent Assets						
Property, plant and equipment – net	2,746,392	2,708,175	38,217	1.4%	51.9%	49.1%
Goodwill and intangible assets	1,055,587	1,130,920	(75,333)	-6.7%	20.0%	20.5%
Deferred income tax assets – net	30,711	27,831	2,880	10.3%	0.6%	0.5%
Other noncurrent assets	343,802	352,769	(8,967)	-2.5%	6.5%	6.4%
Total Noncurrent Assets	4,176,492	4,219,695	(43,203)	-1.0%	79.0%	76.5%
TOTAL ASSETS	\$5,289,303	\$5,518,687	(\$229,384)	-4.2%	100.0%	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	\$378,473	\$388,157	(\$9,684)	-2.5%	7.2%	7.0%
Dividends payable	14,719	15,967	(1,248)	-7.8%	0.3%	0.3%
Income tax payable	11,617	8,807	2,810	31.9%	0.2%	0.2%
Due to a related party	145	145	0	0.0%	0.0%	0.0%
Current portion of:						
Long-term debts	289,274	285,661	3,613	1.3%	5.5%	5.2%
Derivative liabilities	88	105	(17)	-16.2%	0.0%	0.0%
Total Current Liabilities	694,316	698,842	(4,526)	-0.6%	13.1%	12.7%
Noncurrent Liabilities						
Long-term debts – net of current portion	2,388,858	2,677,138	(288,280)	-10.8%	45.2%	48.5%
Derivative liabilities – net of current portion	16,347	26,388	(10,041)	-38.1%	0.3%	0.5%
Retirement and other post-employment benefits	26,306	41,541	(15,235)	-36.7%	0.5%	0.8%
Deferred income tax liabilities – net	32,861	20,651	12,210	59.1%	0.6%	0.4%
Other noncurrent liabilities	41,048	48,644	(7,596)	-15.6%	0.8%	0.9%
Total Noncurrent Liabilities	2,505,420	2,814,362	(308,942)	-11.0%	47.4%	51.0%
Total Liabilities	3,199,736	3,513,204	(313,468)	-8.9%	60.5%	63.7%
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%	21.1%
Deposits for future stock subscriptions	2,139	-	2,139	100.0%	0.0%	0.0%
Accumulated unrealized gain on Available-for-sale (AFS) financial assets	345	296	49	16.6%	0.0%	0.0%
Cumulative translation adjustments	(135,488)	(65,584)	(69,904)	106.6%	-2.6%	-1.2%
Equity reserve	(378,744)	(378,744)	0	0.0%	-7.2%	-6.9%
Retained earnings	986,981	841,503	145,478	17.3%	18.7%	15.2%
Cost of stocks held in treasury	(122,118)	(109,001)	(13,117)	12.0%	-2.3%	-2.0%
Sub-total	1,662,949	1,598,304	64,645	4.0%	31.4%	29.0%
Non-controlling Interests	426,618	407,179	19,439	4.8%	8.1%	7.4%
Total Equity	2,089,567	2,005,483	84,084	4.2%	39.5%	36.3%
TOTAL LIABILITIES AND EQUITY	\$5,289,303	\$5,518,687	(\$229,384)	-4.2%	100.0%	100.0%

Cash and cash equivalents

Cash and cash equivalents decreased by \$232.5 million, or 31.8%, mainly due to debt service payments of EDC, FGPC, FGP, Red Vulcan and the Parent, dividend payments to both common and preferred shareholders, as well as the buyback of Series “F” and Series “G” preferred shares in 2016 from the market. These were partially offset by higher cash provided by operating activities, particularly from the receipt of an insurance claim of BacMan and liquidated damages of FNPC.

Receivables

Receivables increased by \$27.0 million, or 8.5% mainly as a result of EDC having two months’ worth of receivables from NPC in 2016 compared to having one month’s worth in 2015, supplemented by FNPC’s and PMPC’s higher trade receivables from the Philippine Market Electricity Corporation (PEMC) due to the plants’ WESM sales in 2016. This was partially offset by lower trade receivables of FGPC and FGP from Meralco due to lower natural gas prices.

Inventories

Inventories increased by \$16.6 million, or 16.4% primarily due to FGPC, FGP, and PMPC's increases in fuel inventories in preparation for the scheduled Malampaya Outage in February 2017, supplemented by EDC's increase in parts and supplies inventories caused by the purchases of various materials and supplies for power plant maintenance and rehabilitation activities

Financial assets at FVPL

Financial assets at FVPL decreased by \$7.6 million, or 25.2% due to the redemption of the funds placed under IMA accounts, net of additions, along with MTM changes during the year.

Other current assets

Other current assets increased by \$10.3 million, or 8.6% mainly due to an increase in Input VAT from purchases related to the construction of the San Gabriel and Avion power plants and an increase in prepaid insurance for the Santa Rita and San Lorenzo plants. In addition, EDC had an increase in derivative assets due to outstanding hedges of its foreign loans, partially offset by the redemption of its AFS financial assets following their maturity in 2016.

Property, plant, and equipment

Property, plant and equipment increased by \$38.2 million, or 1.4% primarily due to the completion of the Avion and San Gabriel power plants, and EDC’s drilling activities in Palinpinon and Unified Leyte. The increase was partially offset by the depreciation of existing Property, plant and equipment.

Goodwill and intangible assets

Goodwill and intangible assets decreased by \$75.3 million, or 6.7% due to foreign exchange adjustments in Red Vulcan's goodwill in EDC brought about by the difference in year-end foreign exchange rates (\$1.00:₱49.72 in December 2016 vs. \$1:₱47.06 in December 2015); and the amortization of other intangible assets, such as concession rights, pipeline rights of FGP, water rights of FG Hydro, transmission line rights of FGPC, and computer hardware and software.

Deferred income tax assets

Deferred income tax assets increased by \$2.9 million, or 10.3% mainly due to a one-time set up of a deferred tax asset account for the capitalized development fees paid by PMPC and FNPC to the Parent, which will then be amortized over the lives of the plants.

Other noncurrent assets

Other noncurrent assets decreased by \$9.0 million, or 2.5% due to the reclassification of FGPC’s prepaid major spare parts to Property, plant, and equipment following the completion of the scheduled major maintenance outage of Units 20 and 30 of FGPC, partially offset by the capitalization of FGPC’s and FGP’s O&M fees charges during the year to cover the estimated costs of turbine blades and vanes that are expected to be replaced in the next scheduled major maintenance outage.

Accounts payable and accrued expenses

Accounts payable and accrued expenses decreased by \$9.7 million, or 2.5%, primarily due to EDC's lower trade payables to its suppliers and the First Gas plants’ lower payables to the Gas Sellers as natural gas prices went down in 2016 versus 2015. This was partially offset by FGPC’s higher payables for liquid fuel purchases in preparation for the Malampaya Outage.

Dividends payable

Dividends payable decreased by \$1.2 million or 7.8%, mainly due to the buyback of Series “F” and Series “G” preferred shares in 2016 from the market, which reduced the number of outstanding shares that are entitled to dividends.

Income tax payable

Income tax payable increased by \$2.8 million, or 31.9% mainly due to higher taxable income arising from FNPC’s receipt of liquidated damages and EDC’s receipt of insurance claims.

Long-term debt – current portion

The current portion of long-term debt increased by \$3.6 million or 1.3%, mainly due to an increase in the current portion of the \$265 million ECA facility of FNPC with KfW of Germany. This was partially offset by EDC’s lower current portion due to the full settlement of the ₱3.5 billion bond in December 2016 and the loan repayments made in 2016.

Long-term debt – net of current portion

Long-term debt decreased by \$288.3 million, or 10.8% mainly due to the payments of the maturing obligations of FGPC, FGP, FNPC, FG Hydro, EDC, and Red Vulcan.

Derivative liabilities – net of current portion

Derivative liabilities decreased by \$10.0 million, or 38.1% due to favorable movements in EBWPC’s derivative instruments as its interest rate swap agreements resulted in MTM gains, supplemented by favorable movements in the MTM valuation of FGPC’s interest rate swaps as a result of actual LIBOR rates going above projections in 2016 as compared to the LIBOR projections in December 2015.

Retirement and other post-employment benefits

This account decreased by \$15.2 million, or 36.7% mainly due to the payment of retirement benefits by EDC but partially offset by the additional provision and actuarial adjustments that were recognized during the year.

Deferred income tax liabilities – net

Deferred income tax liabilities increased by \$12.2 million, or 59.1%, from \$20.7 million in 2015 to \$32.9 million as of December 31, 2016 mainly due to the higher tax liabilities of OneCore, Blue Vulcan, FNPC, and FGPC as a result of the depreciation of the Philippine Peso from \$1.00:₱47.06 in December 2015 to \$1.00:₱49.72:₱1.00 in December 2016.

Cumulative translation adjustments

The Cumulative translation adjustments account significantly increased by \$69.9 million, or 106.6% 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 and PMPC, to U.S. Dollar to conform to First Gen’s U.S. Dollar functional currency reporting.

Retained earnings

Retained earnings increased by \$145.5 million, or 17.3% from \$841.5 million as of December 31, 2015 to \$987.0 million as of December 31, 2016. The increase was due to the earnings to the Parent Company for 2016 amounting to \$199.6 million, partially offset by cash dividends declared to common and preferred shareholders.

Cost of stocks held in treasury

The increase in the cost of stocks held in treasury by \$13.1 million, or 12.0%, from \$109.0 million as of December 31, 2015 to \$122.1 million as of December 31, 2016 was mainly due to the redeemable Series “F” and “G” preferred shares totaling \$12.2 million that were bought back by First Gen, and the Company’s common stocks that were acquired by the subsidiaries in 2016.

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 years ended December 31, 2017 and 2016, and provides certain relevant measures of our liquidity and capital resources as of December 31, 2017 and 2016:

(in Thousand U.S. Dollars except for financial ratios and % change)	For the years ended December 31			
	2017	2016	Change	YoY %
Consolidated Cash Flows				
Net cash flows from operating activities	\$613,917	\$611,802	\$2,115	0.3%
Net cash flows from investing activities	(268,609)	(310,252)	41,643	-13.4%
Net cash flows from financing activities	(175,088)	(532,143)	357,055	-67.1%
Total Capital Expenditures ¹	(\$161,217)	(\$282,416)	121,199	-42.9%

Capitalization

Interest-bearing long-term debt:

Current portion

Noncurrent portion

Total interest-bearing long-term debt

Total equity attributable to equity holders of the Parent Company

Dec. 2017	Dec. 2016	Change	YoY %
\$301,179	\$289,274	\$11,905	4.1%
2,211,508	2,388,858	(177,350)	-7.4%
2,512,687	2,678,132	(165,445)	-6.2%
1,882,270	1,662,949	219,321	13.2%
\$4,394,957	\$4,341,081	\$53,876	1.2%

Other Selected Financial Data

Total assets

Cash and cash equivalents

Financial assets at FVPL

\$ 5,500,860	\$ 5,289,303
\$671,251	\$497,980
20,720	22,534
\$691,971	\$520,514

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 consolidated assets as of December 31, 2017 amounted to \$5.5 billion compared to \$5.3 billion as of December 31, 2016. Consolidated cash and cash equivalents and financial assets at FVPL amounted to \$692.0 million as of December 31, 2017 compared to \$520.5 million as of December 31, 2016.

Principal sources of cash and cash equivalents in 2017 were the proceeds from the debt refinancing, EDC share sale, and cash generated from operations, which were partially offset by the scheduled and voluntary principal and interest payments on First Gen Group's existing loans, payments of dividends to the stockholders, capital expenditures, and the buyback of Series "F" and "G" preferred stocks in the open market during the year.

Cash Flows from Operating Activities

Net cash flows from operating activities in 2017 increased by \$2.1 million, or 0.3%, to \$613.9 million from \$611.8 million in 2016 due to increases in accounts payable, supplemented by lower income taxes paid due to lower taxable income in 2017. This was partially offset by the absence of non-recurring gains, such as FNPC's liquidated damages and EDC's lower insurance claim proceeds that were both received in 2016, and the lower earnings from EDC and FNPC.

Cash Flows from Investing Activities

Net cash flows used in investing activities for the year 2017 decreased by 13.4%, or \$41.6 million from \$310.2 million in 2016 to \$268.6 million in 2017. The decrease was primarily due to lower capital expenditures this year as the construction works of San Gabriel and Avion were mostly completed in 2016.

Cash Flows from Financing Activities

Net cash flows used in financing activities in 2017 amounted to \$175.1 million, a 67.1% decrease from \$532.1 million in 2016. First Gen undertook the following financing activities in 2017: (i) FGPC's \$500.0 million long-term debt refinancing in May 2017, (ii) EDC's \$8.0 billion new loan, (iii) the EDC tender offer where the Parent received proceeds amounting to \$239.5 in September 2017, and (iv) the short-term loan that FGPC obtained for its liquid fuel purchase. The funds raised were partially reduced by the prepayment of FGPC's then outstanding long-term debt, the buyback and partial redemption of the Parent's \$300 million Bond, partial redemption of EDC's Dollar-denominated Bond, debt service payments of First Gen and its subsidiaries, supplemented by open market purchases of Series "F" and Series "G" preferred stocks in 2017.

Below is the schedule of debt maturities based on the total outstanding debt of the First Gen Group as of December 31, 2017:

Year Due	(In thousand US\$)
Within one year	\$323,004
2 to 3 years	535,886
4 to 5 years	866,488
More than 5 years	826,902
	<u>\$2,552,280</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 December 31, 2017 and December 31, 2016, we are in compliance with all of our debt covenants.

See Note 14 - Long-term Debts - Loan Covenants to the accompanying audited 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	December 2017	December 2016
<i>Liquidity</i>		
Current ratio	1.80x	1.60x
Quick ratio	1.41x	1.21x
<i>Solvency/Financial leverage</i>		
Debt-to-equity ratio	1.23x	1.53x
Interest-bearing debt-to-equity ratio (times)	1.02x	1.28x
Asset-to-equity ratio	2.23x	2.53x
<i>Profitability</i>		
Return on assets (%)	3.86%	5.40%
Return on equity (%)	9.14%	14.25%

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.
Return on Assets	Calculated by dividing the Consolidated net income for the year by the Average total assets. This ratio measures how the company utilizes its resources to generate profits.
Return on Equity	Calculated by dividing the Consolidated net income for the year by the Average total equity. This ratio measures how much profit a company earned in comparison to the amount of shareholder equity found on the consolidated statement of financial position.

DISCUSSIONS OF MAJOR SUBSIDIARIES

FGPC

(AUDITED) (in USD thousands)	For the years ended December 31	
	2017	2016
Revenues from sale of electricity	612,043	535,141
Operating income	141,320	139,978
Net income	85,586	87,648
(in USD thousands)	As of the years ended December 31	
	2017	2016
Total assets	802,504	715,442
Debt – net of debt issuance costs	459,679	220,011
Other liabilities	112,121	224,009
Total equity	230,704	271,422

December 2017 vs. December 2016 Results

FGPC's revenues grew by \$76.9 million, or 14.4% to \$612.0 million in 2017 from \$535.1 million in 2016. The increase was primarily attributable to higher fuel revenues from the usage of more expensive liquid fuel that resulted from the 20-day scheduled Malampaya outage, coupled with higher average gas price in 2017 (\$7.5/MMBtu in 2017 from \$6.5/MMBtu in 2016) and higher NDC values of 1,079 MW in 2017 compared to 1,042 MW in 2016 resulting from the upgrades done in Santa Rita. This was partially offset by lower dispatch in 2017 due to scheduled major outages during the year, and lower dispatch requests from Meralco.

Operating income improved by \$1.3 million, or 1.0% in 2017 primarily due to higher fixed capacity fees and fixed O&M fees driven by higher NDC values in 2017. FGPC posted a net income of \$85.6 million in 2017, lower by \$2.0 million from the \$87.6 million in income generated in 2016. The decrease in net income was mainly due to the incurrence of one-time interest rate swap termination costs and unamortized DIC write-off from the refinancing of its long term-debt, which was partially offset by a benefit from deferred income tax due to the reassessment of its tax method.

ASSETS

FGPC's total assets as of December 31, 2017 stood at \$802.5 million, an increase of \$87.1 million, or 12.2%, from a balance of \$715.4 million as of December 31, 2016 due to the movement in the following accounts:

- Higher advances to shareholders resulting from the upstreamed portion of net loan proceeds from its \$500 million refinancing;
- An increase in capitalized major spare parts due to the installation of new turbine blades in the plant.

These were partially offset by:

- A lower ending cash balance due to higher cash dividends;
- A lower level of accounts receivables;
- Lower inventory due to liquid fuel consumption;
- 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 \$571.8 million as of December 31, 2017, higher by \$127.8 million, or 28.8%, from \$444.0 million as of December 31, 2016. The increase in liabilities is primarily due to FGPC's new loan availed via refinancing amounting to \$500.0 million. These were partially offset by the prepayment of the company's previously outstanding long term debt, and the settlement of its liquid fuel trade payable and derivative liabilities.

Total equity decreased by \$40.7 million, or 15.0%, to \$230.7 million as of December 31, 2017 as compared to \$271.4 million at the beginning of year. The decrease in equity is mainly due to the declaration of cash dividends, partially

offset by net income earned during the year and the derecognition of the “Accumulated other comprehensive loss” account related to the FGPC’s hedging activity.

FGP Corp.

(AUDITED)	For the years ended December 31	
	2017	2016
(in USD thousands)		
Revenues from sale of electricity	308,160	291,536
Operating income	69,703	73,247
Net income	45,595	46,175
	As of the years ended December 31	
(in USD thousands)	2017	2016
Total Assets	500,000	575,424
Debt – net of debt issuance costs	288,261	321,717
Other Liabilities	77,691	124,347
Total Equity	134,048	129,360

December 2017 vs. December 2016 Results

Total revenues for the year ended December 31, 2017 increased by \$16.6 million, or 5.7% to \$308.2 million in 2017 from \$291.5 million in 2016. The increase in revenues was primarily due to higher fuel revenues from the usage of more expensive liquid fuel that resulted from the 20-day scheduled Malampaya outage, coupled with higher average gas prices (\$7.5/MMBtu in 2017 as compared to \$6.6/MMBtu in 2016). However, the increase was offset by lower plant dispatch (75.2% in 2017 compared to 79.3% in 2016) due to the April 2017 earthquake incident which affected the plant’s switchyard and slightly lower average NDC (537.3 MW in 2017 compared to 540.8 MW in 2016).

Conversely, operating income decreased by \$3.5 million, or 4.8% to \$69.7 million in 2017 from \$73.2 million in 2016 mainly due to higher G&A expenses in 2017. Likewise, net income slightly decreased by \$0.6 million, or 1.3%, to \$45.6 million in 2017 from \$46.2 million in 2016 due to its lower dispatch and higher G&A expenses, which are partially offset by the recognized benefit for deferred income tax in 2017 compared to a provision for deferred income tax in 2016.

ASSETS

FGP’s total assets as of December 2017 stood at \$500.0 million, which decreased by \$75.4 million, or 13.1%, from \$575.4 million in 2016 mainly due to the movement in the following accounts:

- A lower level of accounts receivables due to the collection of liquid fuel trade receivables from FGPC;
- Lower ending cash balance generated from operations; and
- Lower inventory due to liquid fuel consumption.

LIABILITIES AND EQUITY

As of December 31, 2017, total liabilities decreased by \$80.1 million, or 18.0%, to \$366.0 million from 2016’s \$446.1 million due to scheduled loan payments of its long-term loan (principal plus accrued interest) and the settlement of its liquid fuel trade payable to FGPC.

Total equity increased by \$4.6 million, or 3.6% to \$134.0 million as of December 31, 2017 as compared to \$129.4 million as of December 31, 2016. The increase in equity was mainly due to earnings during the year partially offset by dividends paid in 2017 and unfavorable movements in the AFS financial asset investment of FGP.

FNPC

(AUDITED)	For the years ended December 31	
	2017	2016
(in USD thousands)		
Revenues from sale of electricity	98,622	6,595
Operating income (loss)	3,434	(8,272)
Net income (loss)	(7,869)	17,455
	As of the years ended December 31	
(in USD thousands)	2017	2016
Total assets	455,664	472,123
Debt - net of debt issuance costs	184,067	200,072
Other liabilities	18,611	11,180
Total equity	252,986	260,871

December 2017 vs. December 2016 Results

FNPC recognized full-year revenues from its first full year of operations in 2017 amounting to \$98.6 million compared to the \$6.6 million in 2016 as FNPC only started commercial operations in November 2016. These revenues are from spot market sales.

FNPC posted a net loss of \$7.9 million for the year ended December 31, 2017, which was a \$25.4 million reversal from the \$17.5 million net income reported in 2016 that was primarily due to liquidated damages FNPC collected from its contractor in 2016. In 2017, the gas plant had moderate sales volumes following the 20-day Malampaya Outage in February, and a temporary shutdown following the Batangas earthquake in April 2017.

ASSETS

FNPC's total assets as of December 31, 2017 decreased by \$16.4 million, or 3.5% to \$455.7 million from a balance of \$472.1 million as of December 31, 2016 due to the movement in the following accounts:

- Lower ending cash balances;
- The depreciation of Property, plant and equipment for the year; and
- The amortization of the project's O&M mobilization fee for the year.

The decrease was partially offset by an increase in trade and other receivables as of December 31, 2017.

LIABILITIES AND EQUITY

FNPC's total liabilities amounted to \$202.7 million as of December 31, 2017, lower by \$8.6 million or 4.1%, from \$211.3 million as of December 31, 2016. The decrease in liabilities was primarily due to payments of principal and interest on long-term debt amounting to \$19.2 million and \$7.4 million, respectively.

Total equity decreased by \$7.9 million, or 3.0% to \$253.0 million as of December 31, 2017 as compared to \$260.9 million as of December 31, 2016 as a result of operating losses incurred during the year.

PMPC

(AUDITED) (in PHP thousands)	For the years ended December 31	
	2017	2016
Revenues from sale of electricity	882,517	73,296
Operating loss	187,885	167,774
Net income (loss)	(185,296)	25,373
	As of the years ended December 31	
(in PHP thousands)	2017	2016
Total assets	6,350,345	6,608,586
Total liabilities	95,323	167,863
Total equity	6,255,022	6,440,723

December 2017 vs. December 2016 Results

PMPC recognized full-year revenues from its first full year of operations in 2017 amounting to ₱882.5 million compared to the ₱73.3 million in 2016 as PMPC only started commercial operations in September 2016. These revenues are from spot market sales.

PMPC posted a net loss of ₱185.3 million for the year ended December 31, 2017 mainly due to Avion's soft sales volume mostly due to the plant's temporary outage following the Batangas earthquake in April 2017, and weak spot market prices, a reversal from the ₱25.4 million net income booked in 2016. PMPC had commissioning income of ₱155.5 million during its commissioning phase in 2016.

ASSETS

PMPC's total assets decreased slightly by ₱258.2 million or by 3.9%, from a balance of ₱6,608.5 million as of December 31, 2016 to ₱6,350.3 million as of December 31, 2017 due to movements in the following accounts:

- Lower ending cash balances;
- The depreciation of Property, plant and equipment for the year.

The decrease was partially offset by a higher level of inventories and accounts receivables as of December 31, 2017.

LIABILITIES AND EQUITY

PMPC's total liabilities amounted to ₱95.3 million as of December 31, 2017, lower by ₱72.5 million or 43%, from ₱167.8 million as of December 31, 2016. The decrease in liabilities is primarily due to payments to its suppliers and contractors.

Total equity decreased by ₱185.7 million to ₱6,255.0 million as of December 31, 2017 as compared to ₱6,440.7 million as of December 31, 2016 mainly due to losses incurred from operations during the year.

EDC Consolidated

(AUDITED) (Amounts in PHP millions)	For the years ended December 31	
	2017	2016
Revenues from sale of electricity	33,255.2	34,235.6
Foreign exchange losses, net	(50.2)	(653.5)
Income before income tax	8,976.4	11,389.5
Net income	7,941.5	9,715.6
Net income attributable to Equity holders of the Parent Company	7,709.5	9,352.4
Recurring Net Income (RNI)	9,001.8	9,521.8
RNI attributable to Equity holders of the Parent Company	8,776.5	9,155.3
	As of the years ended December 31	
	2017	2016
Total Assets	137,587.0	135,805.8
Total Liabilities	78,991.2	82,995.6
Total Equity	58,595.8	52,810.2

December 2017 vs. December 2016 Results

EDC posted a net income of ₱7,941.5 million in 2017, an 18.3% or ₱1,774.1 million decrease from the ₱9,715.6 million in the previous year. The decrease was driven by the ₱1,277.2 million increase in its costs of sale of electricity and a ₱980.4 million decrease in revenue, which were partly offset by ₱255.3 million decrease in G&A expenses.

Revenues from sale of electricity in 2017 decreased by 2.9% or ₱980.4 million to ₱33,255.2 million from ₱34,235.6 million in 2016. The movement was primarily driven by lower revenue contributions from GCGI's power generating units by ₱1,535.3 million primarily due to the earthquake and Typhoon Urduja, and Palinpinon's curtailment due to an oversupply in that grid. This was supplemented by FG Hydro's ₱642.1 million decrease, though partly offset by an increase in revenue contribution from BacMan (₱1,525.0 million). These were made worse by an increase of ₱1,277.2 million, or 9.3% in the costs of sale of electricity due to the increase in repairs and maintenance and purchased parts and supplies, following the natural calamities. The decrease in revenues was partially offset by a ₱255.3 million or 4.6% decrease in G&A expenses.

The unfavorable movement in operating income was tempered by a lower movement in unrealized foreign exchange losses for the year ended December 31, 2017 amounting to ₱50.2 million, a ₱603.3 million reversal from the ₱653.5 million unrealized foreign exchange losses that was recognized in 2016. The variance was brought about mainly by the lower depreciation of the Philippine Peso against the U.S. Dollar for the year ended December 31, 2017.

EDC's recurring net income declined by 5.5%, or ₱520.0 million to ₱9,001.8 million from the ₱9,521.8 million in 2016. The reduction is mainly attributable to its decrease in revenues (₱980.4 million) combined with an increase in operating expenses (₱79.7 million) and miscellaneous expenses (₱76.5 million). This was partly offset by a decrease in interest expense (₱366.0 million) and provision for income tax (₱250.6 million).

ASSETS

Total assets slightly increased by ₱1,781.2 million, or 1.3% from ₱135,805.8 million as of December 31, 2016 to ₱137,587.0 million as of December 31, 2017. Total cash and cash equivalents increased by ₱1,095.9 million, or 10.3%, from ₱10,599.8 million as of December 31, 2016 to ₱11,695.7 million as of December 31, 2017 primarily attributable to net cash generated from operating activities, partially offset by loan and interest repayments and the early redemption of debt and additions to Property, plant and equipment.

LIABILITIES AND EQUITY

Total liabilities decreased by ₱4,004.4 million, or 4.8%, from ₱82,995.6 million as of December 31, 2016 to ₱78,991.2 million as of December 31, 2017 primarily due to higher loan repayments made during the year.

Total equity increased by ₱5,785.6 million, or 11.0%, from ₱52,810.2 million as of December 31, 2016 to ₱58,595.8 million as of December 31, 2017 mainly due to net income earned during the year, partly reduced by cash dividends declared.

FG Hydro

(Amounts in PHP millions) - AUDITED	For the years ended December 31	
	2017	2016
Operating revenues	1,644.3	2,286.4
Cost of sales	621.0	603.4
General and administrative expenses	275.0	329.9
Operating profit	748.3	1,353.1
Other expenses – net	26.4	110.9
Income before tax	721.9	1,242.2
Provision for income tax	141.5	349.2
Net income	580.4	893.0
	As of the years ended December 31	
	2017	2016
Total assets	5,762.5	6,063.8
Total liabilities	1,165.1	2,053.6
Total equity	4,597.4	4,010.2

December 2017 vs. December 2016 Results

FG Hydro generated revenues of ₱1,644.3 million for the year ended December 31, 2017, 28.1% or ₱642.1 million lower than the revenues of ₱2,286.4 million in 2016. The unfavorable variance was mainly on account of a 67.6% decrease in ancillary service revenues due to the expiration of its ASPA with NGCP in February 2017, and lower contracted sales due to the expiration of its PSA with NEECO II Area II last December 2016. This was supplemented by slightly lower plant availability during the year due to extended time spent for annual preventive maintenance.

Cost of sales in 2017 went up slightly to ₱621.0 million, 2.9% or ₱17.6 million higher than the ₱603.4 million level in 2016. The unfavorable variance was mainly due to increased water service fees paid to NIA on account of higher generation during the year, and fees paid for equipment testing. G&A expenses, however, dropped by ₱54.9 million or 16.6% to ₱275.0 million in 2017 as compared to ₱329.9 million in 2016. The favorable variance was mainly due to lower Insurance All Risk premium for the period due to an adjustment in prior years' premiums and lower professional fees, taxes and licenses.

Interest expense in 2017 dropped by 56.1%, or ₱64.7 million, to ₱50.7 million in 2017 from ₱115.4 million in 2016. The favorable variance was mainly due to lower long-term debt balance on account of scheduled debt service payments, as well as the voluntary partial repayment of ₱1,000.0 million and ₱600.0 million in November 2016 and May 2017, respectively. Provision for income tax in 2017 dropped by 59.5%, or ₱207.7 million, to ₱141.5 in 2017 from ₱349.2 million in 2016. The significant drop in income tax was mainly due to the lower income tax rate of 10.0%, which is the rate applicable to FG Hydro as a RE developer under the RE Law, which took effect in February 2017.

Overall, FG Hydro posted a lower net income of ₱580.4 million for the year 2017, ₱312.6 million, or 35.0% lower from the ₱893.0 million reported income for the same period in 2016.

ASSETS

Total assets as of December 31, 2017 stood at ₱5,762.5 million, which was ₱301.3 million or 5.0% lower than the December 31, 2016 level of ₱6,063.8 million. The unfavorable variance was mainly due to lower Property, plant and equipment due to depreciation and lower accounts receivable as a result of the lower revenues in 2017.

LIABILITIES AND EQUITY

As of December 31, 2017, total liabilities stood at ₱1,165.1 million, which was ₱888.5 million or 43.3% lower than the December 31, 2016 level of ₱2,053.6 million. The favorable variance was mainly on account of FG Hydro's lower long-term debt balance as a result of its continuous debt repayments and voluntary partial prepayments.

Total equity as of December 31, 2017 of ₱4,597.4 million increased by 14.6% or ₱587.2 million, as compared to the December 31, 2016 level of ₱4,010.2 million mainly from net income earned, net of cash dividends declared during the year.

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	\$280,179	\$4,319	\$17,666	\$52,523	\$354,687
Related parties	1,729	—	—	—	1,729
Loans and notes receivables	1,409	—	—	—	1,409
Others	1,674	—	—	—	1,674
	284,991	4,319	17,666	52,523	359,499
Less: allowance for impairment losses	—	—	—	(2,552)	(2,552)
	\$284,991	\$4,319	\$17,666	\$49,971	\$356,947

INFORMATION ON INDEPENDENT AUDITORS

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

For the years ended December 31			
AUDIT FEES (in Philippine peso)	2017	2016	2015
Audit and Audit-Related Fees	₱7,805,336	₱7,485,867	₱10,031,201
Tax Fees	1,158,720	2,389,594	-
All Other Fees ^[1]	509,040	408,579	712,381
TOTAL	₱9,473,096	₱10,284,040	₱10,743,582

[1] For services relating to the issuance of agreed-upon procedures (AUP) report for the increase in capital stock of various subsidiaries, AUP for the conversion of deposits for future stock subscriptions into equity, special report on the determination of functional currency, due diligence for various financing activities, conduct of transfer pricing studies, and conduct of trainings / seminars.

MARKET INFORMATION

First Gen's common shares were listed with the Philippine Stock Exchange, Inc. on February 10, 2006. The high and low stock prices for 2016, 2017, and the 1st quarter of 2018 (as of March 15, 2018) are indicated below:

	High	Low
2018		
1Q (as of March 15, 2018)	18.20	14.32
2017		
4Q	19.72	16.88
3Q	19.80	16.80
2Q	22.30	18.54
1Q	23.20	20.85
2016		
4Q	25.35	20.90
3Q	26.60	24.00
2Q	26.00	19.48
1Q	22.80	17.60

The closing price of First Gen's common shares as of March 15, 2018 was ₱16.94 per share.

As of March 15, 2018, First Gen's public float is at 32.32%, computed as follows:

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

$$\frac{1,181,329,026}{3,654,852,357} \times 100 = 32.32\%$$

As of March 15, 2018, there were 360 common stockholders of record and 3,654,852,357 common shares issued and outstanding.

Following are the top 20 stockholders of First Gen as of March 15, 2018:

Common Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	2,440,028,959	66.76%
2	PCD NOMINEE CORPORATION (FILIPINO)	773,151,191	21.15%
3	PCD NOMINEE CORPORATION (FOREIGN)	406,225,021	11.11%
4	F. YAP SECURITIES, INC.	10,429,800	0.29%
5	FEDERICO R. LOPEZ	5,569,511	0.15%
6	OSCAR M. LOPEZ	4,375,520	0.12%
7	CROSLO HOLDINGS CORPORATION	2,010,000	0.05%

8	FRANCIS GILES B. PUNO	1,800,001	0.05%
9	RICHARD B. TANTOCO	1,768,681	0.05%
10	PACITA KING YAP &/OR PHILIP KING YAP	1,150,000	0.03%
11	FRANCIS GILES B. PUNO &/OR MA. PATRICIA D. PUNO	1,105,800	0.03%
12	ARLENE YAP TAN &/OR PAUL KING YAP JR.	530,000	0.01%
13	REGINA PIA BANAL GO	500,000	0.01%
14	BENJAMIN K. LIBORO &/OR LUISA BENGZON LIBORO	480,400	0.01%
15	NESTOR H. VASAY	333,633	0.01%
16	CONSUELO R. LOPEZ	310,050	0.01%
17	LOZANO A. TAN	300,000	0.01%
18	MONINA D. LOPEZ	264,738	0.01%
19	CESAR G. AGUILAR	248,490	0.01%
20	PERLA R. CATAHAN	245,460	0.01%
TOTAL SHARES (TOP 20)		3,650,827,255	99.89%
TOTAL SHARES (REST OF STOCKHOLDERS)		4,025,102	0.11%
TOTAL ISSUED AND OUTSTANDING SHARES		3,654,852,357	100.00%

Series “B” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	1,000,000,000	100.00%
TOTAL ISSUED AND OUTSTANDING SHARES		1,000,000,000	100.00%

Series “E” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	468,553,892	100.00%
TOTAL ISSUED AND OUTSTANDING SHARES		468,553,892	100.00%

Series “F” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	61,202,920	96.84%
2	KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS.	1,000,000	1.58%
3	EUGENIO LOPEZ FOUNDATION, INC.	500,000	0.79%
4	CROSLO HOLDINGS CORPORATION	200,000	0.32%
5	PERLA RAYOS DEL SOL CATAHAN &/OR ROBERTO BUENAVIDEZ CATAHAN	50,000	0.08%
6	JOVITO VICTORINO GERTES	30,000	0.05%
7	MARIANELA ALDEGUER WIENEKE	30,000	0.05%
8	DANILO COMELIO LACHICA &/OR MA. BERNARDITA FERNANDEZ LACHICA	20,000	0.03%
9	BENJAMIN KALUAG LIBORO	20,000	0.03%
10	ANTHONY MILITAR MABASA	20,000	0.03%
11	EMELITA DE LEON SABELLA &/OR RONALDO CUSTODIO SABELLA	20,000	0.03%
12	FELIX BELLEN CHAVEZ OR IRENE TANG LEE SAY CHAVEZ	16,730	0.03%
13	PCD NOMINEE CORPORATION (FOREIGN)	12,510	0.02%
14	ARDEL LABRADOR FADRI	10,000	0.02%
15	MILAGROS DELA VEGA FADRI	10,000	0.02%
16	LEONIDES ULIT GARDE &/OR MARIA SALUD DE SANTOS GARDE &/OR LIANA ALEXANDRA DE SANTOS GARDE	10,000	0.02%
17	MA. LOURDES ELVIRA RUFINO MACEDA &/OR JOSEFINA PADILLA RUFINO	10,000	0.02%
18	VICTORIA A. MARTINEZ	10,000	0.02%

19	BRIGIDA QUINTOS PAGDAGDAGAN &/OR RAMON TAGARDA PAGDAGDAGAN	10,000	0.02%
20	RICARDO BATISTA YATCO &/OR CYNTHIA ACOSTA YATCO	10,000	0.02%
	RICARDO BATISTA YATCO &/OR GERARDO BATISTA YATCO	10,000	0.02%
TOTAL ISSUED AND OUTSTANDING SHARES		63,202,160	100.00%

Series “G” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	74,300,505	58.57%
2	FIRST PHILIPPINE HOLDINGS CORPORATION	50,296,450	39.65%
3	LOPEZ, INC.	500,000	0.39%
4	FIRST PHILIPPINE HOLDINGS CORPORATION PENSION FUND	300,000	0.24%
5	CROSLO HOLDINGS CORPORATION	200,000	0.16%
6	EUGENIO LOPEZ FOUNDATION, INC.	200,000	0.16%
7	PCD NOMINEE CORPORATION (FOREIGN)	157,900	0.12%
8	PERLA R. CATAHAN &/OR ROBERTO B. CATAHAN	100,000	0.08%
9	OSCAR M. LOPEZ &/OR CONSUELO R. LOPEZ	100,000	0.08%
10	LOPEZ HOLDINGS CORPORATION	100,000	0.08%
11	ANTONIO GUAY TINSAY &/OR JOIE CLARAVALL TINSAY &/OR IRENE CLARAVALL TINSAY	75,000	0.06%
12	ALEXANDER TAN SOLIS &/OR GINA TAN SINFUEGO	50,000	0.04%
13	G. D. TAN & CO., INC.	40,000	0.03%
14	ENRIQUE C. CLEMENTE, III	30,000	0.02%
15	MARIANELA A. WIENEKE &/OR JORGE NOEL Y. WIENEKE	30,000	0.02%
16	ANGELES Z. LORAYES	25,000	0.02%
17	MARIANELA ALDEGUER WIENEKE	25,000	0.02%
18	ALFONSO SY TEH	22,000	0.02%
19	ALMIRA JAZMIN P. ESGUERRA	20,000	0.02%
20	MARGARITA B. FRAGANTE	20,000	0.02%
	PHILIPPINE BRITISH ASSURANCE CO., INC.	20,000	0.02%
	IRENEO A. RAULE JR. &/OR VALERIE F. RAULE	20,000	0.02%
TOTAL SHARES (TOP 20)		126,631,855	99.82%
TOTAL SHARES (REST OF STOCKHOLDERS)		223,665	0.18%
TOTAL ISSUED AND OUTSTANDING SHARES		126,855,520	100.00%

DIVIDENDS

First Gen has a dividend policy to declare, subject to certain conditions, an annual cash dividend on its common shares equivalent to 30.0% of the prior year’s recurring net income. Any such declaration of cash dividend is conditional upon the recommendation of the BOD, after taking into consideration factors such as, but not limited to, debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves, and working capital. Further, the declaration of a cash dividend is subject to the preferential dividend rights of the voting preferred shares and perpetual preferred shares. This dividend policy may be revised by the BOD for whatever reason it deems necessary, reasonable, or convenient.

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

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

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

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

On June 15, 2016, the BOD approved the declaration of cash dividends on its Series “F” and “G” preferred shares as follows:

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

The cash dividends have a record date of June 29, 2016 and a payment date of July 25, 2016.

On September 14, 2016, the BOD approved the declaration of cash dividends on its issued and outstanding common stocks at the rate of ₱0.35 a share with record date of September 28, 2016 and payment date of October 14, 2016.

On November 28, 2016, the Company’s BOD approved the declaration of cash dividends on the company’s preferred shares as follows:

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

The cash dividends have a record date of December 29, 2016 and a payment date of January 25, 2017.

On June 15, 2017, the Company declared cash dividends on its Series “F” and “G” preferred shares as follows:

- ₱4.00 per share on 63,202,160 outstanding Series “F” preferred shares;
- ₱3.8904 per share on 113,105,520 outstanding Series “G” preferred shares; and
- ₱0.38904 per share on the 13,750,000 outstanding Series “G” preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of June 29, 2017 and a payment date of July 25, 2017.

On September 26, 2017, the BOD of the Company declared cash dividends on outstanding common shares at ₱0.35 per share. The cash dividends have a record date of October 10, 2017 and a payment date of October 30, 2017.

On November 24, 2017, the Company declared the following cash dividends on preferred shares:

- ₱0.02 per share on all outstanding Series “B” preferred shares;
- ₱0.01 per share on all outstanding Series “E” preferred shares;
- ₱4.00 per share on all outstanding Series “F” preferred shares;
- ₱3.8904 per share on the 113,105,520 outstanding Series “G” preferred shares; and
- ₱0.38904 per share on the 13,750,000 Series “G” preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 2, 2018 and a payment date of January 25, 2018.

SALE OF UNREGISTERED / EXEMPT SECURITIES

Executive Stock Option Plan. Under the Corporation's ESOP which was approved by the BOD in July 2002, there was only one option grant which was dated July 1, 2003. Options awarded pursuant to this option grant are no longer exercisable following the Option Expiration Date of July 1, 2013. There is currently no ESOP in place.

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

CORPORATE GOVERNANCE

As a responsible corporate citizen, First Gen is aware of the importance of good corporate governance as an effective and powerful tool to help push the Company towards achieving long term success and assuring its sustained competitiveness in the energy industry. First Gen has thus put a premium on strict compliance with corporate governance regulations and ensures that the Company and its people move relentlessly towards improving its corporate governance structures to comply with and even go beyond global best practices.

Our Directors and Board Committees

The BOD of the Company is composed of individuals of proven competence and integrity. They are the persons responsible for managing and driving the corporate governance structures of First Gen. The board has the responsibility of guiding the Company towards fulfilling its economic targets and governance aspirations. Assisting the board in this endeavor are the members of the Company's management who help steer First Gen and its people in the right direction.

The Company's directors and officers keep themselves abreast of the latest standards in corporate governance. All of the Company's directors and key officers regularly participate in corporate governance seminars to further enhance their knowledge and understanding of governance structures, roles and responsibilities. With such valuable knowledge at hand, First Gen's directors and officers have the ability to craft plans, projects and processes which help the Company attain its financial goals and governance ambitions.

The BOD of First Gen consists of nine (9) members, including three (3) Independent Directors, each of whom is elected by the Company's qualified stockholders during the annual general meeting held every 2nd Wednesday of May of each year. Independent Directors Tony Tan Caktiong, Jaime I. Ayala and Cielito F. Habito have neither interest nor relationship with First Gen that may hinder their independence from the Company or its management, or interfere with their exercise of independent judgment in carrying out their responsibilities.

With an eye on further improving its governance structures and fully acknowledging independent judgment as a powerful driver of good corporate governance, the Company took the bold step of increasing the number of independent directors with the election of Dr. Cielito F. Habito on May 11, 2016. With the election of Dr. Habito, one-third (1/3) of the Company's BOD is now composed of independent directors.

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

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

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

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

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

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

The **Audit Committee** is composed of four (4) members, three (3) of whom are Independent Directors, with the 4th member being a non-executive director. The committee is headed by Independent Director Jaime I. Ayala, with Director Peter D. Garrucho, Jr. and Independent Directors Tony Tan Caktiong and Cielito F. Habito and as members.

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

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

The **Risk Management Committee** was created by the BOD in March 2010. The Risk Management Committee Charter provides that the committee shall be composed of at least three (3) members from the BOD. In May 2013, the BOD decided to elect an additional director to sit on the committee, bringing its current board membership to four (4) directors. Independent Directors comprise 50% of the committee's membership.

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

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

Our Governance Initiatives

- To maintain its high standards of corporate governance, First Gen continues to implement its Enterprise Risk Management (ERM) system across all departments and levels of the organization and in every phase of the company's business activities. The objective of the ERM system is to establish a corporate risk management system that provides the BOD, management and all employees with a clear roadmap for identifying risks, avoiding pitfalls, and seizing opportunities to grow stakeholder value.
- To continuously strengthen its corporate governance practices, the Company implements policies on Anti-Bribery and Corruption, Conflict of Interest, Corporate Social Responsibility, Insider Trading, Whistleblowing, and Related Party Transactions. The policies aim to ensure stakeholder protection as well as foster a culture of responsibility in the Company.
- With the goal of providing consistent quality services and products to its stakeholders, First Gen ensures that it complies with international standards for its management systems. In previous years, the Company was

certified compliant with the requirements under ISO 9001:2000 and ISO 9001:2008. In 2017, the Company was certified compliant under the latest version of international standards for management systems – ISO 9001:2015.

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

First Gen has long recognized corporate governance as a necessary component of sound business management. As such, the Company, through its BDO and Senior Management, continues to search for ways and means to further improve its corporate governance structures. In line with this aspiration, the Company regularly reviews its existing policies and programs with the intention of further elevating the level of accountability of the Company's directors, officers, and employees. Efforts to enhance and develop the Company's corporate governance structures have resulted in amendments to the Company's By-laws and Manual on Corporate Governance, and approval and implementation of significant policies which will provide greater protection to the company's stakeholders, and enhance organizational responsibility.

Today, more than ever, First Gen is determined to play a very significant role in the rapidly changing energy industry. First Gen is the only large energy industry player in the Philippines that has bravely and unequivocally closed its doors to coal-fired power plants. As the Company grows, it will continue to make strategic choices judiciously and boldly, and improve its corporate governance initiatives in keeping with its commitment to excellence.

Attendance of the Directors in 2017 Board Meetings

Name of Directors	2017 First Gen Board Meetings							Total
	Feb 15	Mar 15	May 9	Jun 15	Aug 3	Sep 26	Nov 24	
Federico R. Lopez	/	/	/	/	/	/	/	7
Oscar M. Lopez	/	/	/	/	/	x	/	6
Francis Giles B. Puno	/	/	/	/	/	/	/	7
Richard B. Tantoco	/	/	/	/	/	/	/	7
Peter D. Garrucho Jr.	/	/	/	/	x	/	/	6
Eugenio L. Lopez III	/	/	x	/	x	x	/	4
Tony Tan Caktiong	/	/	/	/	/	/	x	6
Jaime I. Ayala	/	/	/	/	/	/	/	7
Cielito F. Habito	/	/	/	/	x	/	/	6

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 audited consolidated financial statements.

OTHER RELEVANT INFORMATION

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

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

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

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

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

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

As of December 31, 2017, 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 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 2023. 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 parallel, the Company has also completed the initial phase of planned site development for the LNG terminal site.
- 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.