

Interest Rate Risk Table

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

2017						
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	Total
Fixed Rate						
Long-term debts:						
FGP Term Loan Facility*	1.28% - 1.43%	\$10.22	\$60.34	\$-	\$-	\$70.56
Parent \$200 million Term Loan	4.90%	20.00	40.00	47.00	81.00	188.00
Parent \$300 million Notes	6.50%	-	-	-	91.69	91.69
EDC \$300 million Notes	6.50%	-	-	210.99	-	210.99
IFC 1	7.40%	5.03	10.06	10.06	15.03	40.18
IFC 2	6.66%	6.85	13.70	13.70	3.35	37.60
FXCN						
¥3.0 billion	5.25%	2.16	4.33	46.38	-	52.87
¥4.0 billion	5.25%	2.88	5.77	61.85	-	70.50
FXR Bonds						
¥3.0 billion	4.16%	-	60.08	-	-	60.08
¥4.0 billion	4.73%	-	-	-	79.50	79.50
FNPC Term Facility	3.37%	19.19	38.38	38.38	105.53	201.48
¥1.5 billion Term Loan	5.25%	0.60	4.21	2.40	22.23	29.44
¥1.0 billion Term Loan	5.58%	0.20	0.40	2.40	17.02	20.02
¥291.2 million Term Loan	5.75%	0.45	0.90	0.90	3.59	5.84
UBP ¥2.0 billion Term Loan	5.44%	2.67	5.34	5.34	25.37	38.72
SBC ¥3.0 billion Term Loan	5.32%	4.81	9.61	10.82	32.44	57.68
PNB ¥500.0 million Term Loan	4.74%	2.00	4.01	3.00	-	9.01
BPI ¥1.0 billion Term Loan	5.21%	1.60	3.20	3.61	10.82	19.23
SBC ¥1.0 billion Term Loan	5.43%	1.34	2.67	2.67	12.68	19.36
SBC ¥500.0 million Term Loan	5.50%	0.67	1.34	1.34	6.33	9.68
BGI ¥5.0 billion Term Loan	5.25%	12.02	25.04	23.53	15.52	76.11
GCGI ¥8.5 billion Term Loan	5.25%	20.43	44.26	54.48	-	119.17
Floating Rate						
Long-term debts:						
FGPC Term Loan Facility	2.62%	\$71.43	\$142.86	\$142.86	\$107.14	\$464.29
FGP Term Loan Facility	3.97%	31.78	23.66	164.00	-	219.44
PNB Loan	4.50%	3.51	7.72	8.42	-	19.65
US\$80 million Term Loan	3.37%	72.80	-	-	-	72.80
EBWPC Loans						
\$37.5 million Commercial Debt Facility	3.76%	1.97	4.59	5.06	21.94	33.56
\$150.0 million ECA Debt Facility	3.76%-4.11%	7.87	18.38	20.25	87.76	134.26
¥5.6 billion Commercial Debt Facility	6.19%	2.53	5.06	5.06	87.93	100.58

*Including effect of interest rate swap

2016						
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	Total
Fixed Rate						
Long-term debts:						
Covered Facility*	7.65%	\$22.58	\$88.33	\$93.88	\$-	\$204.79
Uncovered Facility*	7.56% - 7.96%	13.24	-	-	-	13.24
Term Loan Facility*	1.28% - 1.43%	8.27	20.44	50.12	-	78.83
Parent \$200 million Term Loan	4.90%	6.00	40.00	40.00	108.00	194.00
Parent \$300 million Notes	6.50%	-	-	-	300.00	300.00
EDC \$300 million Notes	6.50%	19.50	58.50	9.75	-	87.75
IFC 1	7.40%	5.05	10.11	10.11	20.14	45.41
IFC 2	6.66%	6.88	13.75	13.75	10.25	44.63
FXCN						
¥3.0 billion	5.25%	\$2.17	\$4.34	\$4.34	\$44.41	\$55.26
¥4.0 billion	5.25%	2.90	5.79	5.79	59.21	73.69
FXR Bonds						
¥3.0 billion	4.16%	-	-	60.34	-	60.34
¥4.0 billion	4.73%	-	-	-	80.45	80.45
FNPC Term Facility	3.37%	\$19.19	\$38.38	\$38.38	\$124.73	\$220.68
¥1.5 billion Term Loan	5.25%	0.60	2.41	3.62	23.53	30.16
¥1.0 billion Term Loan	5.58%	-	0.40	1.41	18.30	20.11
¥291.2 million Term Loan	5.75%	-	0.90	0.90	4.05	5.85
BGI ¥5.0 billion Term Loan	5.25%	12.07	24.14	27.15	25.14	88.50
GCGI ¥8.5 billion Term Loan	5.25%	20.51	41.03	47.87	30.77	140.18

(Forward)



	2016					Total
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	
<u>Floating Rate</u>						
Long-term debts:						
Uncovered Facility	5.17%	\$4.41	\$—	\$—	\$—	\$4.41
Term Loan Facility	3.54%	25.73	63.56	37.88	118.00	245.17
Staple Financing	5.38%	41.74	—	—	—	41.74
PNB Loan	3.07%	5.50	11.55	12.65	6.60	36.30
US\$80 million Term Loan	2.56%	—	72.80	—	—	72.80
US\$175 million Refinanced Syndicated Term loan	2.51%	87.48	—	—	—	87.48
EBWPC Loans						
\$37.5 million Commercial Debt Facility	3.30%	1.50	4.13	4.97	24.47	35.07
\$150.0 million ECA Debt Facility	3.30%	6.00	16.50	19.88	97.88	140.26
₱5.6 billion Commercial Debt Facility	3.65%	2.54	5.08	5.08	95.35	108.05

*Including effect of interest rate swap

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates for the years ended December 31, 2017 and 2016, with all other variables held constant, of First Gen Group's income before income tax and equity (through the impact of floating rate borrowings, derivative assets and liabilities):

	Increase (Decrease) in Basis Points	Increase (Decrease) in Income Before Income Tax	Increase (Decrease) in Equity
December 31, 2017			
U.S. Dollar	+100	(\$7.78 million)	\$9.05 million
	-100	7.78 million	(8.16 million)
December 31, 2016			
U.S. Dollar	+100	(\$7.17 million)	\$13.50 million
	-100	7.17 million	(12.74 million)
Philippine Peso	+100	(0.64 million)	–
	-100	0.64 million	–

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

Foreign Currency Risk

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

The following table sets out the foreign currency-denominated monetary assets and liabilities (translated into U.S. dollar) as of December 31, 2017 and 2016 that may affect the consolidated financial statements of First Gen Group (amounts in millions):



	2017									
	Original Currency									
	Philippine Peso- denominated Balances	Euro- denominated Balance	Japanese Yen- denominated Balance	Chilean Peso denominated Balance	New Zealand dollar denominated Balance	Singapore Dollar denominated Balance	Hong Kong Dollar denominated Balance	Peruvian Sol Denominated Balance	Indonesian Rupiah denominated Balance	Equivalent U.S. Dollar Balances ¹
Financial Assets										
Loans and receivables:										
Cash and cash equivalents	₱20,138.1	€—	¥—	CHL₱118.7	NZ\$—	SG\$—	HK\$—	PEN0.2	IDR1,566.7	\$408.2
Receivables	8,533.8	—	—	—	—	—	—	—	—	170.9
Long-term receivables	191.3	—	—	—	—	—	—	—	—	3.8
	28,863.2	—	—	118.7	—	—	—	0.2	1,566.7	582.9
AFS financial assets	546.4	—	—	—	—	—	—	—	—	10.9
Financial assets at FVPL	1,034.6	—	—	—	—	—	—	—	—	20.7
Total financial assets	30,444.2	—	—	118.7	—	—	—	0.2	1,566.7	614.5
Financial Liabilities										
Liabilities at amortized cost:										
Accounts payable and accrued expenses	11,306.8	9.2	115.1	—	1.6	0.1	0.1	—	—	250.6
Dividends payable	722.9	—	—	—	—	—	—	—	—	14.5
Long-term debts	42,829.6	—	—	—	—	—	—	—	—	857.8
Total financial liabilities	54,859.3	9.2	115.1	—	—	—	—	—	—	1,122.9
Net financial liabilities (assets)	₱24,415.1	€9.2	¥115.1	(CHL₱118.7)	NZ\$1.6	SG\$0.1	HK\$0.1	(PEN0.2)	(IDR1,566.7)	\$508.4

¹ US\$1=₱49.93, US\$1=€0.838, US\$1=¥112.887, US\$1=CHL₱615.660, US\$1=HK\$7.816, US\$1=NZD1.412, US\$1=SG\$1.338, US\$1=IDR13,494.59 and US\$1=PEN0.054 as of December 31, 2017

	2016								
	Original Currency								
	Philippine Peso- denominated Balances	Euro- denominated Balance	Japanese Yen- denominated Balance	Chilean Peso denominated Balance	New Zealand dollar denominated Balance	Singapore Dollar denominated Balance	Hong Kong Dollar denominated Balance	Great Britain Pound denominated Balance	Equivalent U.S. Dollar Balances ¹
Financial Assets									
Loans and receivables:									
Cash and cash equivalents	₱12,191.2	€–	¥–	CHL₱142.7	NZ\$–	SG\$–	HK\$–	£–	\$245.6
Receivables	8,733.4	–	–	–	–	–	–	–	175.7
Long-term receivables	34.9	–	–	–	–	–	–	–	0.7
	20,959.5	–	–	142.7	–	–	–	–	422.0
AFS financial assets	1,120.4	–	–	–	–	–	–	–	22.5
Financial assets at FVPL	383.9	–	–	–	–	–	–	–	7.7
Total financial assets	22,463.8	–	–	142.7	–	–	–	–	452.2
Financial Liabilities									
Liabilities at amortized cost:									
Accounts payable and accrued expenses	₱9,922.8	₱7.1	₱328.3	₱–	₱0.5	₱0.1	₱0.1	₱0.2	₱210.5
Dividends payable	731.8	–	–	–	–	–	–	–	14.7
Long-term debts	40,743.9	–	–	–	–	–	–	–	819.5
Total financial liabilities	51,398.5	7.1	328.3	–	0.5	0.1	0.1	0.2	1,044.7
Net financial liabilities (assets)	₱28,934.7	€7.1	¥328.3	(CHL142.7)	NZ\$0.5	SG\$0.1	HK\$0.1	£0.2	\$592.2

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



The following tables demonstrate, for the years ended December 31, 2017 and 2016, the sensitivity to a reasonably possible change in the foreign currency exchange rates applicable to First Gen Group, with all other variables held constant, to First Gen Group's income before income tax and equity (due to changes in the revaluation of monetary assets and liabilities):

2017			
	Foreign Currency Appreciates (Depreciates) By	Increase (Decrease) in Income Before Income Tax	Increase (Decrease) in Equity
<i>(Amounts in Millions)</i>			
Philippine Peso	6%	\$10.31	(\$35.27)
	(6%)	(\$11.62)	45.80
European Euro	3%	(0.01)	0.21
	(3%)	0.01	(0.21)
Japanese Yen	10%	(0.09)	—
	(10%)	0.11	—
Chilean Peso	10%	(0.2)	—
	(10%)	0.2	—
Hong Kong Dollar	10%	(0.01)	—
	(10%)	0.01	—
Singapore Dollar	10%	(0.01)	—
	(10%)	0.01	—
New Zealand Dollar	10%	(0.10)	—
	(10%)	0.13	—
Peruvian Sol	10%	(0.41)	—
	(10%)	0.50	—
Indonesian Rupiah	10%	(0.01)	—
	(10%)	0.01	—
2016			
	Foreign Currency Appreciates (Depreciates) By	Increase (Decrease) in Income Before Income Tax	Increase (Decrease) in Equity
<i>(Amounts in Millions)</i>			
Philippine Peso	5%	\$2.36	\$30.08
	(5%)	(2.61)	(33.24)
European Euro	3%	(0.23)	—
	(3%)	0.23	—
Japanese Yen	10%	(0.25)	—
	(10%)	0.31	—
Chilean Peso	10%	(0.02)	—
	(10%)	0.02	—
Hong Kong Dollar	10%	(0.01)	—
	(10%)	0.01	—
Singapore Dollar	10%	(0.01)	—
	(10%)	0.01	—
New Zealand Dollar	10%	(0.03)	—
	(10%)	0.04	—
Great Britain Pound	10%	(0.02)	—
	(10%)	0.03	—

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

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



The U.S. dollar denominated monetary assets are translated to Philippine peso using the exchange rate of ₱49.93 to \$1.00 and ₱49.72 to \$1.00 as at December 31, 2017 and 2016, respectively.

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 or hedge its foreign currency denominated loans whenever deemed feasible or enter into derivative contracts.

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

	2017		2016	
	U.S. Dollar-denominated Balances	Philippine Peso Equivalent	U.S. Dollar-denominated Balances	Philippine Peso Equivalent
<i>(Amounts in Millions)</i>				
Financial Assets				
Loans and receivables:				
Cash equivalents	\$33.0	₱1,647.2	\$63.9	₱3,177.5
Cash on hand and in banks	9.4	467.4	9.5	474.2
AFS financial assets -				
Derivative assets designated as cash flow hedges	2.2	111.3	13.0	646.5
Total financial assets	\$44.6	₱2,225.9	\$86.4	₱4,298.2
Financial Liabilities				
Liabilities at amortized cost:				
Accounts payable	\$14.8	₱740.3	\$13.2	₱655.9
Long-term debt	444.9	22,213.1	626.7	31,160.6
Accrued interest on long-term debts	6.8	337.8	9.4	467.5
Derivative liabilities designated as cash flow hedges	1.7	84.7	2.0	101.7
Total financial liabilities	\$468.2	₱23,375.9	\$651.3	₱32,385.7

The following table sets out the impact of the range of reasonably possible movement in the U.S. dollar exchange rates with all other variables held constant on the Group's income before income tax and equity for the years ended December 31, 2017 and 2016.

	Change in Exchange Rate in U.S dollar against Philippine peso	Effect on Income Before Income Tax	Equity
		<i>(Amounts in Millions)</i>	
2017	10% (10%)	(₱2,117.65) 2,117.65	₱2.67 (2.67)
2016	10% (10%)	(₱2,863.22) 2,863.22	₱54.48 (54.48)

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

Credit Risk

First Gen Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is First Gen Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the level of the



allowance account is reviewed on an ongoing basis to ensure that First Gen Group's exposure to doubtful accounts is not significant.

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.

Credit Risk Exposure

The table below shows the gross maximum exposure to credit risk of First Gen Group as of December 31, 2017 and 2016.

	2017	2016
Financial assets accounted for as cash flow hedge		
Derivative assets	\$4,416	\$12,833
Financial assets at FVPL		
Designated as at FVPL	20,720	22,534
Loans and receivables		
Cash and cash equivalents*	670,972	497,873
Receivables:		
Trade	352,135	336,518
Due from related parties	1,729	1,592
Others	3,083	6,372
DSRA	114,173	20,665
Long-term receivables	5,753	1,265
Short-term investments	14,847	5,873
Special deposits and funds	5,177	2,695
Other current assets	709	726
Total loans and receivables	1,168,578	873,579
AFS financial assets		
Debt securities	2,936	2,565
Equity securities	7,042	6,749
Proprietary club membership shares	964	1,014
Total AFS financial assets	10,942	10,328
	\$1,204,656	\$919,274

*Excluding cash on hand

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



The following tables show First Gen Group's aging analysis of financial assets as of December 31, 2017 and 2016:

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

*Excluding cash on hand

2016							
	Neither Past Due nor Impaired	Past Due but Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
Loans and receivables:							
Cash and cash equivalents*	\$497,873	\$-	\$-	\$-	\$-	\$-	\$497,873
Trade receivables	268,060	5,241	12,988	50,229	-	2,307	338,825
Due from related parties	1,592	-	-	-	-	-	1,592
Other receivables	6,372	-	-	-	-	-	6,372
Long-term receivables	1,265	-	-	-	-	1,562	2,827
Special deposits and funds	2,695	-	-	-	-	-	2,695
Short-term investments	5,873	-	-	-	-	-	5,873
DSRA	20,665	-	-	-	-	-	20,665
Other current assets	726	-	-	-	-	-	726
AFS financial assets:							
Debt securities	2,565	-	-	-	-	-	2,565
Equity securities	6,749	-	-	-	-	-	6,749
Proprietary club membership shares	1,014	-	-	-	-	-	1,014
Financial assets at FVPL - Designated as at FVPL	22,534	-	-	-	-	-	22,534
Financial assets accounted for as cash flow hedge - Derivative assets	12,833	-	-	-	-	-	12,833
Total	\$850,816	\$5,241	\$12,988	\$50,229	\$-	\$3,869	\$923,143

*Excluding cash on hand

Credit Quality of Financial Assets

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

Financial assets are classified as 'high grade' if the counterparties are not expected to default in settling their obligations, thus, credit risk exposure is minimal. These counterparties normally include banks, related parties, and customers who pay on or before due date. Financial assets are classified as 'standard grade' if the counterparties settle their obligations to First Gen Group with tolerable delays.



As of December 31, 2017 and 2016, substantially all financial assets that are neither past due nor impaired are viewed by management as 'high grade' considering the collectability of the receivables and the credit history of the counterparties. Meanwhile, past due but not impaired financial assets are classified as standard grade.

Concentration of Credit Risk

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

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

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

The table below shows the risk exposure in respect to credit concentration of First Gen Group as of December 31, 2017 and 2016:

	2017	2016
Trade receivables from Meralco	\$147,301	\$178,687
Trade receivables from NPC and TransCo	69,821	78,354
Total credit concentration risk	\$217,122	\$257,041
Total receivables	\$356,947	\$344,482
Credit concentration percentage	60.83%	74.62%

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, EDC, GCGI, BGI, and EBWPC in particular, each maintain a DSRA to sustain the debt service requirements for the next payment period. As part of its liquidity risk management, First Gen Group regularly evaluates its projected and actual cash flows. It also continuously assesses the financial market conditions for opportunities to pursue fund raising activities.

As of December 31, 2017 and 2016, 24.0% and 20.9%, respectively, of First Gen Group's debt will mature in less than a year based on the carrying value of borrowings reflected in the consolidated financial statements.



The tables below summarize the maturity profile of First Gen Group's financial assets used for liquidity management and financial liabilities as of December 31, 2017 and 2016 based on the contractual undiscounted payments:

	2017					Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	
Financial Assets:						
Cash and cash equivalents	\$671,251	\$-	\$-	\$-	\$-	\$671,251
Trade receivables	-	284,498	17,666	49,971	-	352,135
DSRA	-	-	114,173	-	-	114,173
Total loans and receivables	671,251	284,498	131,839	49,971	-	1,137,559
Derivative contract receipts	-	-	1,322	1,987	-	3,309
Derivative contract payments	-	-	(962)	(1,173)	-	(2,135)
Total financial assets accounted for as cash flow hedge	-	-	360	814	-	1,174
AFS financial assets -						
Debt securities	2,936	-	-	-	-	2,936
Total financial assets	\$674,187	\$284,498	\$132,199	\$50,785	\$-	\$1,141,669
Financial liabilities:						
Accounts payable and accrued expenses*	\$57,874	\$245,473	\$28,797	\$-	\$-	\$332,144
Due to a related party	145	-	-	-	-	145
Dividends payable	-	14,478	-	-	-	14,478
Long-term debts	-	48,427	428,995	1,676,049	931,916	3,085,387
Total liabilities carried at amortized cost	58,019	308,378	457,792	1,676,049	931,916	3,432,154
Derivative contract receipts	-	(6,846)	-	-	-	(6,846)
Derivative contract payments	-	6,914	-	-	-	6,914
Total financial liabilities accounted for as cash flow hedges	-	68	-	-	-	68
Total financial liabilities	\$58,019	\$308,446	\$457,792	\$1,676,049	\$931,916	\$3,432,222

	2016					Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	
Financial Assets:						
Cash and cash equivalents	\$497,980	\$-	\$-	\$-	\$-	\$497,980
Trade receivables	-	273,301	46,828	16,389	-	336,518
DSRA	20,665	-	-	-	-	20,665
Total loans and receivables	518,645	273,301	46,828	16,389	-	855,163
Derivative contract receipts	-	-	1,851	4,803	-	6,654
Derivative contract payments	-	-	(1,086)	(2,136)	-	(3,222)
Total financial assets accounted for as cash flow hedge	-	-	765	2,667	-	3,432
AFS financial assets -						
Debt securities	2,565	-	-	-	-	2,565
Total financial assets	\$521,210	\$273,301	\$47,593	\$19,056	\$-	\$861,160
Financial liabilities:						
Accounts payable and accrued expenses*	\$78,656	\$211,303	\$31,621	\$-	\$-	\$321,580
Due to a related party	145	-	-	-	-	145
Dividends payable	-	14,719	-	-	-	14,719
Long-term debts	-	46,381	388,649	1,695,038	1,280,282	3,410,350
Total liabilities carried at amortized cost	78,801	272,403	420,270	1,695,038	1,280,282	3,746,794
Derivative contract receipts	-	-	(2,838)	(8,837)	-	(11,675)
Derivative contract payments	-	-	9,119	17,864	-	26,983
Total financial liabilities accounted for as cash flow hedges	-	-	6,281	9,027	-	15,308
Total financial liabilities	\$78,801	\$272,403	\$426,551	\$1,704,065	\$1,280,282	\$3,762,102

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



Merchant Risk

First Gen Group has two fully-merchant power plants, namely FNPC and Prime Meridian. These new gas plants are exposed to the volatility of spot prices because of supply and demand changes, which are mostly driven by factors that are outside of First Gen Group's control. These factors include (but are not limited to) unexpected outages, weather conditions, transmission constraints, and changes in fuel prices. These have caused and are expected to cause variability in the operating results of the aforementioned merchant plants. In 2018, FNPC was awarded a 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 and 2016, First Gen Group was 80% and 79% contracted in terms of installed capacity, respectively. This percentage will increase to 92.0% upon approval of the FNPC PSA with Meralco by the ERC.

Capital Management

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

First Gen Group manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust the capital structure, First Gen Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No significant changes were made in the objectives, policies or processes during the years ended December 31, 2017 and 2016.

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

	2017	2016
Long-term debts (current and non-current portions)	\$2,512,687	\$2,678,132
Equity attributable to equity holders of the Parent		
Company	\$1,882,270	\$1,662,949
Non-controlling interests	581,918	426,618
Total equity	\$2,464,188	\$2,089,567
Total debt and equity	\$4,976,875	\$4,767,699
Debt ratio	51:49	56:44

First Gen Group's subsidiaries are obligated to perform certain covenants with respect to maintaining specified debt-to-equity and minimum debt-service coverage ratios, as set forth in their respective agreements with the creditors. As of December 31, 2017 and 2016, First Gen Group is in compliance with those covenants.



25. Financial Instruments

Set out in the following table is a comparison by category of the carrying values and fair values of First Gen Group's financial instruments as at December 31, 2017 and 2016 that are carried in the consolidated financial statements:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Financial assets accounted for as cash flow				
hedges - Derivative assets	\$4,416	\$4,416	\$12,833	\$12,833
Financial assets designated at FVPL	20,720	20,720	22,534	22,534
Loans and receivables:				
Cash and cash equivalents	671,251	671,251	497,980	497,980
Receivables:				
Trade	352,135	352,135	336,518	336,518
Due from related parties	1,729	1,729	1,592	1,592
Others	3,083	3,083	6,372	6,372
Long-term receivables	5,753	3,542	1,265	1,209
Special deposits and funds	5,177	5,177	2,695	2,695
Short-term investments	14,847	14,847	5,873	5,873
DSRA	114,173	114,173	20,665	20,665
Other current assets	709	709	726	726
Total loans and receivables	1,168,857	1,166,646	873,686	873,630
AFS financial assets -				
Debt securities	2,936	2,936	2,565	2,565
Equity securities	7,042	7,042	6,749	6,749
Proprietary club membership shares	964	964	1,014	1,014
Total AFS financial assets	10,942	10,942	10,328	10,328
	\$1,204,935	\$1,202,724	\$919,381	\$919,325
Financial Liabilities				
Financial liabilities carried at amortized cost:				
Accounts payable and accrued expenses*	\$332,145	\$332,145	\$321,580	\$321,580
Dividends payable	14,478	14,478	14,719	14,719
Due to a related party	145	145	145	145
Long-term debts	2,512,687	2,592,791	2,678,132	2,832,607
Total financial liabilities at amortized cost	2,859,455	2,939,559	3,014,576	3,169,051
Financial liability accounted for as cash flow				
hedges - Derivative liabilities	1,763	1,763	16,435	16,435
	\$2,861,218	\$2,941,322	\$3,031,011	\$3,185,486

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

Fair Value and Categories of Financial Instruments

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

Long-term Receivables

The fair value of long-term receivables was computed by discounting the expected cash flows using the applicable rates of 4.05% and 3.40% in 2017 and 2016, respectively.

AFS financial assets

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

Financial instruments at fair value through profit or loss

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



FGP and FGPC long-term debts

The fair values of long-term debts were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. dollar interest rates ranging from 1.7753% to 2.4675% and 0.9656% to 2.1780% as of December 31, 2017 and 2016, respectively.

Parent Company and FNPC long-term debts

The fair values of the Parent Company's and FNPC's U.S. dollar-denominated long-term debts were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. dollar interest rates on December 31, 2017 and 2016 ranging from 1.4980% to 2.6260% and 0.6350% to 2.6520%, respectively.

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

The fair values for EDC's and FG Hydro's long-term debts are estimated using the discounted cash flow methodology with the applicable rates ranging from 1.75% to 97.32% and 1.75% to 34.18% on December 31, 2017 and 2016, respectively. As of December 31, 2016, the fair value of Red Vulcan's Staple Financing approximates its carrying value. On September 18, 2017, Red Vulcan fully settled the outstanding loan.

Fair Value Hierarchy of Financial Assets and Liabilities

The table below summarizes the fair value hierarchy of First Gen Group's financial assets and liabilities.

	2017			
	Fair value	Level 1	Level 2	Level 3
Loans and receivables:				
Long-term receivables	\$3,542	\$—	\$—	\$3,542
AFS financial assets:				
Debt securities	2,936	2,936	—	—
Equity securities	7,042	864	6,178	—
Financial assets accounted for as cash flow hedges - Derivative assets	4,416	—	4,416	—
Financial assets designated at FVPL	20,720	—	20,720	—
Long-term debt	2,592,791	—	—	2,592,791
Financial liabilities accounted for as cash flow hedges - Derivative liabilities	1,763	—	1,763	—
	2016			
	Fair value	Level 1	Level 2	Level 3
Loans and receivables:				
Long-term receivables	\$1,209	\$—	\$—	\$1,209
AFS financial assets:				
Debt securities	2,565	2,565	—	—
Equity securities	6,749	655	6,094	—
Financial assets accounted for as cash flow hedges - Derivative assets	12,833	—	12,833	—
Financial assets designated at FVPL	22,534	—	22,534	—
Long-term debt	2,832,607	—	—	2,832,607
Financial liabilities accounted for as cash flow hedges - Derivative liabilities	16,435	—	16,435	—

As of December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and there were no transfers into and out of Level 3 fair value measurements.

Derivative Financial Instruments

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



The table below shows the fair values of First Gen Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as of December 31, 2017 and 2016. The notional amount is the basis upon which changes in the value of derivatives are measured.

	2017			2016		
	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives Designated as Accounting Hedges						
Freestanding derivatives:						
Interest rate swaps	\$2,186	\$1,545	\$224,696	\$2,213	\$16,435	\$441,865
Cross currency swaps	—	—	—	9,410	—	75,000
Forward contracts	—	68	€5,716	—	—	—
Call spread swaps	2,230	150	\$48,800	1,210	—	28,800
Total derivatives	\$4,416	\$1,763		\$12,833	\$16,435	
Presented as:						
Current	\$2,294	\$158		\$9,461	\$88	
Noncurrent	2,122	1,605		3,372	16,347	
Total derivatives	\$4,416	\$1,763		\$12,833	\$16,435	

Derivatives not Designated as Accounting Hedges

These derivatives may include freestanding derivatives used to economically hedge certain exposures but were not designated by management as accounting hedges. Such derivatives are classified as at FVPL with changes in fair value directly taken to the consolidated statement of income. As of December 31, 2017 and 2016, First Gen Group has no derivatives not designated as accounting hedges.

Derivatives Designated as Accounting Hedges

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

Interest Rate Swaps - FGPC

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

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

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



On May 19, 2017, FGPC terminated the IRS agreements in the amount of \$13.4 million. As the hedge loan was terminated, the aggregate negative fair values of the interest rate swaps that were deferred to “Cumulated translation adjustments” account in the consolidated statement of financial position amounting to \$13.4 million as of the termination date were taken in the “Interest expense and financing charges” account in the consolidated statement of income (see Note 20).

As of December 31, 2017 and 2016, the aggregate negative fair values of the IRS that were deferred to “Cumulative translation adjustments” account in the consolidated statement of financial position amounted to nil and \$10.1 million (net of related deferred income tax effect of \$4.3 million), respectively.

Interest Rate Swap - FGP

In April 2013, FGP entered into two interest rate swap agreements with ING Bank and SCB to hedge its floating rate exposure on \$80.0 million of its \$420.0 million term loan facility (see Note 14). Under the IRS agreements, FGP pays a fixed rate of 1.425% and receives a floating rate of U.S. LIBOR, on a semi-annual basis, simultaneous with the interest payments every June and December on the hedged loan.

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

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

As of December 31, 2017 and 2016, the positive fair values of the IRS that were deferred to “Cumulative translation adjustments” account in the consolidated statement of financial position amounted to \$0.8 million (net of related deferred income tax effect of \$0.3 million) and \$0.7 million (net of related deferred income tax effect of \$0.3 million), respectively.

There was no ineffective portion recognized in the consolidated statement of income for the years ended December 31, 2017, 2016 and 2015.

The outstanding aggregate notional amounts and the related cumulative mark-to-market gains and losses of the IRS designated as cash flow hedges as of December 31, 2017 and 2016 are as follows:

	2017	2016
Notional amounts	\$74,696	\$272,865
Cumulative mark-to-market losses	—	(14,388)
Cumulative mark-to-market gains	1,100	1,021



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

	2017	2016
Fair value at beginning of year	(\$13,367)	(\$21,539)
Fair value changes taken into equity during the year	(1,493)	(1,097)
Fair value changes realized during the year	15,960	9,269
Fair value at end of year	1,100	(13,367)
Deferred income tax effect on cash flow hedges	(330)	4,010
Fair value deferred into equity	\$770	(\$9,357)

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

For the years ended December 31, 2017 and 2016, fair value changes taken to the consolidated statement of income amounted to \$11.9 million and \$5.7 million, respectively.

Foreign Currency Forwards - FGPC, FGP and FNPC

On September 11, 2017, FGPC, FGP and FNPC entered into several currency forwards with ING Bank N.V. Manila Branch (ING) to purchase European Euro at fixed Euro to U.S. dollar exchange rates. FGPC, FGP and FNPC designated these derivatives as effective hedging instruments that will address the risk on variability of cash flows due to foreign exchange fluctuations in Euro to U.S. dollar exchange rates related to its Euro denominated liabilities arising from the monthly operations and maintenance fees to SPOI.

Under the agreements, FGPC, FGP, FNPC are obligated to buy Euro from ING amounting to €8.6 million, €3.7 million and €1.8 million, respectively, based on the agreed strike exchange rates. The settlement of each of the forward contract is from October 3, 2017 up to March 2, 2018 which coincides with the settlement of the outstanding and forecasted monthly payables to SPOI.

Pertinent details of the foreign currency forwards are as follows:

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

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



Cross Currency Swaps - EDC

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

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

Pertinent details of the NDCCS are as follows:

Notional amount (in million)	Trade Date	Effective Date	Maturity Date	Swap rate	Fixed rate	Variable rate
\$15.00	03/26/12	03/27/12	06/17/17	43.05	4.87%	3-month LIBOR + 175 bps
\$10.00	04/18/12	06/27/12	06/17/17	42.60	4.92%	3-month LIBOR + 175 bps
\$10.00	05/03/12	06/27/12	06/17/17	42.10	4.76%	3-month LIBOR + 175 bps
\$10.00	06/15/12	06/27/12	06/17/17	42.10	4.73%	3-month LIBOR + 175 bps
\$10.00	07/17/12	09/27/12	06/17/17	41.25	4.58%	3-month LIBOR + 175 bps
\$10.00	10/29/12	12/27/12	06/17/17	41.19	3.44%	3-month LIBOR + 175 bps
\$7.50	05/14/14	06/27/14	06/17/17	43.62	3.80%	3-month LIBOR + 175 bps
\$7.50	05/14/14	06/27/14	06/17/17	43.57	3.80%	3-month LIBOR + 175 bps
\$7.50	06/09/14	06/27/14	06/17/17	43.55	3.60%	3-month LIBOR + 175 bps
\$7.50	06/09/14	06/27/14	06/17/17	43.55	3.60%	3-month LIBOR + 175 bps
\$7.50	07/10/14	9/27/14	06/17/17	43.29	3.50%	3-month LIBOR + 175 bps
\$7.50	07/09/14	9/27/14	06/17/17	43.37	3.68%	3-month LIBOR + 175 bps

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

All NDCCS were settled on June 17, 2017.

As of December 31, 2016, the outstanding aggregate notional amount of EDC's NDCCS amounted \$75.0 million. The aggregate positive fair value changes on these NDCCS amounting to \$0.3 million were recognized under "Cumulative translation adjustments" account in the consolidated statement of financial position as of December 31, 2016.

Interest Rate Swap - EBWPC

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



Pertinent details of the IRS are as follows:

Notional amount (in million)	Trade Date	Effective Date	Maturity Date	Fixed rate	Variable rate
US\$62.00	10/20/14	12/15/14	10/23/29	2.635%	6-month LIBOR
40.00	10/20/14	12/15/14	10/23/29	2.635	6-month LIBOR
39.00	12/11/14	12/15/14	10/23/29	2.635	6-month LIBOR
18.00	02/12/16	06/15/16	10/23/29	1.825	6-month LIBOR
9.00	10/20/14	12/15/14	10/23/29	2.508	6-month LIBOR
6.00	02/12/16	06/15/16	10/23/29	1.825	6-month LIBOR
6.00	02/12/16	06/15/16	10/23/29	1.825	6-month LIBOR

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

As of December 31, 2017 and 2016, the outstanding aggregate notional amounts of EBWPC's interest rate swap amounted to \$162.2 million and \$169.0 million, respectively. The aggregate negative fair value changes on these interest rate swaps amounting to \$1.2 million and \$0.3 million, respectively, were recognized under "Cumulative translation adjustments" account in the consolidated statements of financial position as of December 31, 2017 and 2016.

Call Spread Swap Contracts - EDC

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

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

The aggregate fair value changes on these CSS contracts amounted to \$0.9 million and \$1.2 million as of December 31, 2017 and 2016, respectively.

Hedge Effectiveness Results

Since the critical terms of the hedged loans and the interest rate swaps/NDCCS match, except for one to two days timing difference on the interest reset dates, the hedges were assessed to be highly effective. As such, the aggregate fair value changes on these interest rate swaps/NDCCS amounting to nil and \$8.7 million gain as of December 31, 2017 and 2016 were recognized under "Cumulative translation adjustments" account in the consolidated statement of financial position. No ineffective portion was recognized in the consolidated statements of income for the years ended December 31, 2017, 2016 and 2015.

As of December 31, 2017 and 2016, the fair value of the outstanding CSS amounted to \$0.9 million loss. Since the critical terms of the \$80.0 million club loan and CSS match, EDC recognized the aggregate fair value changes on these under "Mark-to-market gain (loss) on derivatives" account in the consolidated statements of income.



As of December 31, 2017 and 2016, the net movement of changes made to “Cumulative translation adjustments” account for EDC’s cash flow hedges are as follows:

	2017	2016
Balances at beginning of year	(\$503)	(\$3,948)
Fair value changes taken into equity during the year	(6,899)	7,470
Fair value changes realized during the year	(2,001)	(1,612)
Foreign exchange losses realized taken to the consolidated statements of income	8,990	(2,413)
	(413)	(503)
Deferred income tax effect on cash flow hedges	(832)	231
Balances at end of year	(\$1,245)	(\$272)

26. Significant Contracts, Franchise, Commitments and Contingencies

a. PPAs and PSAs

FGP and FGPC

FGP and FGPC each has an existing PPA with Meralco, the largest power distribution company operating in the island of Luzon and the Philippines and the sole customer of both companies. Under the PPA, Meralco will purchase in each contract year from the start of commercial operations, a minimum number of kWh of the net electrical output of FGP and FGPC for a period of 25 years. Billings to Meralco under the PPA are substantially in U.S. dollar and a small portion is billed in Philippine peso.

On January 7, 2004, Meralco, FGP and FGPC signed the amendment to their respective PPAs. The negotiations resulted in a package of concessions including the assumption of FGP and FGPC of community taxes at current tax rate, while conditional concessions include increasing the discounts on excess generation, payment of higher penalties for non-performance up to a capped amount, recovery of accumulated deemed delivered energy until 2011 resulting in the non-charging of Meralco of excess generation charge for such energy delivered beyond the contracted amount but within a 90% capacity quota. The amended terms under the respective PPAs of FGP and FGPC were approved by the ERC on May 31, 2006.

Under the respective PPAs of FGP and FGPC, the fixed capacity fees and fixed operating and maintenance fees are recognized monthly based on the actual NDC tested and proven, which is usually conducted on a semi-annual basis. Total fixed capacity fees and fixed operating and maintenance fees amounted to \$305.2 million, \$298.0 million and \$296.4 million for the years ended December 31, 2017, 2016 and 2015, respectively. Total power sold to Meralco by FGP and FGPC (which already includes the fixed capacity fees and fixed operating and maintenance fees mentioned above) amounted to \$920.2 million, \$826.6 million and \$1,076.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

FG Bukidnon

On January 9, 2008, FG Bukidnon and Cagayan Electric Power and Light Co., Inc. (CEPALCO), an electric distribution utility operating in the City of Cagayan de Oro, signed a PSA for the FG Bukidnon plant. Under the PSA, FG Bukidnon shall generate and deliver to CEPALCO and CEPALCO shall take, and pay for even if not taken, the available energy for a period commencing on the date of ERC approval until March 28, 2025.



On June 14, 2012, FG Bukidnon signed a Transmission Service Agreement with NGCP for the latter's provision of the necessary transmission services to FG Bukidnon. The charges under this agreement are as provided in the Open Access Transmission Service Rules and/or applicable ERC orders/issuances. Under the PSA, these transmission-related charges shall be passed through to CEPALCO.

FG Hydro

FG Hydro had contracts which were originally transferred by NPC to FG Hydro as part of the acquisition of PAHEP/MAHEP for the supply of electric energy with several customers within the vicinity of Nueva Ecija. All contracts expired as of December 31, 2010.

Upon renegotiation with the customers and as stipulated by the ERC, the expired contracts were renewed except for the contract with Pantabangan Municipal Electric System (PAMES). FG Hydro shall generate and deliver to these customers the contracted energy on a monthly basis. FG Hydro is bound to service these customers for the remainder of the stipulated terms, the range of which falls between August 2018 and December 2020.

Upon expiration, these contracts may be renewed upon renegotiation with the customers and approval by the ERC. As of December 31, 2017, there are three remaining long-term power supply agreements being serviced by FG Hydro.

Details of the existing contracts are as follows:

Related Contract	Expiry Date	Other Development
Nueva Ecija II Electric Cooperative, Inc., Area 1 (NEECO II - Area 1)	August 25, 2018	The ERC granted a provisional approval of the PSC between FG Hydro and NEECO II-Area 1 that took effect on January 13, 2014.
Edong Cold Storage and Ice Plant (ECOSIP)	December 25, 2020	A new agreement was signed by FG Hydro and ECOSIP in November 2010 for the supply of power in the succeeding ten years.
NIA-Upper Pampanga River Integrated Irrigation System (UPRIIS)	October 25, 2020	FG Hydro and NIA-UPRIIS signed a new agreement in October 2010 for the supply of power in the succeeding ten years.
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.

The PSA with Nueva Ecija II Electric Cooperative, Inc., Area 2 expired on December 25, 2016 and was not renewed.



EDC

EDC sells electricity pursuant to the following PPAs/PSA/ASPA:

- 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 contract is for a period of 25 years, which commenced in November 1997.

52.0 MW Mindanao I

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

54.0 MW Mindanao II

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

Revenue from sale of electricity covered by the three (3) PPAs amounted to \$274.0 million, \$298.1 million \$304.6 million in 2017, 2016 and 2015, respectively.

- PSAs

49.0 MW Nasulo

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

Revenue from sale of electricity covered by the PSAs amounted to \$10.7 million, \$2.4 million and \$2.3 million in 2017, 2016 and 2015, respectively.

- 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.



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 Retail Electricity Suppliers.

Total revenue from sale of electricity under the PSCs and PSAs amounted to \$179.2 million, \$234.6 million and \$246.6 million in 2017, 2016 and 2015, respectively.

- 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.

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.

Total revenue from the sale of electricity amounted to \$92.8 million, \$66.5 million and \$93.2 million in 2017, 2016 and 2015, respectively. The costs of purchases of electricity from WESM were offset against revenues from sale of electricity. Any excess revenue from or excess cost of sale of electricity is presented as revenues from sale of electricity or cost of sale of electricity, respectively.

ULGEI

As of December 31, 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

The total revenue from the sale of electricity under PSA's amounted to \$30.9 million, \$17.5 million and \$9.0 million in 2017, 2016 and 2015, respectively.



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. 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.

FGES

Retail Supply Contract (RSC)

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

Total revenue from sale of electricity relating to the agreements amounted to \$42.7 million, \$13.7 million and \$8.4 million in 2017, 2016 and 2015, respectively. Customer's deposit to guarantee the obligations in the form of escrow, shown as part of "Other noncurrent assets" account, amounted to \$2.4 million and \$1.2 million as of December 31, 2017 and 2016, respectively.

Power Supply General Framework Agreement (PSGFA)

In 2017 and 2016, FGES entered into a PSGFA with several generation companies (GenCo's) for a total of 27.99 MW and 67.25 MW contracted demand, respectively. The said contracted demand 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.

Total purchases from GenCo's, consisting of renewable and non-renewable energy, amounted to \$32.4 million and \$11.8 million for 2017 and 2016, respectively.

Registration with Philippine Economic Zone Authority

On November 15, 2016, the PEZA approved FGES 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.



Total revenue from zero rated sale of electricity inclusive of passed through distribution and wheeling charges to PEZA contestable customer amounted \$15.8 million and \$0.4 million for the years ended December 31, 2017 and 2016, respectively.

b. Stored Energy Commitment of EDC

In 1996 and 1997, EDC entered into Addendum Agreements to the PPA related to the Unified Leyte power plants, whereby any excess generation above the nominated energy or take-or-pay volume will be credited against payments made by NPC for the periods it was not able to accept electricity delivered by EDC. As of December 31, 2017 and 2016, the commitment for stored energy is equivalent to 4,326.6 GWh.

c. GSCs/GRESCs of EDC

GSCs

Under P.D. 1442, all geothermal resources in public and/or private lands in the Philippines, whether found in, on or under the surface of dry lands, creeks, rivers, lakes, or other submerged lands within the waters of the Philippines, belong to the State, inalienable and imprescriptible, and their exploration, development and exploitation. Furthermore, the Philippine Government may enter into service contracts for the exploration, development and exploitation of geothermal resources in the Philippines.

Pursuant to P.D. 1442, EDC entered into several GSCs with the Philippine Government through the DOE granting EDC the right to explore, develop, and utilize the country's geothermal resource subject to sharing of net proceeds with the Philippine Government. The net proceeds is what remains after deducting from the gross proceeds the allowable recoverable costs, which include development, production and operating costs. The allowable recoverable costs shall not exceed 90% of the gross proceeds. EDC pays 60% of the net proceeds as share of the Philippine Government and retains the remaining 40%. The 60% Philippine Government share is comprised of government share and income taxes. The government share is split between the DOE (60%) and the LGUs (40%) where the project is located.

GRESCs and Geothermal Operating Contracts

The RE Law, which became effective in January 2009, mandates the conversion of existing GSCs under P.D. 1442 into GRESCs to avail of the incentives under the RE Law. EDC submitted its letter of intent to register with the DOE as an RE Developer on May 20, 2009 and the conversion contracts negotiation with the DOE started in August 2009. On September 10, 2009, EDC was granted the Provisional Certificate of Registration as an RE Developer for its existing projects. With the receipt of the certificates of provisional registration as geothermal RE Developer, the fiscal incentives of the RE Law was availed of by EDC retroactive from the effective date of such law on January 30, 2009. Fiscal incentives include among others, the change in the applicable corporate tax rate from 30% to 10% for RE-registered activities. Aside from the tax incentives, the significant terms of the service concessions under the GRESCs are similar to the GSCs except that EDC has control over any significant residual interest over the steam fields, power plants, and related facilities throughout the concession period and even after the concession period.



The GSCs were fully converted to GRESCs upon signing of the parties on October 23, 2009; thereby EDC is now the holder of five (5) GRESCs and the corresponding DOE Certificate of Registration as an RE Developer for the following geothermal projects:

- 1) GRESC 2009-10-001 for Tongonan Geothermal Project;
- 2) GRESC 2009-10-002 for Southern Negros Geothermal Project;
- 3) GRESC 2009-10-003 for Bacon-Manito Geothermal Project;
- 4) GRESC 2009-10-004 for Mt. Apo Geothermal Project; and
- 5) GRESC 2009-10-005 for Northern Negros Geothermal Project

On February 19, 2010, EDC's GSC in Mt. Labo in Camarines Norte and Sur was converted to GRESC 2010-02-020, and on March 24, 2010, the DOE issued to EDC a new GRESC of Mainit Geothermal Project under DOE Certificate of Registration No. GRESC 2010-03-021.

In 2015, EDC recognized loss on direct write-off of exploration and evaluation assets related to the Mt. Labo and Mainit Geothermal Projects totaling to \$0.3 million (₱11.3 million) due to issues on productivity and sustainability of geothermal resources in the area.

The remaining service contract of EDC covered by P.D. 1442 as of December 31, 2013 is the Mt. Cabalian in Southern Leyte with a term of 25 years from the effective date of the contract on January 31, 1997 and for an additional period of 25 years if EDC has not been in default in its obligations under the GSC.

In 2014, after thorough assessment, EDC surrendered to the DOE the GSC covering the Southern Leyte Geothermal Project located in Cabalian, Southern Leyte. EDC has found the project not viable after considering the size of the resource and the risks associated with the development and sustainability thereof. EDC wrote-off the allowance recognized for the Cabalian project amounting to \$13.0 million (₱574.8 million).

EDC also holds geothermal resource service contracts, each with a five-year pre-development period expiring in 2017 and a 25-year contract period expiring between 2037 and 2040, for the following prospect areas:

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

In 2017, the exploration and evaluation costs incurred for Mt. Ampiro, Lakewood and certain foreign projects totaling to \$0.8 million (₱38.5 million) were directly written-off due to issues on productivity and sustainability of geothermal resources in the area.

Under the GRESCs, EDC pays the Philippine Government a government share equivalent to 1.5% of the gross income from the sale of geothermal steam produced and such other income incidental to and arising from generation, transmission, and sale of electric power generated from geothermal energy within the contract areas. Under the GRESCs, gross income derived from business is an amount equal to gross sales less sales returns, discounts and allowances, and cost of goods sold. Cost of goods sold includes all business expenses directly incurred to produce the steam used to generate power under a GRESC.



The RE Law also provides that the exclusive right to operate geothermal power plants shall be granted through a Renewable Energy Operating Contract with the Philippine Government through the DOE. On May 8, 2012, EDC, through its subsidiaries GCGI and BGI secured three (3) Geothermal Operating Contracts (GOCs), each with a 25-year contract period expiring in 2037 and renewable for another 25 years, covering the following power plant operations:

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

The Government share, presented as “Government share” under the “Costs of sale of electricity” account, for both the GRESCs and GOCs is allocated between the DOE (60%) and the LGUs (40%) within the applicable contract area (see Note 13).

d. SSAs of EDC

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

Details of the existing SSAs are as follows:

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

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

e. GSPAs

FGP and FGPC

FGP and FGPC each has an existing GSPA with the consortium of Shell Philippines Exploration B.V., Chevron Malampaya, LLC and PNOC Exploration Corporation (collectively referred to as Gas Sellers), for the supply of natural gas in connection with the operations of the power plants. The GSPAs, now on their sixteenth Contract Year, are for a total period of approximately 22 years.

Total cost of natural gas purchased amounted to \$172.9 million in 2017, \$172.8 million in 2016, and \$201.8 million in 2015, for FGP; and \$343.1 million in 2017, \$293.9 million in 2016, and \$408.3 million in 2015, for FGPC.

Under the GSPA, FGP and FGPC are obligated to purchase and take (or pay for, if not taken) a minimum quantity of gas for each Contract Year (which runs from December 26 of a particular year up to December 25 of the immediately succeeding year), called the Take-Or-Pay Quantity (TOPQ). Thus, if the TOPQ is not taken within a particular Contract Year, FGP and FGPC incur an “Annual Deficiency” for that Contract Year equivalent to the total volume of unused gas (i.e., the TOPQ less the actual quantity of gas taken). FGP and FGPC are required to make



payments to the Gas Sellers for such Annual Deficiency after the end of the Contract Year. After paying for Annual Deficiency gas, FGP and FGPC can, subject to the terms of the GSPA, “make-up” such Annual Deficiency by taking the unused-but-paid-for gas (without further charge) within 10-Contract Years after the Contract Year for which the Annual Deficiency was incurred, in the order that it arose.

Included in the June 9, 2010 Settlement Agreement is the GSPA amendment in which FGP, FGPC and the Gas Sellers agreed that where the Gas Sellers reschedule, reduce or cancel Scheduled Maintenance and fail to provide a rescheduling notice within the period required under clause 17.1.2 of the respective GSPAs of FGP and FGPC, Gas Sellers shall be permitted, subject to clause 17.5, to carry forward to succeeding Contract Years the number of Days within the originally scheduled period where no actual maintenance is carried out by the Gas Sellers provided that Gas Sellers tender for delivery, and FGP and FGPC actually take, gas equivalent to at least 61.429 Terajoules (TJ) and 122.9 TJ for San Lorenzo and Santa Rita, respectively. FGP and the Gas Sellers likewise agreed that references to “the Base TOPQ divided by 350” in certain clauses of the San Lorenzo GSPA shall be replaced by “61.429 TJ”.

FNPC and Prime Meridian

On April 12, 2017, FNPC and Prime Meridian each executed new GSPAs with the Gas Sellers. Pursuant to their respective GSPAs, the Gas Sellers shall supply natural gas fuel until the aggregate natural gas deliveries reach their respective Total Contract Quantity (TCQ) of 12.458 PJ (NCV) for Prime Meridian and 80.499 PJ (NCV) for FNPC, or on February 23, 2024, whichever comes earlier.

Under their respective GSPAs, each Seller shall sell and tender for delivery to the buyer, and the buyer shall purchase and take from each Seller the quantity of natural gas nominated by the buyer in accordance with the terms and subject to the conditions specified in the agreement.

In 2017, the total cost of natural gas purchased amounted to \$2.6 million for FNPC; and \$0.3 million for Prime Meridian.

f. WESC of EDC

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

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



As of December 31, 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)

g. SESCOs of EDC

As of December 31, 2017, EDC holds six (6) SESCO's with the DOE. Each SESCO 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 in 2039)
2) President Roxas Solar Project in President Roxas, North Cotabato*	SESC No. 2015-03-114 (expiring in 2040)
3) Kilada - Matalam Solar Project in Matalam, North Cotabato*	SESC No. 2015-03-119 (expiring in 2040 and renewable for another 25 years)
4) Bogo Solar Project in Bogo, Cebu**	SESC No. 2015-06-234 (expiring in 2040 and renewable for another 25 years)
5) Iloilo Solar Project in Iloilo City	SESC No. 2016-06-306 (expiring in 2041 and renewable for another 25 years)
6) Gaisano Iloilo, Iloilo City Solar Rooftop Project	SESC No. 2016-11-352 (expiring in 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.

h. Operations and Maintenance (O&M) Agreements

O&M Agreements of FGP and FGPC

FGP and FGPC have separate full scope O&M Agreements with SPOI mainly for the operation, maintenance, management and repair services of their respective power plants. As stated in the respective O&M Agreements of FGP and FGPC, SPOI is responsible for maintaining adequate inventory of spare parts, accessories and consumables. SPOI is also responsible for replacing and repairing the necessary parts and equipment of the power plants to ensure the proper operation and maintenance of the power plants to meet the contractual commitments of FGP and FGPC under their respective PPAs and in accordance with the Good Utility Practice.

Each signed contract took effect on August 1, 2010 (the Commencement Date) and will expire on the earlier of (i) the 20th anniversary of the Commencement Date, or (ii) the satisfactory completion of the major inspections of all units of the San Lorenzo and Santa Rita power plants, in each case nominally scheduled at 200,000 equivalent operating hours, as stipulated in their respective O&M Agreements. The monthly O&M charges include Euro, U.S. dollar and Philippine peso components.



FGPC and FGP total O&M costs (shown as part of the “Power plant operations and maintenance” in the “Costs of sale of electricity” account in the consolidated statement of income) amounted to \$30.6 million in 2017, \$24.1 million in 2016, and \$27.7 million in 2015.

In 2017 and 2016, prepaid major spare parts amounting to \$60.8 million and \$30.5 million, respectively were reclassified to “Property, plant and equipment” account as a result of the completion of the scheduled maintenance outages of San Lorenzo and Santa Rita power plants (see Note 10). As of December 31, 2017 and 2016, certain O&M charges amounting to \$30.8 million and \$65.5 million, respectively, which relate to major spare parts that are expected to be replaced during the next scheduled major maintenance outage, were presented as part of the “Other noncurrent assets” account in the consolidated statement of financial position (see Note 12).

O&M Agreement of FNPC

On December 16, 2013, FNPC signed an O&M Agreement with SPOI for the operation, maintenance, management and repair services of San Gabriel power plant for a period of 10 years. SPOI is responsible for the day-to-day administration of the power plant, maintaining adequate inventory of spare parts, accessories and consumables, and shall operate, maintain and repair the plant in accordance with Good Utility Practice.

In 2016, O&M costs incurred during commissioning phase of the San Gabriel power plant amounting to \$1.3 million was presented under “Property, plant equipment” account in the consolidated statement of financial position.

Following the commercial operations of the San Gabriel power plant, total O&M costs (shown as part of the “Power plant operations and maintenance” in the “Costs of sale of electricity” account in the consolidated statement of income) amounted to \$8.5 million and \$2.0 million in 2017 and 2016, respectively.

O&M Agreement of EBWPC with Vestas

EBWPC will operate and maintain the wind farm under a 10-year O&M agreement with Vestas. The Vestas O&M contract is a service and energy-based availability agreement based on Vestas’ AOM 5000 product. The agreement is a full-scope maintenance contract covering both scheduled and unscheduled maintenance with an energy-based availability on the wind turbines. The agreement covers the wind turbines, wind farm electrical balance-of-plant systems, the wind turbine yaw back-up generators, and the Burgos Substation as opposed to a traditional O&M contract that provides a guarantee that the turbines in a wind power plant are operational for a defined period of time on an annual basis (referred to as time-based availability), the AOM 5000 model provides an energy-based guarantee, which encourages the contractor to ensure that the turbines are fully-operational when the wind is blowing.

Maintenance Service Agreement (MSA) of Prime Meridian

On August 1, 2017, Prime Meridian has executed a MSA with Maintenance Berlin Brandenburg (MTU) for a three (3) year period. The MSA covers the provision of several maintenance services to the Avion power plant which include the: (i) provision of a resident engineer, (ii) supply and installation of a remote monitoring system (including monthly reporting), (iii) performance of Scheduled Maintenance Services, (iv) carry out a Condition-based Maintenance Services, (v) supply of spare parts and (vi) other related services. Total cost pertaining to the MSA with MTU (shown as part of the “Power plant operations and maintenance” in the “Costs of sale of electricity” account in the consolidated statement of income) amounted to \$0.5 million in 2017. No similar charges were incurred in 2016 and 2015.



i. SIA

FGPC has an agreement with Meralco and NPC for: (a) the construction of substation upgrades at the NPC substation in Calaca and the donation of such substation upgrades to NPC; (b) the construction of a 35-kilometer transmission line from the power plant to the NPC substation in Calaca and subsequent donation of such transmission line to NPC; (c) the interconnection of the power plant to the NPC Grid System; and (d) the receipt and delivery of energy and capacity from the power plant to Meralco's point of receipt.

Following the assignment by NPC to the National Transmission Corporation (TransCo) of all of NPC's rights, title, interests and obligations in and to the SIA, FGPC on July 15, 2015 agreed to give, transfer and convey to TransCo, by way of donation, the Substation Improvements amounting to \$1.2 million (see Note 11). As of March 15, 2018, FGPC is still in the process of transferring the 230 kilovolts (kV) Santa Rita to Calaca transmission line to TransCo.

Maintenance services related to the transmission line were initially rendered by Miescor, a subsidiary of Meralco, on the 230 kV Santa Rita to Calaca transmission line in Batangas under a Transmission Line Maintenance Agreement (TLMA). The TLMA required a monthly payment of \$0.02 million (₱0.8 million) as retainer fee and \$0.08 million (₱3.4 million) for every six-month period as service fee, with both fees subject to periodic adjustment as set forth in the agreement. Total operations and maintenance expense (shown as part of the "Power plant operations and maintenance" in the "Costs of sale of electricity" account in the consolidated statement of income) amounted to \$0.4 million and \$0.6 million in 2016 and 2015, respectively. The TLMA with Miescor was terminated in October 2016.

Following the termination of the TLMA with Miescor in October 2016, a new TLMA between FGPC and Hansei Corporation (Hansei) was signed and effective dated January 10, 2017. The new TLMA required a monthly payment of \$0.03 million (₱1.3 million) for the routine services and a monthly payment of \$0.006 million (₱0.30 million) as retainer fee, with both fees subject to periodic adjustment as set forth in the agreement. Total operations and maintenance expense (shown as part of the "Power plant operations and maintenance" in the "Costs of sale of electricity" account in the consolidated statement of income) amounted to \$0.4 million in 2017.

j. Interim Interconnection Agreements

FGP

FGP has an agreement with NPC and Meralco whereby NPC will be responsible for the delivery and transmission of all energy and capacity from FGP's power plant to Meralco's point of receipt.

FNPC and PMPC

On November 26, 2015, ERC approved FNPC's application for authority to develop, own and operate a dedicated point to point transmission facility to connect to the existing San Lorenzo (SL) Switchyard. The San Gabriel to SL Connection Facility, an approximately 200-meter transmission line from the San Gabriel plant to the existing SL Switchyard, is connected to the transmission system of NGCP via the existing SL Switchyard.

FNPC and PMPC each have a Metering Service Agreement (MSA) and Transmission Service Agreement (TSA) with NGCP. Pursuant to the MSA, NGCP agreed to provide revenue metering facilities and services for measuring the energy consumed by San Gabriel and Avion power plants. Under the TSA, NGCP agreed to provide transmission services to the aforementioned power plants. Both the TSA and MSA between NGCP and FNPC and PMPC took effect last May 2016 and will continue until May 2026.



k. REPA

Under Section 2.2 of the ERC Resolution No. 24, Series of 2013, *A Resolution Adopting the Guidelines on the Collection of the FIT Allowance (FIT-All) and the Disbursement of the FIT-All Fund* (the FIT-All Guidelines), all eligible renewable energy (RE) plant shall enter into a REPA with the TransCo for the payment of the FIT.

Pursuant to the FIT-All Guidelines, EBWPC entered into a REPA with TransCo for its Burgos Wind power plants. The REPA became effective after all the documents enumerated in Section 3.1 of the REPA have been submitted to and certified complete by TransCo. Included in those required documents is the FIT COC issued by the ERC on April 13, 2015.

Similarly, on April 24, 2015, EDC entered into a REPA for its 4.16 MW Solar power plants with TransCo.

In accordance with the REPA, all actual RE generation from the commercial operations date (COD) until the effective date of the REPA (effective date) were billed to and collected from the Philippine Electricity Market Corporation (PEMC) at market price.

After the effective date, billings for all actual RE generation have been submitted directly to and collected from the TransCo at the applicable FIT rate as approved by the ERC. In addition, the actual FIT differential from the COD until the effective date was also billed to TransCo over the number of months which lapsed during that period.

Total revenues from TransCo recognized in 2017, 2016 and 2015 under the REPAs amounted to \$64.9 million, \$59.6 million and \$45.8 million, respectively.

Total revenue from PEMC recognized in 2017, 2016 and 2015 from the Burgos Wind and Burgos Solar power plants amounted to nil, \$0.1 million and \$6.2 million, respectively.

l. Franchise

The Parent Company, through FGHC, has a franchise granted by the 11th Congress of the Philippines through R.A. No. 8997 to construct, install, own, operate and maintain a natural gas pipeline system for the transportation and distribution of the natural gas throughout the island of Luzon (the “Franchise”). The Franchise is for a term of 25 years until February 25, 2026. As of March 15, 2018, FGHC, through its subsidiary FG Pipeline, has an ECC for the Batangas to Manila pipeline project and has undertaken substantial pre-engineering works and design and commenced preparatory works for the right-of-way acquisition activities, among others.

m. Tax Contingencies

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.

Management believes that the resolution of this assessment will not materially affect First Gen Group's consolidated financial statements.

Real Property Tax (RPT)

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



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

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

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

As of March 15, 2018, the case remains pending.

n. Lease Commitments

- In June 2015, First Gen and certain subsidiaries each executed a non-cancelable lease agreement with Rockwell on its new office space at Rockwell Business Center Tower 3. The term of the lease is for a period of five years commencing on July 1, 2015 to June 30, 2020, and has an option to extend the lease term for an additional 5 years at mutually acceptable terms and conditions. The lease agreement is subject to an annual escalation rate of 5%.
- First Gen Group had a non-cancelable lease agreement with FPRC on its occupied office space. The lease agreement with FPRC expired on July 31, 2015.
- FGPC has a non-cancelable annual foreshore lease agreement with the DENR ("Foreshore Lease Contract") for the lease of a parcel of land in Sta. Rita, Batangas where the power plant complex is located. The term of the lease is for a period of 25 years starting May 26, 1999 for a yearly rental of \$0.05 million (₱3.0 million) and renewable for another 25 years at the end of the term. The land will be appraised every ten (10) years and the annual rental after every appraisal shall not be less than 3% of the appraised value of the land plus 1% of the value of the improvements, provided that such annual rental cannot be less than \$0.05 million (₱3.0 million).
- FGP and FGPC entered into a Sublease Agreement to sublease and use the parcel of land located in Sta. Rita, Batangas ("Leased Property") which is covered by a Foreshore Lease Contract executed by and between FGPC and the DENR in May 1999. Under the Sublease Agreement, FGPC subleases, sublets and grants FGP the right to use the Leased Property in connection with and as may be necessary for the construction, operation and maintenance of the San Lorenzo plant on a non-exclusive basis. Such Sublease Agreement was approved by the DENR in November 1999 in accordance with the Seventh Paragraph of the Foreshore Lease Contract. The sublease term is for a period of 23 years or until May 25, 2023 or upon termination of the Foreshore Lease Contract. The term may be extended upon mutual agreement between the parties subject to an extension of the term of the Foreshore Lease Contract for an equivalent or greater period. FGP agrees to pay FGPC a yearly rental of



\$0.01 million (₱0.31 million), subject to an equitable increase pursuant to the Foreshore Lease Contract.

- FG Bukidnon has a non-cancelable lease agreement with PSALM on the land occupied by its power plant. The term of the lease is for a period of 20 years commencing on March 29, 2005, renewable for another period of 10 years or the remaining corporate life of PSALM, whichever is shorter. The rental paid in advance by FG Bukidnon for the entire term is \$0.02 million (₱1.12 million).
- EDC's lease commitments pertain to rentals on the drilling rigs, head office and various office space and warehouse for steam/electricity projects in Leyte, Northern Negros, Albay, Sorsogon, Southern Negros, Mindanao and Burgos. Rent expense amounted to \$7.0 million (₱352.5 million), \$4.56 million (₱215.7 million), and \$4.6 million (₱209.1 million), in 2017, 2016 and 2015, respectively.

As of December 31, 2017 and 2016, First Gen Group's future minimum rental payments under the non-cancelable operating leases are as follows:

	2017	2016
Within one year	\$3,766	\$4,069
After one year but not more than five years	9,410	14,574
After five years	56	118
	\$13,232	\$18,761

o. Impact of Leyte Earthquake

On July 6, 2017, a magnitude 6.5 earthquake hit Leyte and nearby provinces prompting EDC to shut down the Leyte Geothermal Power Plants. Inspection showed damages to various components of Tongonan and Malitbog's power plants.

No loss on property damaged was recognized as most of the significant assets that were damaged were already fully depreciated before the earthquake. As of December 31, 2017, total rehabilitation costs capitalized as part of "Property, plant and equipment" account amounted to \$7.6 million (₱393.2 million), while the costs of repairs and minor construction activities charged to expense amounted to \$22.1 million (₱1,114.6 million) in 2017.

EDC received insurance proceeds relating to property damaged caused by the Leyte earthquake amounting to \$7.7 million (₱387.0 million) in 2017, presented as part of "Other income (charges)" account in the consolidated statement of income.

p. Impact of Typhoons

Urduja

In December 2017, certain assets of EDC located in Leyte were affected by Typhoon Urduja. Inspection showed that the pipelines and marshaling station sustained majority of the impact of the typhoon. As of December 31, 2017, no loss on property damaged has been recognized as most of the activities relating to Typhoon Urduja pertain only to the restoration of these assets to their original condition. Total cost of repairs and minor construction activities charged to expense amounted to \$0.5 million (₱26.4 million). No insurance proceeds pertaining to Typhoon Urduja was received in 2017.



Yolanda

In November 2013, certain assets of EDC located in Leyte sustained damage due to Typhoon Yolanda. As of December 31, 2015, total rehabilitation costs capitalized as part of “Property, plant and equipment” account amounted to \$6.4 million, while the costs of repairs and minor construction activities charged to expense amounted to \$15.8 million in 2015.

EDC received insurance proceeds relating to the property damaged caused by from Typhoon Yolanda amounting to \$5.1 million (₱256.5 million), \$0.03 million (₱1.8 million), and \$17.1 million (₱774.8 million) for the years ended December 31, 2017, 2016 and 2015, respectively. Proceeds from insurance received were presented as part of “Other income (charges)” account in the consolidated statement of income.

Glenda

In July 2014, Typhoon Glenda caused damage to certain assets of EDC located in Albay, Sorsogon and Leyte. In 2015, EDC received insurance proceeds amounting to \$1.0 million (₱46.3 million) which was presented as part of “Other income (charges)” account in the consolidated statement of income.

Seniang

In December 2014, certain assets of EDC located in Leyte were damaged due to Typhoon Seniang. EDC received insurance proceeds amounting to nil, \$0.3 million (₱12.0 million) and \$1.8 million (₱81.2 million) in 2017, 2016 and 2015, respectively, which were presented as part of “Other income (charges)” account in the consolidated statement of income.

Sendong

In December 2011, certain assets of EDC located in Southern Negros were damaged due to Typhoon Sendong. In 2015, EDC received insurance proceeds amounting to \$0.4 million (₱17.6 million) were presented as part of “Other income (charges)” account in the consolidated statement of income.

Others

EDC likewise received other insurance proceeds in 2017, 2016 and 2015 amounting to nil, \$5.5 million (₱259.4 million) and \$0.4 million (₱17.1 million), respectively. Such proceeds pertain to property damages and machinery breakdowns in prior years.

q. BGI Insurance Claims

On August 12, 2016, EDC and BGI entered into a settlement agreement with their Insurers in relation to BGI’s claims involving Unit 2 at the Bac-man I Plant in Palayan, Bayan, Manito, Albay which occurred on February 26, 2013. The Insurers were required to pay a total of \$32.2 million (₱1,525.0 million) in full and final settlement of the claims.

BGI received insurance proceeds relating to machinery breakdown of Unit 2 of Bac-man I Plant located in Palayan, Sorsogon amounting to \$26.2 million (₱1,238.9 million) and \$5.2 million (₱235.8 million) in 2016 and 2015, respectively. Proceeds from insurance claims received were presented as part of “Proceeds from insurance claims” account in the consolidated statement of income.



r. FGP Insurance Claims

In 2015, FGP likewise received insurance proceeds from various insurers for the business interruption and machinery breakdown totaling to \$8.5 million. Such amount was recognized as part of “Proceeds from insurance claims” account in the consolidated statement of income.

s. Other Legal Proceedings

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

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

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

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

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

For the purpose of expediting the proceedings and the resolution of all pending incidents, the SC reiterated its order to remand the case to the Court of Appeals to conduct subsequent hearings within a period of 60 days, and after trial, to render a report to be submitted to the SC.



On December 21, 2012, the former 11th Division of the Court of Appeals rendered its Report and Recommendation in which the following recommendations were made to the SC: (i) that certain persons/organizations be allowed to be formally impleaded as petitioners subject to the submission of the appropriate amended petition; (ii) that FPIC be ordered to submit a certification from the DOE that the white oil pipeline is safe for commercial operation; (iii) that the petitioners' prayer for the creation of a special trust fund to answer for similar contingencies in the future be denied for lack of sufficient basis; (iv) that respondent Company not be held solidarily liable under the TEPO; and (v) that without prejudice to the outcome of the civil and criminal cases filed against respondents, the individual directors and officers of FPIC and the Parent Company not be held liable in their individual capacities.

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

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

On July 30, 2013, the SC resolved to adopt the recommendations of the CA in its December 2012 resolution. Specifically, the SC ordered FPIC to secure a certification from the DOE that the white oil pipeline is safe to resume commercial operations, as well as consider FPIC's adoption of an appropriate leak detection system used in monitoring the entire pipeline's mass input versus mass output and the necessity of replacing pipes with existing patches and sleeves. On October 25, 2013 the DOE issued a certification that the white oil pipeline is safe to return to commercial operations. FPIC submitted the DOE certification to the SC on October 29, 2013. On June 16, 2015, the SC issued another resolution recognizing the powers of the DOE to oversee the operation of the pipelines. The resolution also stated that the DOE is fully authorized by law to issue an order for the return to commercial operations of the pipeline following integrity tests. Petitioners have filed several motions for the SC to reconsider this resolution. As of March 15, 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 Parent Company, Pilipinas Shell Petroleum Corporation, and Chevron Philippines, Inc. before the Makati City RTC. In their complaint, the Plaintiffs alleged that FPIC, its directors and officers, and the Company violated R.A. No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), R.A. 8749 (Philippine Clean Air Act of 1999) and Its Implementing Rules and Regulations, and R.A. 9275 (Philippine Clean Water Act of 2004). The complaint sought payment by the Defendants of actual damages comprising incurred rentals for alternative dwellings, incurred additional transportation and gasoline expenses and deprived rental income; recompense for diminished or lost property values to enable the buying of new homes; incurred expenses in dealing with the emergency; moral damages; exemplary damages; a medical fund; and attorney's fees.



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

In an Order dated December 1, 2011, Judge Elpidio Calis of the Makati City RTC (Branch 133) declared that the records of the case have been transferred to his court. In an Order dated March 29, 2012, Judge Calis denied the plaintiffs' Motion for Reconsideration for lack of merit, and ordered the plaintiffs to pay the appropriate filing fees within ten (10) days from receipt of the Order, with a warning that non-compliance will constrain the court to dismiss the case for lack of jurisdiction. Instead of paying the filing fees, the plaintiffs filed a Petition for Certiorari with the CA to nullify the order of Branch 133.

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

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

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

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



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 Parent 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.

27. Other Matters

FG Hydro

a. Hydropower Operating Contract (RE Contract) with Department of Energy (DOE)

On February 22, 2017, the DOE approved FG Hydro's application for registration as an RE Developer and signed the RE Contract with FG Hydro for PAHEP. On February 27, 2017, the RE Contract for MAHEP was also signed by FG Hydro and the DOE. As a result, FG Hydro is now subject to 10% statutory income tax rate on its RE operations as an RE Developer in 2017.



b. O&M Agreement

In 2006, FG Hydro entered into an O&M Agreement with the NIA, with the conformity of NPC. Under the O&M Agreement, NIA will manage, operate, maintain and rehabilitate the Non-Power Components of the PAHEP/MAHEP in consideration for a service fee based on actual cubic meter of water used by FG Hydro for power generation. FG Hydro has fully funded the required Trust Fund amounting to \$2.2 million (₱100.0 million) since October 2008.

The O&M Agreement is effective for a period of 25 years commencing on November 18, 2006 and renewable for another 25 years under the terms and conditions as may be mutually agreed upon by both parties.

c. ASPA

FG Hydro entered into an agreement with the NGCP on April 10, 2017 after being certified and accredited by NGCP as capable of providing Contingency Reserve Service, Dispatchable Reserve Service, Regulative Reserve Service, Reactive Power Support Service and Black Start Service. Under the agreement, FG Hydro through the PAHEP facility shall provide any of the above-stated ancillary services to NGCP.

The ASPA is effective for a period of three (3) years, commencing upon approval of ERC. The ASPA is still to be provisionally approved by the ERC.

d. Memorandum of Agreement with NGCP (MOA with NGCP)

FG Hydro entered into a MOA with NGCP on August 31, 2011 for the performance of services on the operation of the PAHEP 230 kV switchyard and its related appurtenances (Switchyard). NGCP shall pay FG Hydro a monthly fixed operating cost of ₱0.1 million and monthly variable charges representing energy consumed at the Switchyard.

The MOA is effective for a period of five (5) years and renewable for another three (3) years under such terms as may be agreed by both parties.

e. MOA with Protected Area Management Board (MOA with PAMB)

PSALM entered into a MOA with PAMB. Under the MOA, PAMB granted FG Hydro the right to use the Masiway land, where the MAHEP power plant is situated in consideration for an annual user's fee. The MOA shall be effective for 25 years and renewable for a similar period subject to terms and conditions as may be mutually agreed upon by both parties.

FG Bukidnon

On October 23, 2009, FG Bukidnon entered into a Hydropower Service Contract (HSC) with the DOE, which grants FG Bukidnon the exclusive right to explore, develop, and utilize the hydropower resources within the Agusan river contract area.

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



FG Mindanao

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

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

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

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

On June 8, 2016, FGen Tumalaong notified the DOE regarding its intention to surrender the entire contract area covered by the HSC 2009-10-007 for the 9 MW Tumalaong Hydro Project in the Municipality of Baungon, Bukidnon. After several years of project development and considering the plans of NIA to develop its Bubunawan River Irrigation Project, FGen Tumalaong has concluded that the Tumalaong hydro project is no longer viable for future development. Such request was acknowledged by the DOE on October 24, 2016, and informed FGen Tumalaong that the said HSC was hereby terminated and requested to settle the remaining financial obligations pursuant to the HSC to fully and satisfactorily comply all obligations in view of the termination of the HSC. As of March 15, 2018, 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. As of March 15, 2018, the Cagayan 1N project remains and is still under pre-development stage.



FG Prime and FG Premier

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

The pre-development stage under the HSC is two years from the time of execution of the said contract. This was extended by the DOE on October 13, 2014 for another year at the respective requests of FG Prime and FG Premier. On November 24, 2014, in accordance with DOE Department Order No. DO2014-06-0010, FG Prime and FG Premier submitted separate requests for the application of a non-extendible period of five years pre-development stage under the HSC. On October 20, 2015, FG Prime notified the DOE on its request to amend the capacity of 300 MW Pump Storage Hydroelectric Power Plant to 600 MW. On October 28, 2016, the DOE amended the HSC of FG Prime considering the non-extendible period of five years pre-development stage and the new capacity of 600 MW. On March 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. As of March 15, 2018, FG Premier continues to coordinate with the DOE for the settlement of its remaining obligations.

FG Luzon

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

A MOA was executed on November 16, 2011 between FG Luzon and NIA for the conduct of a comprehensive study on the economic, financial and technical viability of the project.

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



FGES

a. Distribution Wheeling Service Agreement

In 2016, FGES has entered into various Distribution Wheeling Service (DWS) agreement with distribution utilities such as Meralco, Mactan Electric Company (MECO), Batangas II Electric Cooperative, Inc. (BATELEC II), Bohol I Electric Cooperative, Inc. (BOHECO), and Bohol Light Company, Inc. (BLCI). In 2017, FGES has entered into a DWS agreement with Lima Enerzone Corporation. The DWS also requires FGES to post refundable security deposits equivalent to one month estimated billing period. The said bill deposit shall be adjusted annually to reflect the actual billing charges. The refundable deposit, shown as part of “Other noncurrent assets” account, amounted to \$1.1 million and \$0.8 million as of December 31, 2017 and 2016, respectively.

Based on the agreement, FGES shall pass on all applicable distribution service and wheeling charges, transmission and ancillary charges, taxes and others charges as billed by distribution utilities to FGES. The revenues from sale of electricity in the consolidated statements of income for the years ended December 31, 2017 and 2016 includes passed-on distribution and transmission charges amounted to \$7.5 million and \$0.8 million, respectively.

b. Marketing Service Agreement (MS Agreement)

On June 15, 2017, FGES has entered into various MS agreements with EDC, BGI and GCGI engaging FGES to market electricity and assist and facilitate the sale of the various companies’ available capacity to third party buyers and the WESM.

Total revenue from sale relating to the MS agreements amounted to \$0.02 million in 2017.

ELECTRIC POWER INDUSTRY REFORM ACT of 2001 (EPIRA)

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

WESM

WESM Luzon has already been commercially operating for almost 10 years since its commencement on June 26, 2006. Annual average Luzon spot prices ranged from approximately ₱3.28/kWh, ₱2.82/kWh, and ₱3.52/kWh for 2017, 2016 and 2015, respectively.

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, ₱2.76/kWh, and ₱3.70/kWh for 2017, 2016 and 2015, respectively.

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 Retail Electricity Supplier (RES) chosen by the consumer will do the buying and selling of power and the distribution utility shall deliver the same.

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

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

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

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

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

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

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

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



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 CCs 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 9136 Otherwise Known As EPIRA And Other Related Laws

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

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

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

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

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



The RE Law also provides various fiscal and non-fiscal incentives to RE developers and manufacturers, fabricators, and suppliers of locally-produced RE equipment and components. The incentives to RE developers include, among others, the Renewable Portfolio Standards (RPS). Last Dec. 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
Wind	200	₱8.53
	200	₱7.40 ³
Biomass	250	₱6.60
Run-of-river Hydro	250	₱5.90

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

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

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



Certificates of Compliance (COCs)

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

FGES was first granted a Wholesale Aggregator's Certificate of Registration on May 17, 2007, effective for a period of five years, and the RES License on February 27, 2008, effective for a period of three (3) years. Subsequently, FGES was issued a Wholesale Aggregator Certificate on May 22, 2012 and an RES License on May 9, 2011. The ERC approved the renewal which is effective for a period of five years. 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.

Pursuant to the provisions of Section 36 of the EPIRA, Electric Power Industry Participants prepare and submit for approval of the ERC their respective Business Separation and Unbundling Plan (BSUP) which requires them to maintain separate accounts for, or otherwise structurally and functionally unbundle, their business activities.

Since each of FGP, FGPC, FG Bukidnon and FG Hydro is engaged solely in the business of power generation, to the exclusion of the other business segments of transmission, distribution, supply and other related business activities, compliance with the BSUP requirement on maintaining separate accounts is not reasonably practicable. Based on assessments of FGP, FGPC, FG Bukidnon, FG Hydro and FGES, they are in the process of complying with the provisions of the EPIRA and its IRR.

Clean Air Act

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



28. Changes in Liabilities Arising from Financing Activities

	January 1, 2017	Cash flows	Foreign exchange movement	Others	December 31, 2017
Current and non-current portion of long-term debts*	\$2,678,132	(\$172,639)	(\$5,665)	\$12,859	\$2,512,687
Accrued interest payable	28,797	(162,028)	19,126	145,056	30,951
Dividends payable	14,719	(53,459)	411	52,807	14,478
Other non-current liabilities	41,048	4,781	(1,778)	(726)	43,325
Total liabilities from financing activities	\$2,762,696	(\$383,345)	\$12,094	\$209,996	\$2,601,441

* Cash flow movement presented is net of availment and payments of long-term debts.

“Others” include the effect of reclassification of non-current portion of long-term debts, accrual of dividends that were not yet paid at year-end, and the effect of accrued but not yet paid interest on long-term debts. First Gen Group classifies interest paid as part of cash flows from operating activities.

29. Events After the Financial Reporting Date

Parent Company

As of March 15, 2018, the Parent Company purchased from the open market 6,091,200 common stocks amounting to ₱90.5 million (\$1.8 million).

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

FNPC

On March 12, 2018, FNPC entered into a PSA with Meralco for the sale and purchase of approximately 414MW of baseload capacity. The power will be sourced from the already constructed and currently operational 414 MW 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.





First Gen Corporation

6th Floor Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City 1604, Philippines
Tel Nos.: +63 (2) 528 3200 / +63 (2) 449 6400 / Fax: +63 (2) 631 4691 / www.firstgen.com.ph

March 15, 2018

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

The management of First Gen Corporation (the "Company") is responsible for the preparation and fair presentation of the financial statements, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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


Federico R. Lopez
Chairman and Chief Executive Officer


Francis Giles B. Puno
President and Chief Operating Officer


Emmanuel P. Singson
SVP, CFO and Treasurer



First Gen Corporation

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SUBSCRIBED AND SWORN TO before me this MAR 26 2018 day of April 2018, affiants exhibited to me their Community Tax Certificate Nos. as follows:

	<u>CTC/SSS NOS.</u>	<u>Date/Place Issued</u>
Federico R. Lopez	11312222 SSS 0372789020	January 25, 2018 / Pasig City
Francis Giles B. Puno	11312221 SSS 3355362021	January 25, 2018 / Pasig City
Emmanuel P. Singson	7871315 SSS 388564598	January 26, 2018 / Pasig City

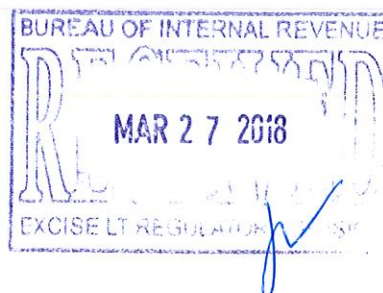
Doc. No. 455
Page No. 092
Book No. III
Series of 2018.




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

INDEPENDENT AUDITOR'S REPORT

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



Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of First Gen Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2017 and 2016, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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





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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

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



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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 23 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of First Gen Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

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

March 2, 2017, valid until March 1, 2020

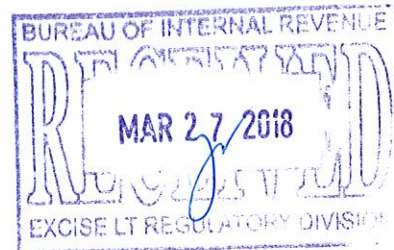
Tax Identification No. 219-674-288

BIR Accreditation No. 08-001998-103-2017,

January 31, 2017, valid until January 30, 2020

PTR No. 6621266, January 9, 2018, Makati City

March 15, 2018



FIRST GEN CORPORATION**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

(Amounts in U.S. Dollars and in Thousands)

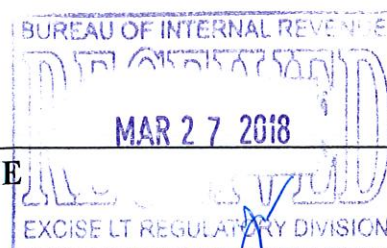


	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 18 and 19)	\$365,076	\$129,351
Due from related parties (Notes 14, 18 and 19)	52,475	45,516
Financial assets at fair value through profit or loss (FVPL) (Notes 6, 18 and 19)	21	2,049
Other current assets (Notes 7, 14, 18 and 19)	13,991	9,920
Total Current Assets	431,563	186,836
Noncurrent Assets		
Investments and deposits (Notes 8 and 14)	2,535,325	2,722,588
Property and equipment (Notes 9 and 15)	849	963
Other noncurrent assets (Note 16)	324	882
Total Noncurrent Assets	2,536,498	2,724,433
TOTAL ASSETS	\$2,968,061	\$2,911,269
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 10, 11, 18 and 19)	\$6,586	\$10,564
Dividends payable (Notes 12, 18 and 19)	14,478	14,719
Due to related parties (Notes 14, 18 and 19)	448,979	145,732
Current portion of:		
Long-term debts (Notes 11, 18 and 19)	19,794	5,787
Advances from subsidiaries (Notes 14, 18 and 19)	76,110	57,131
Total Current Liabilities	565,947	233,933
Noncurrent Liabilities		
Long-term debts - net of current portion (Notes 11, 18 and 19)	258,209	484,356
Advances from subsidiaries - net of current portion (Notes 14, 18 and 19)	64,181	160,964
Total Noncurrent Liabilities	322,390	645,320
Total Liabilities	888,337	879,253
Equity (Notes 12 and 13)		
Redeemable preferred stock	69,345	69,345
Common stock	75,123	75,123
Additional paid-in capital	1,165,366	1,165,366
Deposit for future stock subscriptions	2,139	2,139
Retained earnings	870,748	817,872
Cost of redeemable preferred stocks held in treasury	(102,997)	(97,829)
Total Equity	2,079,724	2,032,016
TOTAL LIABILITIES AND EQUITY	\$2,968,061	\$2,911,269

See accompanying Notes to Parent Company Financial Statements.



FIRST GEN CORPORATION
PARENT COMPANY STATEMENTS OF INCOME
(Amounts in U.S. Dollars and in Thousands)



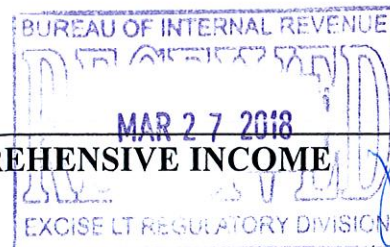
	Years Ended December 31	
	2017	2016
REVENUES		
Dividend income (Note 14)	\$160,377	\$116,308
Consultancy fee (Note 14)	7,851	8,481
	168,228	124,789
GENERAL AND ADMINISTRATIVE EXPENSES		
(Notes 9, 14, 15 and 16)	(13,144)	(14,989)
FINANCIAL INCOME (EXPENSES)		
Interest income (Note 5)	2,823	1,985
Interest expense and financing charges (Notes 11, 14 and 15)	(38,916)	(42,625)
	(36,093)	(40,640)
OTHER INCOME (CHARGES)		
Gain on sale of Energy Development Corporation (EDC) common stocks (Note 8)	13,050	—
Foreign exchange gains (losses) - net	2,857	(1,437)
Loss on extinguishment of long-term debt (Note 11)	(14,415)	—
Mark-to-market loss on financial assets at FVPL (Notes 6, 18 and 19)	(17)	(18)
Others (Notes 8, 11 and 14)	(14,355)	20,141
	(12,880)	18,686
INCOME BEFORE INCOME TAX	106,111	87,846
PROVISION FOR INCOME TAX (Note 17)	126	534
NET INCOME	\$105,985	\$87,312
Earnings per Share for Net Income Attributable to the Equity Holders of the Parent Company (Note 12)		
Basic and Diluted	\$0.02	\$0.02

See accompanying Notes to Parent Company Financial Statements.



FIRST GEN CORPORATION**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in U.S. Dollars and in Thousands)



	Years Ended December 31	
	2017	2016
NET INCOME	\$105,985	\$87,312
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income not to be reclassified to profit and loss in subsequent periods -</i>		
Re-measurement gains on retirement benefits (Note 16)	133	204
TOTAL COMPREHENSIVE INCOME	\$106,118	\$87,516

See accompanying Notes to Parent Company Financial Statements.

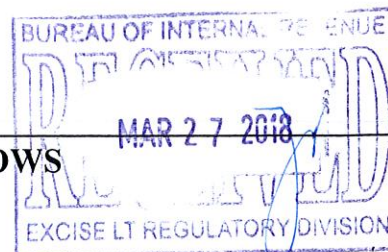
(Amounts in U.S. Dollars and in Thousands)

See accompanying Notes to Parent Company Financial Statements.



FIRST GEN CORPORATION**PARENT COMPANY STATEMENTS OF CASH FLOWS**

(Amounts in U.S. Dollars and in Thousands)



	Years Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$106,111	\$87,846
Adjustments for:		
Interest expense and financing charges (Note 15)	38,916	42,625
Depreciation and amortization (Notes 9 and 15)	317	322
Mark-to-market loss on financial assets at FVPL (Note 6)	17	18
Dividend income (Note 14)	(160,377)	(116,308)
Gain on sale of EDC common stocks (Note 8)	(13,050)	—
Interest income (Note 5)	(2,823)	(1,985)
Unrealized foreign exchange losses (gains)	(2,618)	3,217
Gain on sale of property and equipment	(5)	—
Operating income (loss) before working capital changes	(33,512)	15,735
Decrease (increase) in:		
Due from related parties	(6,997)	(596)
Net retirement benefits asset	690	628
Other current assets	(2,891)	(2,732)
Decrease in accounts payable and accrued expenses	(5,375)	(6,376)
Net cash from (used in) operations	(48,085)	6,659
Interest received	2,823	1,985
Income taxes paid	(126)	(534)
Net cash flows from (used in) operating activities	(45,388)	8,110
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (Note 14)	159,004	116,308
Sale of financial assets at FVPL (Note 6)	151,361	34,357
Proceeds from EDC stocks tender offer (Note 8)	119,354	—
Return of investment in Northern Terracotta Power Corp. (Northern Terracotta) redeemable preferred stocks	95,107	—
Proceeds from disposal of property and equipment	41	14
Additions to:		
Investment in financial assets at FVPL (Note 6)	(149,259)	(27,777)
Investments and deposits (Note 8)	(14,148)	(106,058)
Property and equipment (Note 9)	(239)	(403)
Net cash flows from investing activities	361,221	16,441
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Long-term debts (Note 11)	(214,310)	(6,000)
Interest expense and financing charges	(30,893)	(29,388)
Cash dividends to preferred shareholders (Note 12)	(28,768)	(31,674)
Cash dividends to common shareholders (Note 12)	(25,170)	(27,463)
Buyback of Series "F" and "G" preferred stocks (Note 12)	(5,168)	(12,190)

(Forward)



	Years Ended December 31	
	2017	2016
Net advances (payments) to subsidiaries and related parties	\$220,997	(\$12,976)
Net cash flows used in financing activities	(83,312)	(119,691)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,204	(727)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	235,725	(95,867)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	129,351	225,218
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	\$365,076	\$129,351

See accompanying Notes to Parent Company Financial Statements.



FIRST GEN CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

(Amounts in U.S. Dollars and in Thousands, Unless Otherwise Stated)

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

Corporate Information

First Gen Corporation (the Parent Company or First Gen) is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1998. The Parent Company is involved in management and investment holdings of subsidiaries and associates. The Parent Company and its subsidiaries and associates are involved in the power generation business.

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

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

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

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

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



Following the subscription, FPH maintained its 66.2% stake in the Parent Company's issued and outstanding common stock (see Note 12).

On May 11, 2016, the Board of Directors (BOD) of the Parent Company approved during its Organizational board meeting the two-year extension of the buy-back programs from June 1, 2016 to May 31, 2018. The two-year extension covers the: (i) common stock buy-back program covering up to 300.0 million of the Parent Company's common stocks; and (ii) Series "F" and "G" Preferred Shares buyback program covering up to ₱10.0 billion worth of said redeemable preferred stocks. In 2016, the Parent Company purchased from the open market 10,010 and 5,026,280 Series "F" and Series "G" redeemable preferred stocks, respectively. Total payments for the buyback of the Series "F" and Series "G" redeemable preferred stocks amounted to ₱1.1 million (\$0.02 million) and ₱598.8 million (\$12.2 million), respectively (see Note 12). In 2017, the Parent Company purchased from the open market 422,830 and 1,868,200 Series "F" and Series "G" redeemable preferred stocks, respectively. Total payments for the buyback of the Series "F" and Series "G" redeemable preferred stocks amounted to ₱45.8 million (\$0.9 million) and ₱211.7 million (\$4.2 million), respectively (see Note 12).

In 2018, the Parent Company purchased from the open market 6,091,200 common stocks for ₱90.5 million (\$1.8 million).

As of December 31, 2017 and 2016, FPH directly and indirectly owns 66.52% and 66.24%, respectively, 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, 2017 and 2016. Majority of Lopez Holdings is owned by Lopez, Inc. Lopez, Inc. is the ultimate parent of First Gen. FPH, Lopez Holdings and Lopez Inc. are all incorporated in the Philippines. As of December 31, 2017 and 2016, there are 360 common stockholders of record of First Gen and 3,660,943,557 common stocks issued and outstanding as of December 31, 2017 and 2016 (see Note 12).

Corporate Address

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

Authorization for Issuance of the Parent Company Financial Statements

The parent company financial statements were reviewed and recommended for approval by the Audit Committee to the BOD on March 15, 2018. The same parent company financial statements were approved and authorized for issuance by the BOD on March 15, 2018.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

Statement of Compliance

The parent company financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.



The Parent Company also prepares and issues consolidated financial statements, which are also presented in compliance with PFRSs, for the same financial year as the parent company financial statements. These are filed and may be obtained from the Philippine SEC and PSE.

Significant Accounting and Financial Reporting Policies

The Parent Company applied for the first time certain pronouncements, which are effective for annual periods beginning January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Parent Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

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

Adoption of these amendments did not have any impact on the parent company financial statements.

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

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Parent Company has provided the required information in Note 21 to the parent company financial statements. As allowed under the transition provisions of the standard, the Parent Company did not present comparative information for the year ended December 31, 2016.

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

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

The amendments have no effect on the Parent Company's financial position and performance as the Parent Company has no deductible temporary differences or assets that are in the scope of the amendments.

Fair Value Measurement

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

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



The principal market or the most advantageous market must be accessible to the Parent Company.

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

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

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

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

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

As of December 31, 2017 and 2016, the Parent Company has financial assets at FVPL that are measured at fair value on a recurring basis. The Parent Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments at FVPL. The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or loans and



borrowings. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

“Day 1” difference

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

Financial assets and liabilities at FVPL

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

Financial assets and liabilities are classified as held for trading if they are acquired for the purposes of selling and repurchasing in the near term.

Derivatives, including any separated embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge.

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

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

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

Classified under financial instruments at FVPL are the financial assets at FVPL (see Note 6).

HTM investments

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



discount or premium on acquisition and fees that are integral parts of the effective interest rate. Gains and losses are recognized in the parent company statement of income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement on foreign currency denominated HTM investments are also recognized in the parent company statement of income.

The Parent Company has no HTM investments as of December 31, 2017 and 2016.

Loans and receivables

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

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

As of December 31, 2017 and 2016, classified under loans and receivables are cash and cash equivalents, amounts due from related parties, and consultancy fee receivables included as part of "Other current assets."

AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealized gains and losses being recognized as other comprehensive income (losses) until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported as other comprehensive income (losses) is recognized in the parent company statement of income. The Parent Company uses the specific identification method in determining the cost of securities sold.

The Parent Company has no AFS financial assets as of December 31, 2017 and 2016.

Loans and borrowings

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

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



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

Classified under loans and borrowings are accounts payable and accrued expenses, dividends payable, amounts due to related parties, advances from subsidiaries and long-term debts as of December 31, 2017 and 2016.

Derivative Financial Instruments and Hedge Accounting

The Parent Company enters into derivative and hedging transactions, primarily cross currency swap and foreign currency forwards, as needed, for the sole purpose of managing the risks that are associated with the Parent Company's borrowing activities or as required by the lenders in certain cases and hedge its foreign exchange rate risk.

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

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

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

The Parent Company has no derivatives that are designated as fair value hedges as of December 31, 2017 and 2016.

Cash flow hedges

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

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



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

The Parent Company has no derivatives that are designated as cash flow hedges as of December 31, 2017 and 2016.

Embedded derivatives

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

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

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

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

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in the parent company statement of income. The Parent Company has no bifurcated embedded derivatives as of December 31, 2017 and 2016.

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

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



Financial liabilities

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

Impairment of Financial Assets

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

Loans and receivables

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

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

AFS financial assets

For AFS financial assets, the Parent Company assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.



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

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

Offsetting Financial Instruments

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

Prepayments

Prepayments comprise prepaid items such as rent, insurance and other prepaid items. Prepayments are expenses paid in advance and recorded as asset before they are utilized. The prepaid insurance premiums, rent and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the parent company statement of income when incurred.

Creditable Withholding Taxes (CWT)

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation.

Investments and Deposits

The Parent Company’s investments and deposits in subsidiaries and associates are accounted for at cost less provision for impairment, if any. A subsidiary is an entity in which the Parent Company has control. Control is achieved when Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An associate is an entity in which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating decision of the investee but is not in control or in joint control of those policies.

The Parent Company recognizes income from its investments when its right to receive dividends is established.



Included under investments and deposits are the Parent Company's deposits for future stock subscriptions to its subsidiaries and associates. Such deposits represent nonrefundable advances to the subsidiaries and associates that will be settled by the exchange of a fixed number of the subsidiaries' and associates' equity instruments.

An assessment of the carrying value of investments and deposits are performed when there is an indication that the investments and deposits are impaired.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and impairment in value, if any.

The initial cost of property and equipment consists of the purchase price including import duties, borrowing cost (during the construction period) and other costs directly attributable to bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met.

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

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

Asset Type	Number of Years
Buildings and building improvements	20
Transportation equipment	5
Furniture, fixtures and office equipment	3-5
Leasehold improvements	5 or lease term with no renewal option, whichever is shorter

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

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

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



Impairment of Non-financial Assets

Investments and deposits

The Parent Company determines whether it is necessary to recognize an impairment loss on its investments and deposits. The Parent Company determines at each financial reporting date whether there is any objective evidence that the investments and deposits are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable value, which is the value in use, and the carrying amount of investments and deposits and recognizes the amount of loss in the parent company statement of income. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in the parent company statement of income.

Recoverable amount is estimated for the individual asset or, if this is not possible, for the cash-generating unit to which the asset belongs. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in the parent company statement of income. However, the increased carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

Property and equipment

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

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



Current versus Non-current Classification

The Parent Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized under the "Interest expense and financing charges" account in the parent company statement of income.

Contingencies

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

Retirement benefits

The Parent Company has a distinct, funded, non-contributory defined benefit retirement plan covering all permanent employees and administered by its retirement committee.

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



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

Defined benefit costs comprise the following:

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

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

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

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

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

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

Share-based Payment Transactions

Certain employees (including senior executives) of the Parent Company, its subsidiaries, and FPH receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each financial reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of



the number of equity instruments that will ultimately vest. The charge or credit for a year represents the movement in cumulative expense recognized as of the beginning and end of that year.

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

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

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

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share attributable to the equity holders of the Parent Company (see Note 12).

Income Taxes

Current income tax

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

Deferred income tax

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

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

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



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

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

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

Leases

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

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

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

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

Capital Stock, Stock Rights and Additional Paid-in Capital

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

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

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



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

Treasury Stocks

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

Retained Earnings

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

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

Dividends on Preferred and Common Stocks

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

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

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Parent Company and the amount of the revenue can be measured reliably. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as a principal in all its revenue arrangements.

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

Dividend income is recognized when the Parent Company's right to receive the payment is established.

Consultancy fee is recognized when services are rendered.

Interest income is recognized as the interest accrues (using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial



instrument to the net carrying amount of the financial asset), taking into account the effective yield on the asset.

Expense Recognition

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

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of qualifying assets until such time that the assets are substantially ready for their intended use or sale, which necessarily take a substantial period of time. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. All other borrowing costs are expensed in the year they occur and are recognized in the parent company statement of income in the period in which they are incurred.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the weighted average functional currency rate prevailing at transaction date. Monetary assets and liabilities denominated in foreign currencies are restated using the functional currency rate of exchange at financial reporting date. All differences are taken to the parent company statement of income. Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the weighted average exchange rates at the date when the fair value was determined.

Earnings Per Share (EPS)

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

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

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

As of December 31, 2017 and 2016, the Parent Company does not have any dilutive potential common stocks. Hence, diluted EPS is the same as basic EPS.

Segment Reporting

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



Events After the Financial Reporting Date

Any event after the financial reporting date that provides additional information about the Parent Company's position at financial reporting date (adjusting event) is reflected in the parent company financial statements. Events after financial reporting date that are not adjusting events, if any, are disclosed in the notes to the parent company financial statements, when material.

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2018

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

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

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

The Parent Company is currently assessing the potential effect of the amendments on its parent company financial statements.

- PFRS 9, *Financial Instruments*

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

The Parent Company is currently assessing the potential impact of adopting PFRS 9 in 2018.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it



first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Parent Company since the Parent Company has no activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

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

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

The Parent Company is currently assessing the potential impact of adopting PFRS 15 in 2018.

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

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

The amendments are not applicable to the Parent Company since it has no investment entity associate or joint venture.

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

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



The amendments do not have impact on the Parent Company as it does not have investment properties.

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

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

Since the Parent Company's current practice is in line with the clarifications issued, the Parent Company does not expect any effect on its parent company financial statements upon adoption of this interpretation.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The amendments are not applicable to the Parent Company since it does not have any debt instruments with negative compensation prepayment features.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.



Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Parent Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Parent Company is currently assessing the impact of the amendments of the standard.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Parent Company is currently assessing the impact of adopting this interpretation.



Deferred effectivity

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

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

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

3. Significant Accounting Judgments and Estimates

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

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

In the process of applying the Parent Company's accounting policies, management has made the following judgments and estimates which have the most significant effect on the amounts recognized in the parent company financial statements:

Judgments

a. Determination of functional currency

The Parent Company has determined that its functional currency is the U.S. dollar. The U.S. Dollar is the currency of the primary economic environment in which the Parent Company operates. Based on the Parent Company's evaluation, the U.S. dollar is the currency that mainly represents the economic substance of its underlying transactions, events and conditions.

b. Determination of Control over an Investee Company

Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company has established that it has the ability to control its subsidiaries by virtue of either 100% or majority voting interest in the investee companies.

Parent Company's control over EDC

The Parent Company has indirect 40.0% economic interest in EDC through Prime Terracota and Red Vulcan. Prior to September 30, 2017, the Parent Company also directly and indirectly owned



1.98 billion common stocks in EDC, of which 986.34 million common stocks were held through its wholly-owned subsidiary, Northern Terracotta. The 1.98 billion common stocks were equivalent to a 10.6% economic interest in EDC. Following the successful tender offer conducted by Philippines Renewable Energy Holdings Corporation (“PREHC”), which was settled on September 29, 2017, to acquire up to 47.5% of EDC’s common stocks, the Parent Company and Northern Terracotta participated and sold 9.0% of their combined 10.6% economic stake in EDC.

After the tender offer, the Parent 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 directly through the Parent Company and Northern Terracotta. Moreover, the Parent Company holds a 61.1% voting interest in EDC post the tender offer, of which 60.0% is held through Red Vulcan. The Parent Company will continue to control and consolidate EDC given its controlling voting stake in EDC.

c. *Classification of financial instruments*

The Parent Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company statement of financial position (see Note 19).

d. *Operating lease*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Parent Company has determined that it has not acquired all the significant risks and rewards of ownership of leased property as the lease term does not represent substantially the full economic life in years of the asset and there is no purchase option at a significant discount available. Accordingly, the Parent Company accounts for the lease as operating lease. The Parent Company has a non-cancelable lease agreement with Rockwell Land Corporation (Rockwell), subsidiary of FPH, on its occupied office space that is determined to be a non-cancelable operating lease (see Note 14).

Estimates

a. *Impairment losses on due from related parties and consultancy fee receivables*

The Parent Company reviews its due from related parties and consultancy fee receivables at each financial reporting date to assess whether a provision for impairment should be recognized in the parent company statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance.

No impairment loss on due from related parties and consultancy fee receivables was recognized for the years ended December 31, 2017 and 2016. The carrying values of due from related parties and consultancy fee receivables amounted to \$53.8 million and \$46.2 million as of December 31, 2017 and 2016, respectively (see Notes 7, 14, 18 and 19).

b. *Impairment of non-financial assets*

Investments and deposits

The Parent Company performs impairment review on its investments and deposits whenever an impairment indication exists. This requires an estimation of the value in use of the subsidiaries and associates. Estimating the value in use requires the Parent Company to make an estimate of the expected future cash flows of the subsidiaries and associates and to make use of a suitable discount rate to calculate the present value of those future cash flows.



No impairment loss on its investments and deposits was recognized in the parent company statements of income for the years ended December 31, 2017 and 2016.

The carrying values of investments and deposits as of December 31, 2017 and 2016 amounted to \$2,535.3 million and \$2,722.6 million, respectively (see Note 8).

Property and equipment

The Parent Company assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

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

The Parent Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amount is estimated for an individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs.

No impairment loss on property and equipment was recognized in the parent company statements of income for the years ended December 31, 2017 and 2016. The carrying values of property and equipment amounted to \$0.8 million and \$1.0 million as of December 31, 2017 and 2016, respectively (see Note 9).

c. *Estimating useful lives of property and equipment*

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

There is no change in the estimated useful lives of property and equipment during the year. The carrying values of property and equipment as of December 31, 2017 and 2016 amounted to \$0.8 million and \$1.0 million, respectively (see Note 9).

d. *Recognition of deferred income tax assets*

The carrying amounts of deferred income tax assets at each financial reporting date are reviewed and are reduced to the extent that there is no longer sufficient future taxable income available to allow all or part of the deferred income tax assets to be utilized. The Parent Company's assessment on the recognition of deferred income tax assets on deductible temporary differences, carryforward



benefits of MCIT and NOLCO is based on the forecasted taxable income. This forecast is based on the Parent Company's past results and future expectations on revenue and expenses.

As of December 31, 2017 and 2016, the Parent Company recognized deferred income tax assets amounting to \$0.02 million and \$0.3 million, respectively. The Parent Company also has temporary differences, carryforward benefits of unused NOLCO and excess MCIT totaling to \$201.6 million and \$208.6 million as of December 31, 2017 and 2016, respectively, for which no deferred income tax assets were recognized (see Note 17).

e. *Retirement benefits*

The cost of defined benefit retirement plan is determined using the projected unit credit method of actuarial valuation. An actuarial valuation involves making assumptions. These include the determination of the discount rates, and future salary increases, mortality and disability rates and employee turnover rate. While the assumptions are reasonable and appropriate, significant differences in the Parent Company's actual experience or significant changes in the assumptions may materially affect the retirement benefit obligation. Due to the long-term nature of this plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at financial reporting date. The details of assumptions used in the calculation of the Parent Company's retirement benefits are presented in Note 16.

As of December 31, 2017 and 2016, the Parent Company recognized a net retirement benefits asset (shown as part of "Other noncurrent assets" account in the parent company statements of financial position) of \$0.02 million and \$0.6 million, respectively (see Note 16).

f. *Fair values of financial instruments*

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

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

The fair values of the Parent Company's financial instruments are presented in Note 19 to the parent company financial statements.



g. *Legal contingencies*

The Parent Company is involved in legal proceedings as discussed in Note 20 to the parent company financial statements. The Parent Company's estimate of probable costs for the assessment and resolution of the case has been developed in consultation with in-house and external counsels handling the defense of the case and is based upon thorough analysis of potential results.

The Parent Company, in consultation with its external counsels, believes that these proceedings will not have a material adverse effect on the parent company financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings.

4. **Operating Segment Information**

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

- First Gas Power Corporation (FGPC), which operates the 1,000 MW combined cycle, natural gas-fired Santa Rita power plant, and where the Parent Company now has a 100% equity interest;
- FGP Corp. (FGP), which operates the 500 MW combined cycle, natural gas-fired San Lorenzo power plant, and where the Parent Company now has a 100% equity interest;
- EDC and Subsidiaries, which holds service contracts with the DOE corresponding to 15 geothermal contract areas each granting EDC exclusive rights to explore, develop, and utilize the corresponding resources in the relevant contract area. EDC conducts commercial operations in four (4) out of its 15 geothermal contract areas. Likewise, EDC, owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 6.82 MW Burgos Solar Power Plant Phase 1 and Phase 2 (Burgos Solar) both situated in Burgos, Ilocos Norte. Also, in 2017, EDC has started to generate electricity from 1,030 KW solar rooftop system in Iloilo through EDC Siklab. As of December 31, 2017 and 2016, the Parent Company has 100% direct voting interest in Prime Terracota, and has 41.6% and 50.6% effective economic interest in EDC, respectively;
- First Gen Hydro Power Corporation (FG Hydro), which operates the 132 MW Pantabangan and Masiway Hydro-Electric Power Plants (PAHEP/MAHEP), and where the Parent Company has a 40% direct economic interest as of December 31, 2017 and 2016, and 65.0% and 70.4% effective economic interest as of December 31, 2017 and 2016, respectively.



- First NatGas Power Corp. (FNPC), which owns and operates the approximately 420 MW natural gas-fired San Gabriel power plant, and where the Parent Company has a 100% equity interest. The San Gabriel power plant went into commercial operations in November 2016; and,
- Prime Meridian Powergen Corporation (Prime Meridian), which owns and operates the 97 MW Avion open-cycle natural gas-fired power plant (Avion power plant), and where the Parent Company has a 100% equity interest. The Avion power plant has been in commercial operations since September 2016.

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

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

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Parent Company and that the revenue can be reliably measured. Substantially all of the segment revenues of FGP and FGPC are derived from Manila Electric Company, the sole customer of FGP and FGPC; while close to 37.8% of EDC's total revenues in 2017 are derived from existing long term Power Purchase Agreements with National Power Corporation (NPC).

Financial information on the business segments are summarized as follows:

	Year Ended December 31, 2017								Total
	FGPC	FGP	FNPC	Prime Meridian	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	
Segment revenue	\$612,043	\$308,160	\$98,622	\$17,525	\$627,711	\$32,668	\$43,751	(\$1,572,252)	\$168,228
Segment expenses	(432,343)	(215,514)	(77,227)	(19,078)	(274,961)	(11,103)	(59,475)	1,076,874	(12,827)
Segment results	179,700	92,646	21,395	(1,553)	352,750	21,565	(15,724)	(495,378)	155,401
Interest income	2,654	4,044	68	27	5,304	150	3,249	(12,673)	2,823
Interest expense and financing charges	(33,649)	(13,233)	(10,474)	—	(81,018)	(1,007)	(41,080)	141,545	(38,916)
Depreciation and amortization	(38,380)	(22,943)	(17,961)	(2,178)	(120,764)	(6,689)	(2,885)	211,483	(317)
Other income (charges) - net	1,746	143	(500)	34	(1,796)	334	27,831	(40,672)	(12,880)
Income (loss) before income tax	112,071	60,657	(7,472)	(3,670)	154,476	14,353	(28,609)	(195,695)	106,111
Provision for income tax	(26,485)	(15,062)	(397)	(10)	(16,752)	(2,816)	(868)	62,264	(126)
Net income (loss)	\$85,586	\$45,595	(\$7,869)	(\$3,680)	\$137,724	\$11,537	(\$29,477)	(\$133,431)	\$105,985

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

**Pertains to transactions of the Parent Company's subsidiaries and associates for the year ended December 31, 2017.

	Year Ended December 31, 2016								Total
	FGPC	FGP	FNPC	Prime Meridian	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	
Segment revenue	\$535,141	\$291,536	\$6,595	\$1,550	\$675,637	\$48,350	\$14,490	(\$1,448,510)	\$124,789
Segment expenses	(355,765)	(196,090)	(11,415)	(3,797)	(277,947)	(10,260)	(31,001)	871,608	(14,667)
Segment results	179,376	95,446	(4,820)	(2,247)	397,690	38,090	(16,511)	(576,902)	110,122
Interest income	6,374	4,417	124	22	5,705	275	2,261	(17,193)	1,985
Interest expense and financing charges	(25,840)	(13,176)	(3,303)	(1)	(92,791)	(2,441)	(39,032)	133,959	(42,625)
Depreciation and amortization	(39,398)	(22,199)	(3,451)	(1,301)	(121,075)	(9,475)	(685)	197,262	(322)
Other income (charges) - net	2,612	(513)	43,921	4,064	15,021	(178)	(14,388)	(31,853)	18,686
Income (loss) before income tax	123,124	63,975	32,471	537	204,550	26,271	(68,355)	(294,727)	87,846
Provision for income tax	(35,476)	(17,800)	(15,016)	(1)	(27,294)	(7,059)	(542)	102,654	(534)
Net income (loss)	\$87,648	\$46,175	\$17,455	\$536	\$177,256	\$19,212	(\$68,897)	(\$192,073)	\$87,312

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

**Pertains to transactions of the Parent Company's subsidiaries and associates for the year ended December 31, 2016.



Other financial information of the business segments are as follows:

	As of December 31, 2017								
	FGPC	FGP	FNPC	Prime Meridian	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	\$541,869	\$260,977	\$30,197	\$17,466	\$515,715	\$19,690	\$20,422	(\$974,773)	\$431,563
Noncurrent assets	260,635	239,023	425,467	109,719	2,150,260	95,746	5,266,764	(6,011,116)	2,536,498
Total assets	\$802,504	\$500,000	\$455,664	\$127,185	\$2,665,975	\$115,436	\$5,287,186	(\$6,985,889)	\$2,968,061
Current liabilities	\$167,859	\$118,838	\$31,354	\$1,873	\$367,324	\$6,643	\$353,503	(\$481,447)	\$565,947
Noncurrent liabilities	403,941	247,114	171,324	36	1,188,509	23,335	478,906	(2,190,775)	322,390
Total liabilities	\$571,800	\$365,952	\$202,678	\$1,909	\$1,555,833	\$29,978	\$832,409	(\$2,672,222)	\$888,337

*Pertains to EDC and subsidiaries consolidated assets and liabilities including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to assets and liabilities of the Parent Company's subsidiaries and associates as of December 31, 2017.

	As of December 31, 2016								
	FGPC	FGP	FNPC	Prime Meridian	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	\$330,031	\$293,136	\$71,365	\$29,651	\$490,465	\$16,965	\$142,493	(\$1,187,270)	\$186,836
Noncurrent assets	385,411	282,288	401,191	103,265	2,154,460	104,986	5,504,235	(6,211,403)	2,724,433
Total assets	\$715,442	\$575,424	\$472,556	\$132,916	\$2,644,925	\$121,951	\$5,646,728	(\$7,398,673)	\$2,911,269
Current liabilities	\$231,657	\$151,446	\$24,516	\$3,345	\$342,437	\$9,897	\$69,096	(\$598,461)	\$233,933
Noncurrent liabilities	212,363	294,618	187,179	33	1,280,462	41,245	701,050	(2,071,630)	645,320
Total liabilities	\$444,020	\$446,064	\$211,695	\$3,378	\$1,622,899	\$51,142	\$770,146	(2,670,091)	\$879,253

*Pertains to EDC and subsidiaries consolidated assets and liabilities including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to assets and liabilities of the Parent Company's subsidiaries and associates as of December 31, 2016.

5. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash in banks (see Notes 18 and 19)	\$31,815	\$22,670
Short-term deposits (see Notes 18 and 19)	333,261	106,681
	\$365,076	\$129,351

Cash and cash equivalents earn interest at the respective bank deposit rates ranging from 0.12% to 2.00% and 0.12% to 1.63% as of December 31, 2017 and 2016, respectively. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company, and earn interest at the respective short-term deposit rates.

For the years ended December 31, 2017 and 2016, total interest income earned from cash and cash equivalents amounted to \$2.8 million and \$2.0 million, respectively.

6. Financial Assets at FVPL

In 2015, the Parent Company entered into an Investment Management Agreement (IMA) with Banco De Oro (BDO) Unibank, Inc.

Among others, following are the significant provisions of the IMA:

- The Investment Manager shall administer and manage the fund as allowed and subject to the requirements of the Bangko Sentral ng Pilipinas, and in accordance with the written investment policy and guidelines mutually agreed upon and signed by Investment Manager and the Parent Company.



- The agreement is considered as an agency and not a trust agreement. The Parent Company, therefore, shall at all times retain legal title to the fund.
- The IMA does not guaranty a yield, return, or income on the investments or reinvestments made by the Investment Manager. Any loss or depreciation in the value of the assets of the fund shall be for the account of the Parent Company.

The Parent Company accounts for the entire investment as financial assets at FVPL. Mark-to-market losses on the securities amounting to \$0.02 million are presented under “Other income (charges)” in the Parent Company’s statements of income for the years ended December 31, 2017 and 2016.

As of December 31, 2017 and 2016, the movements of the financial assets at FVPL account are as follows:

	2017	2016
Balance at beginning of year	\$2,049	\$8,555
Additions for the year	149,259	27,777
Redemptions for the year	(151,361)	(34,357)
Realized income for the year	209	188
Trustee fees	(13)	(10)
Foreign exchange adjustments	(105)	(86)
Mark-to-market loss on financial assets at FVPL	(17)	(18)
Balance at end of year	\$21	\$2,049

7. Other Current Assets

This account consists of:

	2017	2016
CWTs	\$8,848	\$7,820
Consultancy fee receivables [see Note 14(c)]	1,280	652
Dividends receivable [see Notes 8 and 14(a)]	1,402	–
Prepayments	260	260
Others	2,201	1,188
	\$13,991	\$9,920

Others include input VAT, receivables from employees, and other receivables.



8. Investments and Deposits

Subsidiaries

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

	Percentage of Voting Interest	
	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	100	100
Blue Vulcan Holdings Corporation (Blue Vulcan)	100	100
Prime Meridian ³	100	100
Gold silk Holdings Corporation ⁷	100	100
Dualcore Holdings Inc. ⁷	100	100
Onecore Holdings Inc. ⁷	100	100
FG Mindanao Renewables Corp. (FMRC) ⁸	100	100
FGen Northern Mindanao Holdings, Inc. (FNMHI) ⁸	100	100
FGen Tagoloan Hydro Corporation (FG Tagoloan) ⁹	100	100
FGen Tumalaong Hydro Corporation (FG Tumalaong) ⁹	100	100
FGen Puyo Hydro Corporation (FG Puyo) ¹⁰	100	100
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
FNPC ⁵	100	100
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

(Forward)



	Percentage of Voting Interest	
	2017	2016
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 Terracota Holdings Corp. (Prime Terracota)	100	100
FG Hydro ¹²	40	40
¹ Through FGESHI		
² Through FGRI		
³ Through FGEN Meridian		
⁴ 60% through Unified and 40% through Onecore		
⁵ Through AlliedGen		
⁶ Through FGHC		
⁷ Through Blue Vulcan		
⁸ Through FG Mindanao		
⁹ Through FMRC		
¹⁰ Through FNMHI		
¹¹ Through LNG Holdings		
¹² The Parent Company has 40% direct voting interest in FG Hydro while its effective economic interest is 65.0% through Prime Terracota as of December 31, 2017.		
¹³ Through Liquefied Holdings		
¹⁴ On May 15, 2015, FGen NatGas Supply was incorporated and registered with the Philippine SEC. FGen NatGas Supply is a wholly owned subsidiary of Liquefied Holdings.		
¹⁵ On July 21, 2015, FPOI was incorporated and registered with the Philippine SEC.		
¹⁶ On September 9, 2015, FGen Fuel Line was incorporated and registered with the Philippine SEC.		

All of the foregoing subsidiaries are incorporated in the Philippines.

As of December 31, 2017 and 2016, FG Luzon, FG Visayas, FG Mindanao, FG Ecopower, FG Premier, FG Prime, FG Visayas Energy, Northern Terracotta, FMRC, FNMHI, FG Tagoloan, FG Tumalaong, FG Puyo, FG Bubunawan, FG Cabadbaran, FG Pipeline, FG Land, FGEN LNG, LNG Holdings, FGen Northern Power, FGEN Power Ventures, FGEN Casecan, Power Holdings, Prime Holdings, FGESHI, Liquefied Holdings, FG Reliable Energy, FG Power Solutions, FGVBSHI, FG Aqua Power, FGen NatGas Supply, FPOI, and FGen Fuel Line have not started commercial operations.

As of December 31, 2017 and 2016, Prime Terracota's subsidiaries include the following companies:

	Percentage of Voting Interest	
	2017	2016
Red Vulcan Holdings Corporation (Red Vulcan)	100	100
EDC ¹	60	60
FG Hydro	60	60
EDC Drillco Corporation (EDC Drillco) ⁶	60	60
EDC Geothermal Corp. (EGC) ⁴	60	60
Green Core Geothermal Inc. (GCGI)	60	60
Bac-Man Geothermal Inc. (BGI)	60	60
Unified Leyte Geothermal Energy Inc. (ULGEI)	60	60
Southern Negros Geothermal, Inc. (SNGI) ³	60	60
Bac-Man Energy Development Corporation (BEDC) ³	60	60
EDC Wind Energy Holdings, Inc. (EWEHI) ⁴	60	60
EDC Burgos Wind Power Corporation (EBWPC)	60	60
EDC Pagudpud Wind Power Corporation (EPWPC) ³	60	60
EDC Bayog Burgos Wind Power Corporation (EBWPC) ³	60	60
EDC Pagali Burgos Wind Power Corporation (EPBWPC) ³	60	60
Matnog 1 Renewable Energy Corporation (M1REC) ³	60	60
Matnog 2 Renewable Energy Corporation (M2REC) ³	60	60
Matnog 3 Renewable Energy Corporation (M3REC) ³	60	60
Iloilo 1 Renewable Energy Corporation (I1REC) ³	60	60
Negros 1 Renewable Energy Corporation (N1REC) ³	60	60
EDC Bright Solar Energy Holdings, Inc. (EBSEHI) ⁴	60	60
EDC Siklab Power Corporation (EDC Siklab), formerly		
EDC Bago Solar Power Corporation (EBSPC) ⁵	60	60

(Forward)



	Percentage of Voting Interest	
	2017	2016
EDC Sinag Power Corporation (Sinag), formerly EDC Burgos Solar Corporation (EBSC) ³	60	60
EDC Sinag Iloilo Power Corporation (EDC Sinag Iloilo), formerly EMGI ^{3,5,7}	60	60
EDC Siklab Iloilo Power Corporation (Siklab Iloilo), formerly KGI ^{3,5,7}	60	60
EDC Clean Solar Visayas Power Corporation (ECSVPC), formerly MAREI ^{3,5,7}	60	60
EDC Chile Limitada ³	60	60
EDC Holdings International Limited (EHIL) ⁴	60	60
Energy Development Corporation Hong Kong International Investment Limited (EDC HKIIL) ³	60	60
Energy Development Corporation Hong Kong Limited (EDC HKL) ⁴	60	60
EDC Chile Holdings SPA ³	60	60
EDC Geotermica Chile ³	60	60
EDC Peru Holdings S.A.C. ³	60	60
EDC Geotermica Peru S.A.C. ³	60	60
Energy Development Corporation Peru S.A.C. ³	60	60
EDC Geotermica Del Sur S.A.C. ³	60	60
EDC Energia Azul S.A.C. ³	60	60
Geotermica Crucero Peru S.A.C. ³	60	42
EDC Energía Perú S.A.C. ³	60	60
Geotermica Tutupaca Norte Peru S.A.C. ³	60	42
EDC Energía Geotérmica S.A.C. ³	60	60
EDC Progreso Geotérmica Perú S.A.C. ³	60	60
Geotermica Loriscota Peru S.A.C. ³	60	42
EDC Energía Renovable Perú S.A.C. ³	60	60
EDC Soluciones Sostenibles Ltd	60	60
EDC Energia Verde Chile SpA	60	60
EDC Energia de la Tierra SpA	60	60
EDC Desarrollo Sostenible Ltd.	60	60
EDC Energia Verde Peru SAC	60	60
PT EDC Indonesia ³	57	57
PT EDC Panas Bumi Indonesia ³	57	57
EDC Wind Energy Holdings 2 Inc. (EWEHI2) ^{2,4}	60	—
Calaca Renewable Energy Corporation (CREC) ²	60	—
Burgos 3 Renewable Energy Corporation (BREC3) ²	60	—
Burgos 4 Renewable Energy Corporation (BREC4) ²	60	—

¹The Parent Company's economic interest in EDC is 41.6% as of December 31, 2017 and 50.6% as of December 31, 2016.

²Incorporated in 2017 and has not yet started commercial operations as of December 31, 2017.

³Incorporated in prior years and has not yet started commercial operations as of December 31, 2017.

⁴Serves as an investment holding company.

⁵Change corporate name in 2017.

⁶Dissolved in 2017.

⁷Became wholly owned subsidiaries of EBSEHI starting December 2016.

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

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

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



In 2017, EMGI, KGI and MAREI changed their corporate names to EDC Sinag Iloilo Power Corporation (Sinag Iloilo), EDC Siklab Iloilo Power Corporation (Siklab Iloilo) and EDC Clean Solar Visayas Power Corporation (ECSVPC), respectively.

Associates

	Percentage of Voting Interest	
	2017	2016
Bauang Private Power Corporation (BPPC) ¹	37	37
FGen Northern Power ²	40	40
First Gen Northern Energy Corp. (FGNEC) ³	—	33

¹First Private Power Corporation (FPPC) has 93.25% voting and economic interest in BPPC. By virtue of the merger, FPPC transferred its assets and liabilities at their carrying values to BPPC on December 15, 2010.

²On July 7, 2015, Conal subscribed to 37,500 common stocks of FGen Northern Power at par value of P1.00 per share. As result of the subscription, Conal now owns 60% economic and voting interest in FGen Northern Power while the Parent Company's interest was reduced from 100% to 40%. As a result, the Parent Company lost control of FGen Northern Power but retained significant influence.

³The equity transaction between Metro Pacific Investments Corporation, Ayala Corporation and the Parent Company in March 2010 has led to the deconsolidation of FGNEC since the Parent Company's interest in FGNEC has been reduced to 33% from 100%. On December 23, 2015, the Philippine SEC approved the amendment to the Articles of Incorporation which consists of an amendment to the Fourth Article of the Articles of Incorporation shortening the term of FGNEC's existence from "fifty (50) years from and after the date of issuance of the certificate of incorporation" to "until December 31, 2016", thereby dissolving the corporation.

The components of the Parent Company's investments and deposits as of December 31, 2017 and 2016 are as follows:

	2017	2016
Investments in shares of stock:		
Subsidiaries	\$2,501,834	\$2,703,245
Associates (net of accumulated provision for impairment loss)	220	220
	2,502,054	2,703,465
Deposits for future stock subscriptions	33,271	19,123
	\$2,535,325	\$2,722,588

Movements of investments in shares of stock are as follows:

	2017	2016
Acquisition cost of investments:		
Balance at beginning of year	\$2,707,231	\$2,461,502
Carrying value of EDC common stocks	(106,304)	—
Carrying value of Northern Terracotta redeemable preferred stocks	(95,107)	—
Conversion of deposits to investments	—	245,322
Conversion of advances to investments	—	407
	2,505,820	2,707,231
Less accumulated provision for impairment loss	3,766	3,766
Balance at end of year	\$2,502,054	\$2,703,465

As of December 31, 2017 and 2016, the accumulated provision for impairment loss pertains to the Parent Company's investment in BPPC.



Details of deposits for future stock subscriptions are as follows:

	2017	2016
LNG Holdings	\$21,489	\$7,341
FGESHI	11,782	11,782
	\$33,271	\$19,123

Movements of deposits for future stock subscriptions are as follows:

	2017	2016
Balance at beginning of year	\$19,123	\$158,387
Additions for the year	14,148	106,058
Conversion of deposits to investment	—	(245,322)
Balance at end of year	\$33,271	\$19,123

EDC

On August 3, 2017, the Parent Company entered into an Implementation Agreement with PREHC, Red Vulcan and Northern Terracotta. PREHC is a company incorporated in the Philippines.

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

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

The Parent Company tendered to PREHC its 991.8 million common stocks of EDC, subject to scale-back provisions under applicable regulations. Following the implementation of the scale back announced by PREHC, the tendered shares are 842.9 million common stocks of EDC directly held by the Parent Company. The Parent Company received a total proceeds amounting to \$119.4 million (₱6,075.9 million) and recognized a gain on sale amounting to \$13.1 million (₱1,331.5 million), net of foreign exchange translation losses, presented under "Other income (charges)" in the Parent Company statements of income.

Northern Terracotta

On September 29, 2017, Northern Terracotta tendered to PREHC its 838.2 million common stocks of EDC and received a total proceeds amounting to \$120.1 million (₱6,045.6 million).

On October 30, 2017, Northern Terracotta redeemed a total of 4,100,000 redeemable preferred stocks with a par value of ₱100.0 per share from the Parent Company amounting to \$80.4 million (₱4,100.0 million). The Parent Company recognized foreign exchange losses due to currency translation from the return of investment amounting to \$14.7 million presented under "Other income (charges)" in the parent company statements of income.

The Parent Company received cash dividends from Northern Terracotta amounting to \$37.3 million (₱1,900.0 million) and nil for the years ended December 31, 2017 and 2016, respectively (see Note 14).



FGESHI

In 2017 and 2016, the Parent Company made deposits for future stock subscriptions amounting to nil and \$1.7 million, respectively, to FGESHI for conversion to a fixed number of stocks.

LNG Holdings

In 2017 and 2016, the Parent Company made deposits for future stock subscriptions amounting to \$14.1 million and \$4.4 million, respectively, to LNG Holdings for conversion to a fixed number of stocks.

AlliedGen

In 2017 and 2016, the Parent Company made deposits for future stock subscriptions amounting to nil and \$67.4 million, respectively, to AlliedGen for conversion to a fixed number of stocks.

On November 11, 2016, the BOD of AlliedGen approved the increase in the authorized capital stock from ₱900.0 million to ₱1,950.0 million divided into 1,500,000 common stocks with a par value of ₱100.0 per share and 18,000,000 preferred stocks with a par value of ₱100.0 per share.

On December 29, 2016, the Philippine SEC approved the increase in the authorized capital stock of AlliedGen. On the same date, the Philippine SEC approved the subscription of the Parent Company to 480,000 common stocks with a par value ₱100.0 per share and 7,335,758 preferred stocks with a par value of ₱100.0 per share, and the subscription was paid through the conversion of the Parent Company's outstanding deposits for future stocks subscriptions amounting to \$171.3 million (₱7,815.8 million).

FGEN Meridian

In 2017 and 2016, the Parent Company made deposits for future stock subscriptions amounting to nil and \$32.6 million, respectively, to FGEN Meridian for conversion to a fixed number of stocks.

On October 14, 2016, the BOD of FGEN Meridian approved the increase in the authorized capital stock from ₱550.0 million to ₱1,050.0 million divided into 50,000,000 common stocks with a par value of ₱1.0 per share and 10,000,000 preferred stocks with a par value of ₱100.0 per share.

On December 29, 2016, the Philippine SEC approved the increase in the authorized capital stock of FGEN Meridian. On the same date, the Philippine SEC approved the subscription of the Parent Company to 3,390,767 preferred stocks with a par value of ₱100.0 per share and the subscription was paid through the conversion of the Parent Company's outstanding deposits for future stocks subscriptions amounting to \$74.0 million (₱3,390.8 million).

FGES

On December 29, 2016, the Parent Company and FGES executed a Deed of Assignment for the conversion of its Advances amounting to \$0.4 million (₱20.0 million) for the issuance of 20,000,000 FGES' common stocks at par value of ₱1.00 a share.

As of December 31, 2017, the Parent Company has a dividend receivable from FGES amounting to \$1.4 million (₱70.0 million) arising from the dividends declared by FGES in 2017, which is shown as "Dividend income" in the parent company statements of income (see Note 8).

FG Hydro

In 2017 and 2016, FG Hydro declared and paid cash dividends to its common shareholders amounting to nil and \$17.7 million (₱857.0 million), respectively. The Parent Company received cash dividends from FG Hydro amounting to nil and \$7.1 million (₱342.8 million) for the years ended December 31, 2017 and 2016, respectively.



BPPC/FPPC

FPPC has a 93.25% voting and economic interest in BPPC. BPPC assumed the rights and obligation of FPPC under Project Agreement signed by FPPC with NPC, granting FPPC the right to build and operate a bunker-fired diesel power plant.

BPPC then undertook the construction and operation of the 225 MW bunker-fired diesel generator power plant (power plant) in Bo. Payocpoc Sur, Bauang, La Union and turned over the power plant to NPC on July 26, 2010 to mark the end of the 15-year Cooperation Period under the Project Agreement.

On October 14, 2010, the BOD and stockholders of BPPC and FPPC approved the Plan of Merger where FPPC shall be merged into and be part of BPPC, and its separate corporate existence shall cease by operation of law. Subsequently, on December 13, 2010, the Philippine SEC approved the Certificate of Filing of the Articles and Plan of Merger. On December 15, 2010, the effective date of the Merger, FPPC transferred its assets and liabilities at their carrying values to BPPC.

Pursuant to the Articles of Merger, BPPC issued common stock to holders of FPPC common stock upon the surrender and cancellation of common stock of FPPC. The merger was accounted for in accordance with the pooling of interest method where the identifiable assets acquired and liabilities assumed from FPPC are recognized at their carrying values and accounted for prospectively.

As of December 31, 2017 and 2016, the investment in BPPC amounted to \$0.2 million, net of provision for impairment loss.

FGNEC

On July 22, 2015, the BOD and the Stockholders of FGNEC approved a resolution to amend FGNEC's articles of incorporation shortening the term of the FGNEC's existence from 50 years from and after the date of issuance of the certificate of incorporation to "until December 31, 2016." On December 23, 2015, the Philippine SEC approved the term for which FGNEC is to exist until December 31, 2016.

9. Property and Equipment

	2017				Total
	Buildings and Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	
Cost					
Balance at beginning of year	\$340	\$1,267	\$1,374	\$341	\$3,322
Additions	—	150	89	—	239
Disposals	—	(602)	—	—	(602)
Balance at end of year	340	815	1,463	341	2,959
Accumulated Depreciation and Amortization					
Balance at beginning of year	172	797	1,213	177	2,359
Depreciation and amortization (see Note 15)	16	146	108	47	317
Disposals	—	(566)	—	—	(566)
Balance at end of year	188	377	1,321	224	2,110
Net Book Value	\$152	\$438	\$142	\$117	\$849



	2016				
	Buildings and Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	\$340	\$1,075	\$1,294	\$276	\$2,985
Additions	—	257	81	65	403
Disposals	—	(65)	(1)	—	(66)
Balance at end of year	340	1,267	1,374	341	3,322
Accumulated Depreciation and Amortization					
Balance at beginning of year	155	704	1,077	153	2,089
Depreciation and amortization (see Note 15)	17	144	137	24	322
Disposals	—	(51)	(1)	—	(52)
Balance at end of year	172	797	1,213	177	2,359
Net Book Value	\$168	\$470	\$161	\$164	\$963

No borrowing costs were capitalized for the years ended December 31, 2017 and 2016.

10. Accounts Payable and Accrued Expenses

This account consists of:

	2017	2016
Accounts payable	\$334	\$701
Accrued interest and financing costs (see Note 11)	3,737	7,060
Others	2,515	2,803
	\$6,586	\$10,564

Accounts payable are noninterest-bearing and are normally settled on 30 to 60-day payment terms.

Accrued interest and financing costs, and other payables are normally settled semi-annually throughout the year.

Others include withholding taxes payable, output value-added tax (VAT), and other payables to government agencies.

11. Long-term Debts

This account consists of long-term debts as follows:

	2017	2016
\$300.0M Notes	\$91,000	\$297,353
\$200.0M Term Facility	187,003	192,790
Total	278,003	490,143
Less current portion	19,794	5,787
Noncurrent portion	\$258,209	\$484,356



\$300.0 Million Notes

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

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

On October 13, 2017, the Parent Company bought back \$58.3 million Notes from the market with applicable premium. Total settlement, including premium and accrued interest, amounted to \$62.7 million. Loss on extinguishment amounting to \$4.4 million is presented under “Other income (charges)” in the parent company statement of income. The Notes were subsequently cancelled thereafter.

On November 8, 2017, the Parent Company sent Notice of Redemption to Noteholders stating that the Parent Company intends to redeem the Notes in the aggregate principal amount of \$150.0 million on December 15, 2017 at a certain Redemption Price based on a formula stated in the Trust Deed. In the Final Notice of Redemption, the Parent Company informed the Noteholders that the Applicable Premium as of Redemption Date is at 6.684% of the face value. Loss on extinguishment amounting to \$10.0 million is presented under “Other income (charges)” in the parent company statement of income.

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

The Notes are direct, unconditional and unsecured obligations of the Parent Company, ranking *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Parent Company, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ right. As of December 31, 2017 and 2016, the Parent Company is in compliance with the terms of the Notes.



The movements of the unamortized debt issuance costs account as of December 31, 2017 and 2016 are as follows:

	2017	2016
Balances at beginning of year	\$2,647	\$2,947
Accretion during the year charged to the “Interest expense and financing charges” account (see Note 15)	(291)	(300)
Unamortized debt issuance costs charged to “Interest expense and financing charges” account (see Note 15)	(1,666)	—
Balances at end of year	\$690	\$2,647

\$200.0 Million Term Facility

On September 22, 2015, the Parent Company signed an unsecured \$200.0 million Term Loan Agreement with BDO as Lender and BDO Capital as Arranger. The proceeds are intended to be used to repay invest in and/or finance the Parent Company’s subsidiaries to enable the latter to fund capital expenditures for the 420 MW San Gabriel natural gas-fired power plant and other projects and fund other general corporate requirements. On September 29, 2015, the Parent Company fully availed the term loan of \$200.0 million that will fully mature in September 2025.

The interest rate of the loan is computed semi-annually, every September and March, using fixed interest rates of: (i) 4.90% per annum from drawdown date to the March 31, 2016 (repricing date) and (ii) 5.09% per annum each successive six months from Repricing Date to maturity date.

In addition, the facility imposes standard loan covenants on the Parent Company and requires the Parent Company to maintain a debt service coverage ratio of at least 1.2:1 and a debt-to-equity ratio of at most 2.5:1. The obligations of the Parent Company under this Term Loan Agreement are unsecured. As of December 31, 2017 and 2016, the Parent Company is in compliance with the terms of the Term Loan Agreement.

The movements of the unamortized debt issuance costs account as of December 31, 2017 and 2016 are as follows:

	2017	2016
Balances at beginning of year	\$1,210	\$1,513
Accretion during the year charged to the “Interest expense and financing charges” account (see Note 15)	(213)	(303)
Balances at end of year	\$997	\$1,210



12. Equity

a. Capital Stock

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

	Number of Shares	
	2017	2016
Redeemable preferred stock (Series "B") - ₱0.50 par value		
Authorized	1,000,000,000	1,000,000,000
Issued and outstanding	1,000,000,000	1,000,000,000
Redeemable preferred stock (Series "E") - ₱0.50 par value		
Authorized	1,500,000,000	1,500,000,000
Issued and outstanding	468,553,892	468,553,892
Redeemable preferred stock (Series "F") - ₱10.00 par value		
Authorized	100,000,000	100,000,000
Issued	100,000,000	100,000,000
Outstanding		
Balance at beginning of year	63,624,990	63,635,000
Redemptions	(422,830)	(10,010)
Balance at end of year	63,202,160	63,624,990
Redeemable preferred stock (Series "G") - ₱10.00 par value		
Authorized	135,000,000	135,000,000
Issued	133,750,000	133,750,000
Outstanding		
Balance at beginning of year	128,723,720	133,750,000
Redemptions	(1,868,200)	(5,026,280)
Balance at end of year	126,855,520	128,723,720
Common stock - ₱1 par value		
Authorized	5,000,000,000	5,000,000,000
Issued and outstanding	3,660,943,557	3,660,943,557

As of December 31, 2017, the Parent Company's redeemable preferred stock consists of the following:

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



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

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

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

During the May 12, 2014 Annual Stockholders’ Meeting, the stockholders and the BOD of the Parent Company approved a two-year buyback program covering the repurchase of up to ₱5.0 billion worth of Series “F” and “G” redeemable preferred stocks from the open market. The two-year period commenced on June 1, 2014 and ended on May 31, 2016. Under the Series “F” and “G” redeemable preferred stocks buy-back program, the maximum amount of the shares and buyback period will be subject to revision by the BOD from time to time as circumstances warrant, subject to proper disclosures to regulatory agencies. The program will not involve active and widespread solicitation from shareholders in general, and not adversely affect the Parent Company’s prospective and existing development projects. The program will be executed in open market through the trading facilities of the PSE and be implemented under the supervision of the Parent Company’s Chief Executive Officer, President, and Chief Finance Officer. On October 6, 2015, the Parent Company purchased from the open market 36,365,000 Series “F” redeemable preferred stocks at an issue price of ₱110.0 per share. The transaction was made pursuant to a two-year buyback program approved by the stockholders and BOD on May 12, 2014.

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

In 2018, the Parent Company purchased from the open market 6,091,200 common stocks for ₱90.5 million (\$1.8 million).



On January 20, 2015, the Parent Company authorized the issuance and sale of an aggregate of 297,029,800 common stocks to be taken from its unissued capital stock and treasury stock at an identical issue price of ₱25.25 per share (the “Offer Price”). The price represents a 2.9% discount to the last traded price of ₱26.00 per share. The placement was conducted via an accelerated bookbuilding process (see Note 1).

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

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

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

b. Deposits for future stock subscriptions

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

c. Retained Earnings

Following are the dividends declared and paid by the Parent Company in 2017 and 2016:

2017

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

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



2016

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

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

As of December 31, 2017 and 2016, total unpaid cash dividends on preferred stocks amounting to \$14.5 million (₱722.9 million) and \$14.7 million (₱731.8 million), respectively, are presented as "Dividends payable" in the parent company statements of financial position.

The retained earnings balance is restricted to the extent of acquisition price of the treasury stocks amounting to \$103.0 million and \$97.8 million as of December 31, 2017 and 2016, respectively.

d. Treasury Stocks

On October 6, 2015, the Parent Company purchased from the open market 36,365,000 Series "F" redeemable preferred stocks at a market price of ₱110.00 per share. The transaction was made pursuant to a two-year buyback program approved by the BOD on May 12, 2014. Total payments for the buyback of the Series "F" redeemable preferred stocks amounted to \$85.6 million (₱4.0 billion) [see Note 1].

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

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

As of December 31, 2017 and 2016, the Parent Company has total Series "F" and Series "G" redeemable preferred stocks held in treasury amounting to \$103.0 million and \$97.8 million, respectively.

In 2018, the Parent Company purchased from the open market 6,091,200 common stocks amounting to \$1.8 million (₱90.5 million).



e. Basic and Diluted EPS

The basic/diluted earnings per share amounts were computed as follows:

	2017	2016
	<i>(In Thousands, Except Number of Shares and Per Share Data)</i>	
Net income attributable to equity holders of the Parent Company	\$105,985	\$87,312
Less dividends on preferred stocks	28,072	30,399
(a) Net income attributable to common stockholders of the Parent Company	77,913	56,913
(b) Weighted average number of common stocks outstanding	3,660,943,557	3,660,943,557
Basic/diluted earnings per share (a/b)	\$0.02	\$0.02

The Parent Company does not have any dilutive potential common stocks as at December 31, 2017 and 2016.

13. Share-based Payment Plans

Employee Stock Option Plan (ESOP)

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

Employee Stock Purchase Plan (ESPP)

In accordance with the provisions of the ESPP, the plan expired on April 15, 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.

14. Related Party Transactions

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



The following are the significant transactions with related parties:

- a. The Parent Company received cash dividends from its subsidiaries totaling to \$159.0 million and \$116.3 million for the years ended December 31, 2017 and 2016, respectively, which are shown as “Dividend income” in the parent company statements of income. Such dividends were declared by the following subsidiaries:

	2017	2016
FGHC	\$79,598	\$48,794
Northern Terracotta	37,261	—
Unified	23,400	20,538
BVHC	15,809	34,114
FG Hydro	—	7,087
Others	2,936	5,775
	\$159,004	\$116,308

As of December 31, 2017, the Parent Company has a dividend receivable from FGES amounting to \$1.4 million (₱70.0 million) arising from the dividends declared by FGES in 2017, which is shown as “Dividend income” in the parent company statements of income (see Note 8).

- b. The details of the Parent Company’s “Advances from subsidiaries” are as follows:

Advances from FGPC

In November 2008, a portion of the proceeds of the loan availed by FGPC from a consortium of nine foreign banks amounting to \$154.9 million was upstreamed to the Parent Company. Such advances from FGPC were subject to an interest rate of 175 basis points over the average of the rate for the six months U.S. dollar deposits quoted by three reputable banks in the Philippines, provided however, that such interest rate shall in no case exceed 5.8%.

On June 28, 2017, the Parent Company fully paid the advances from FGPC amounting to \$82.3 million, including accrued interest.

As of December 31, 2017 and 2016, advances from FGPC including accrued interest amounted to nil and \$81.3 million, respectively, are recorded under the “Advances from subsidiaries” account in the parent company statements of financial position.

Advances from FGP

On November 5, 2012, a portion of proceeds of the loan availed by FGP from a facility with seven local banks amounting to \$195.6 million was upstreamed to the Parent Company by issuance of a promissory note. Such advances from a subsidiary are subject to a fixed interest rate of 2.5%. As of December 31, 2017 and 2016, the advances from FGP including accrued interest amounted to \$140.2 million and \$136.8 million, respectively, are recorded under the “Advances from subsidiaries” account in the parent company statements of financial position.

- c. The Parent Company is engaged as EDC’s consultant to render services pertaining to financial, business development and other matters under a Consultancy Agreement. On March 8, 2015, the Parent Company and EDC agreed to extend the Consultancy Agreement for a period of 24 months, from January 1, 2015 to December 31, 2016, for a monthly fee of \$0.6 million (₱28.4 million, net of withholding taxes plus VAT). On November 23, 2016, the Consultancy Agreement was further extended for another 24 months, from January 1, 2017 to



December 31, 2018, for a monthly fee of \$0.6 million (₱28.0 million, net of withholding taxes plus VAT).

Consultancy fees amounted to \$7.9 million and \$8.5 million for the years ended December 31, 2017 and 2016, respectively. The Parent Company has outstanding receivables from EDC related to the foregoing amounting to \$1.3 million and \$0.7 million as of December 31, 2017 and 2016, respectively, and is included in the “Other current assets” account in the parent company statements of financial position (see Note 7).

- d. Except for the U.S. dollar-denominated advances from/to subsidiaries, all other advances to and from related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of the Parent Company. Such advances to and from related parties are payable on demand.
- e. The Parent Company leases from Rockwell its office premises where its new principal office is located. Total rent expense included under “Rent” in the “General and administrative expenses” account in the parent company statements of income amounted to \$0.06 million in 2017 and 2016 (see Note 15). As of December 31, 2017, future minimum rental payments under the non-cancellable operating lease with Rockwell amounted to \$0.07 million within one year and \$0.1 million a year after but not more than five years.
- f. On September 1, 2016, the Parent Company entered into a Project Development and Technical Consultancy Services Agreement (the Agreement) with FNPC and Prime Meridian relating to the development, construction and completion of the 420 MW San Gabriel and the 97 MW Avion power plants (collectively referred to as the “Projects” or “Power Plants”). Under the Agreement, the Parent Company shall render engineering and environmental studies, consultation, procurement of licenses and permits for, supervision of site planning and preparation for construction, engineering, and construction management of the Projects.

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

The commissioning of the San Gabriel and Avion Power Plants were completed in November 2016 and September 2016, respectively. FNPC and Prime Meridian paid the Parent Company a fixed fee amounting to \$15.0 million and \$5.0 million (net of VAT), respectively, and presented under “Other income (charges)” account in the parent company statement of income in 2016.

g. Intercompany Guarantees

During the February 26, 2014 meeting, the BOD of the Parent Company approved the confirmation, ratification and approval of the authority of the Parent Company, pursuant to Clause (i) of the Second Article of the Parent Company’s Amended Articles of Incorporation, to act as a guarantor or co-obligor or assume any obligation of any person, corporation or entity in which the Corporation may have an interest, directly or indirectly, including but not limited to FNPC, which is the operating company of the 420 MW San Gabriel power plant and Prime Meridian, which is the operating company of the 97 MW Avion power plant, under such terms and conditions as the Parent Company’s duly authorized representatives may deem necessary, proper or convenient in the best interests of the Parent Company and its relevant subsidiary. On May 12, 2014, the stockholders of the Parent Company ratified and confirmed such authority.



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

As of December 31, 2017 and 2016, the Parent Company issued guarantees totaling to nil and \$8.0 million, respectively, in favor of the Board of Investments (BOI), to guarantee the payment of customs duties waived in the event that FNPC and/or Prime Meridian does not comply with the terms and conditions of their respective Certificates of Authority specifically on the installation and permanent use of imported capital equipment, spare parts and accessories that were installed in the San Gabriel and Avion power plants. On February 8, 2017, the BOI granted the respective requests of FNPC and Prime Meridian for the cancellation of the Parent Company guarantees in view of San Gabriel and Avion power plants' compliance of its obligations under their respective Certificates of Authority.

h. Compensation of key management personnel are as follows:

	2017	2016
Short-term employee benefits	\$4,179	\$5,186
Retirement benefits (see Note 16)	494	405
	\$4,673	\$5,591

Terms and Conditions of Transactions with Related Parties. As mentioned above, except for the Parent Company guarantees issued to FNPC and Prime Meridian in relation to the construction of San Gabriel and Avion power plants, respectively, there have been no other guarantees provided for or received from any other related party in 2017 and 2016.

Except for advances to/from subsidiaries, outstanding balances at yearend are unsecured, interest-free and settlement occurs in cash. The Parent Company has not recognized any impairment loss on amounts due from related parties for the years ended December 31, 2017 and 2016. This assessment is undertaken each financial year through a review of the financial position of the related parties and the market in which the related party operates.

A summary of the outstanding related party balances (see Note 8) follows:

Related Party	Nature of Transactions	Terms	Transactions for the		Balances as of	
			Years Ended December 31	2016	December 31	2016
Due from related parties						
		Unsecured and				
Red Vulcan	Interest-free advances	receivable on demand	\$5,086	\$114	\$15,212	\$10,089
FGHC	- do -	- do -	—	—	9,554	9,554
FG Bubunawan	- do -	- do -	2,438	4,075	7,015	4,600
Gold silk	- do -	- do -	29,376	461	3,478	1,517
FG Mindanao	- do -	- do -	169	183	2,739	2,581
FG Prime	- do -	- do -	—	323	1,968	1,976
FG Land	- do -	- do -	—	1	1,779	1,787
FG Puyo	- do -	- do -	413	546	1,614	1,206
FG Tagoloan	- do -	- do -	574	711	1,592	1,022
Northern Terracotta	- do -	- do -	—	—	1,372	5,192
FG Luzon	- do -	- do -	4	—	959	959
Prime Terracota	- do -	- do -	47	42	799	753
FPH	- do -	- do -	—	—	716	719
FGEN LNG	- do -	- do -	3	19	652	649
FGEN Power Ventures	- do -	- do -	12	101	478	467

(Forward)



Related Party	Nature of Transactions	Terms	Transactions for the Years Ended December 31		Balances as of December 31	
			2017	2016	2017	2016
Allied Gen	- do -	- do -	\$1	\$—	\$360	\$361
Blue Vulcan	- do -	- do -	—	—	339	340
FG Premier	- do -	- do -	—	34	216	217
FG Visayas	- do -	- do -	—	—	187	187
FG Ecopower	- do -	- do -	—	—	179	180
FGNEC	- do -	- do -	—	2	167	168
FNPC	- do -	- do -	1	3	162	162
First Philec	Marketing services	Payable monthly Unsecured and	—	151	151	149
FGEN Fuel Line	Interest-free advances	receivable on demand	57	78	135	78
FGen Meridian	- do -	- do -	80	—	101	22
FGPC	- do -	- do -	—	10	97	97
FG Cabadbaran	- do -	- do -	—	—	83	83
FGESHI	- do -	- do -	—	9	93	93
LNG Holdings	- do -	- do -	2	22	87	85
Prime Meridian	- do -	- do -	—	—	75	75
FG Tumalaong	- do -	- do -	—	19	24	24
FNMHCI	- do -	- do -	—	—	19	20
FG Visayas Energy	- do -	- do -	1	2	14	14
FGES	- do -	- do -	8	23	13	6
FGEN Northern Power	- do -	- do -	—	—	8	8
FGMRC	- do -	- do -	2	1	7	5
FG Bukidnon	- do -	- do -	—	29	—	53
Others**	- do -	- do -	8	11	31	18
			\$38,282	\$6,970	\$52,475	\$45,516

Due to related parties

FGPC	Interest-free advances	Unsecured and payable on demand	\$303,234	\$8	\$303,241	\$8
Onecore			—	—	76,363	76,363
FGP	- do -	- do -	18	50,006	57,269	57,256
Blue Vulcan			—	—	11,613	11,613
FGRI	- do -	- do -	—	—	336	336
FGHC International Ltd.*	- do -	- do -	—	—	145	145
FGHC	- do -	- do -	1	5	6	5
FG Pipeline	- do -	- do -	—	—	6	6
			\$303,253	\$50,019	\$448,979	\$145,732

Advances from subsidiaries***

FGP	Interest-bearing loan	Unsecured and payable by installment	\$3,154	\$3,104	\$140,155	\$136,771
FGPC	- do -	- do -	1,069	3,040	136	81,324
			\$4,223	\$6,144	\$140,291	\$218,095

Other current assets

EDC (see Note 7)	Consultancy fees	Unsecured and receivable on demand	\$7,851	\$8,481	\$1,280	\$652
FGES (see Notes 7 and 8)	Dividends Receivable	- do -	1,402	—	1,402	—
			\$9,253	\$8,481	\$2,682	\$652

*FGHC International Ltd. and FPIC are subsidiaries of FPH.

** Included in "Others" are advances to newly incorporated subsidiaries in 2015.

***Including accrued interest.

On June 28, 2017, a portion of the proceeds of FGPC'S \$500.0 million term loan facility with a 7-year tenor until May 2024 was upstreamed to the Parent Company.



15. Expenses

General and Administrative

	2017	2016
Staff costs	\$8,468	\$9,718
Professional fees	1,862	2,098
Taxes and licenses	748	713
Advertising	293	416
Transportation and travel	308	394
Depreciation and amortization (see Note 9)	317	322
Rent	209	319
Other outside services	214	285
Seminars and trainings	164	178
Repairs and maintenance	131	146
Donations	61	48
Others	369	352
	\$13,144	\$14,989

Staff Costs

	2017	2016
Salaries and wages	\$7,783	\$9,125
Retirement benefits (see Note 16)	685	593
	\$8,468	\$9,718

Interest Expense and Financing Charges

	2017	2016
Interest on:		
Long-term debts (see Note 11)	\$32,156	\$34,342
Advances from subsidiaries (see Note 14)	4,590	7,680
Accretion of debt issuance costs on		
Long-term debts (see Note 11)	504	603
Unamortized debt issuance costs (see Note 11)	1,666	—
	\$38,916	\$42,625

16. Retirement Benefits

The following tables summarize the funded status and amounts recognized in the parent company statements of financial position for the retirement plan and the components of net retirement benefits expense recognized as part of “Staff costs” in the “General and administrative expense” account in the parent company statements of income.

Net retirement benefits asset is included in the “Other noncurrent assets” account in the parent company statements of financial position as of December 31, 2017 and 2016.



Under the existing regulatory framework, Republic Act (R.A.) No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The amounts recognized in the parent company statements of financial position are as follows:

	2017	2016
Present value of defined benefit obligation	\$5,671	\$6,348
Fair value of plan assets	(5,693)	(6,928)
Net retirement benefits asset	(\$22)	(\$580)

The amounts recognized in the parent company statements of income are as follows:

	2017	2016
Current service cost	\$716	\$645
Net interest	(31)	(52)
Retirement benefits expense	\$685	\$593

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

	2017	2016
Balances at beginning of year	\$6,348	\$5,463
Current service cost	716	645
Interest cost	305	258
Benefits paid	(362)	—
Actuarial gains (losses) due to:		
Experience adjustments	(661)	382
Changes in financial assumptions	(470)	—
Changes in demographic assumptions	(171)	(48)
Foreign exchange adjustments	(34)	(352)
Balances at end of year	\$5,671	\$6,348

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

	2017	2016
Balances at beginning of year	\$6,928	\$6,467
Interest income	336	310
Return on plan assets, excluding interest income	(1,169)	538
Benefits paid	(362)	—
Foreign exchange adjustments	(40)	(387)
Balances at end of year	\$5,693	\$6,928
Actual return on plan assets	(\$833)	\$848

The Parent Company has initially funded the retirement plan in December 2005. The Parent Company does not expect to contribute to the retirement plan in 2017 given its net retirement benefit asset position.



The retirement fund of the Parent Company is maintained and managed by BDO Trust and Investment Group. The investing decisions of the Plan are made by its Retirement Committee.

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

The plan assets and investments by each class as of December 31, 2017 and 2016 are as follows:

	2017	2016
Investments quoted in active market		
Quoted equity investments:		
Holding firms	\$2,136	\$2,988
Industrial - electricity, energy, power and water	1,069	1,175
Financials - banks	10	6
	3,215	4,169
Investments in debt instruments:		
Government securities	1,763	1,248
Investments in corporate bonds	178	180
	1,941	1,428
Investment in mutual funds	92	638
Unquoted investments:		
Cash and cash equivalents	437	673
Receivables and other assets	16	29
Liabilities	(8)	(9)
	445	693
Fair value of plan assets	\$5,693	\$6,928

- Cash and cash equivalents include regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, bear interest ranging from 4.625% to 4.888% and have maturities from 2018 to 2020;
- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 2.13% to 6.50% and have maturities from 2018 to 2022; and
- As of December 31, 2017 and 2016, investment in equity securities consist of investments in the following securities:

Issuer	Relationship	2017	2016
Lopez Holdings	Intermediate parent company	\$1,069	\$2,988
FPH (Voting common stocks)	Parent Company	2,136	1,175
Others	N/A	10	6
		\$3,215	\$4,169

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



For the year ended December 31, 2017, unrealized losses arising from the investments in Lopez Holdings and FPH amounted to \$0.4 million and \$0.2 million, respectively.

For the year ended December 31, 2016, unrealized gain arising from the investments in Lopez Holdings amounted to \$0.4 million, and unrealized loss arising from the investment in FPH amounted to \$0.1 million.

The details of the realized gains (losses) for the years ended December 31, 2017 and 2016 based on the type of securities are as follows:

	2017	2016
Investment in government securities	(\$700)	\$169
Investment in shares of stock	(14)	341
Investment in corporate debt instruments	(1)	25
	(\$715)	\$535

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

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

The principal actuarial assumptions used in determining retirement benefit obligations of the Parent Company as at January 1 are as follows:

	2017	2016
Discount rate	5.57%	5.11%
Future salary increase rate	8.00%	8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2017, assuming if all other assumptions were held constant:

	Increase/Decrease in Percentage Point	Effect on Present Value of defined Benefit Obligation
Discount rate	+1%	(\$353)
	-1%	393
Future salary increases	+1%	\$409
	-1%	(374)

The Parent Company estimated that the weighted average duration of benefit payment is 10.07 years in 2017.



Following are the information about the maturity profile of the defined benefit obligations as of December 31, 2017 and 2016:

	2017	2016
Less than one (1) year	\$197	\$510
One (1) year up to five (5) years	2,239	2,071
More than five (5) years up to 10 years	6,179	6,776
More than 10 years up to 15 years	3,799	4,538
More than 15 years up to 20 years	4,088	7,750
More than 20 years	322	2,185

17. Income Tax

The components of the deferred income tax asset (liabilities) as of December 31, 2017 and 2016 are as follows:

	2017	2016
Deferred income tax liabilities on:		
Difference between the carrying amounts of nonmonetary assets and their related tax bases	(\$9)	(\$18)
Net retirement benefits asset	(7)	(174)
Excess of the unamortized debt issuance cost under effective interest rate method over straight-line method	—	(112)
	(16)	(304)
Deferred income tax asset on NOLCO	16	304
	\$—	\$—

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

	2017	2016
NOLCO	\$131,785	\$119,448
Unrealized foreign exchange losses	67,545	88,163
Excess of the unamortized debt issuance cost under straight-line method over effective interest rate method	1,314	—
MCIT	753	688
Others	196	258

As of December 31, 2017 and 2016, the taxable temporary differences representing the excess of the carrying amount of the investments in subsidiaries over the tax base amounted to \$327.8 million and \$341.9 million, respectively. There is no corresponding deferred income tax liability recognized since these temporary differences pertain to investment in domestic companies and, accordingly, the reversals of these temporary differences are through regular dividend distribution not subject to income tax.



Provision for current income tax in 2017 and 2016 amounting to \$0.1 million and \$0.5 million, respectively, represents MCIT.

The balance of NOLCO as of December 31, 2017 may be used by the Parent Company as additional deductions against the future taxable income. Similarly, the MCIT balance as of December 31, 2017 may be applied as credit against future income tax liability of the Parent Company.

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

Incurred for the Year Ended December 31	Available until December 31	NOLCO		MCIT	
		<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>
2015	2018	\$46,785	₱2,335,958	\$125	₱6,226
2016	2019	25,773	1,286,858	501	25,037
2017	2020	59,279	2,959,816	127	6,344
		\$131,837	₱6,582,632	\$753	₱37,607

Movements in NOLCO are as follows:

	2017		2016	
	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>
Balances at January 1	\$120,462	₱5,989,403	\$106,900	₱5,030,689
Additions	59,279	2,959,816	25,882	1,286,858
Expirations	(47,598)	(2,366,587)	(6,973)	(328,144)
Foreign exchange adjustments	(306)	—	(5,347)	—
Balances at December 31	\$131,837	₱6,582,632	\$120,462	₱5,989,403

Movements in MCIT are as follows:

	2017		2016	
	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>
Balances at January 1	\$688	₱34,179	\$783	₱36,859
Additions	127	6,344	504	25,037
Expirations	(59)	(2,916)	(589)	(27,717)
Foreign exchange adjustments	(3)	—	(10)	—
Balances at December 31	\$753	₱37,607	\$688	₱34,179

A reconciliation between the statutory income tax due and effective income tax due follows:

	2017	2016
Provision for income tax computed at the statutory tax rate of 30%	\$31,833	\$26,354
Adjustments resulting from:		
Permanent differences	(48,109)	(35,193)
Effect of using 2% MCIT	12,848	9,366
Unrealized foreign exchange losses	3,554	—
Translation difference	—	7
Provision for income tax	\$126	\$534

R.A. No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. The TRAIN mainly amended the personal income tax rates, adjusted the VAT exempt



thresholds and increased excise taxes on petroleum and mineral products and automobiles. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the Parent Company assessed that the same will not have any significant impact on the consolidated financial statement balances as of the reporting date.

18. Financial Risk Management Objectives and Policies

The Parent Company's principal financial liabilities are comprised of long-term debts and advances from subsidiaries, among others. The main purpose of these financial liabilities is to raise financing for the Parent Company's growth and operations. The Parent Company has other financial assets and liabilities such as cash and cash equivalents, financial assets at FVPL, amounts due from/to related parties, accounts payable and accrued expenses and dividends payable, which arise directly from its operations.

The main financial risks arising from the Parent Company's financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks as summarized below. The Parent Company's accounting policies in relation to derivative financial instruments are set out in Note 2 to the parent company financial statements.

Interest Rate Risk

The Parent Company's exposure to the risk of changes in market interest rate relates primarily to its advances from subsidiaries that are subject to floating interest rates.

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

As of December 31, 2017 and 2016, approximately 100.0% and 88.6% respectively, of the Parent Company's borrowings are subject to fixed interest rate.

Interest Rate Risk Table

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

	2017					
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	Total
Fixed Rate						
Long-term debts:						
US\$300M Notes	6.50%	\$–	\$–	\$–	\$91.69	\$91.69
US\$200M Term Loan	4.90%	20.00	40.00	47.00	81.00	188.00
Advances from subsidiaries:						
FGP*	2.50%	71.06	64.18	–	–	\$135.24

* Excluding accrued interest



	2016					
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	Total
Fixed Rate						
Long-term debts:						
US\$300M Notes	6.50%	\$—	\$—	\$—	\$300.00	\$300.00
US\$200M Term Loan	4.90%	6.00	40.00	40.00	108.00	194.00
Advances from subsidiaries:						
FGP*	2.50%	38.97	64.18	32.09	—	135.24
Floating Rate						
Advances from FGPC*	2.88%	16.43	35.62	29.08	—	81.13
* <i>Excluding accrued interest</i>						

* Excluding accrued interest

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates for the year ended December 31, 2017, with all other variables held constant, of the Parent Company's income before income tax (through the impact of floating rate borrowings):

	Increase/Decrease in Basis Points	Increase (Decrease) in Effect on Income Before Income Tax
2017	+100	—
	-100	—
2016	+100	(\$915)
	-100	915

Credit Risk

The credit risk of the Parent Company is limited to the risk arising from the inability of the related parties to make payments when due. With respect to credit risk arising from the other financial assets of the Parent Company, which include cash and cash equivalents and consultancy fee receivables, the Parent Company's exposure to credit risk arises from a possible default of the counterparties with a maximum exposure equal to the carrying amount of these instruments.

As of December 31, 2017 and 2016, the Parent Company's total financial assets amounted to \$420.3 million and \$177.6 million, respectively. These financial assets are neither past due nor impaired as at financial reporting dates.



Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the Parent Company as of December 31, 2017 and 2016:

	2017	2016
Loans and receivables:		
Cash and cash equivalents	\$365,076	\$129,351
Due from related parties	52,475	45,516
Consultancy fee receivables (under “Other current assets” account)	1,280	652
Dividends receivable (under “Other current assets” account)	1,402	—
Financial assets at FVPL	21	2,049
	\$420,254	\$177,568

The Parent Company does not hold collateral for its financial assets as security.

Credit quality of neither past due nor impaired financial assets

The evaluation of the credit quality of the Parent Company’s financial assets considers the payment history of the counterparties.

Financial assets are classified as ‘high grade’ if the counterparties are not expected to default in settling their obligations, thus, credit risk exposure is minimal. These counterparties normally include banks and related parties who pay on or before due date. Financial assets are classified as ‘standard grade’ if the counterparties settle their obligations to the Parent Company with tolerable delays.

As of December 31, 2017 and 2016, all of the Parent Company’s financial assets are viewed by management as ‘high grade’ considering the collectability of the receivables and the credit history of the counterparties.

Concentration of Credit Risk

As of December 31, 2017 and 2016, the Parent Company has no significant concentration of credit risk.

Foreign Currency Risk

The Parent Company’s exposure to foreign currency risk arises as its functional currency, the U.S. dollar, is not the local currency in its country of operations. Certain financial assets and liabilities as well as some expenses are denominated in Philippine peso. To manage the foreign currency risk, the Parent Company may consider entering into derivative transactions as necessary.



The following table sets out the Philippine peso-denominated financial assets and liabilities as of December 31, 2017 and 2016 that may affect the parent company financial statements (amounts in millions):

	2017		2016	
	Philippine peso-denominated Balances	Equivalent U.S. Dollar Balances	Philippine peso-denominated Balances	Equivalent U.S. Dollar Balances
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱8,654	\$173	₱539	\$8
Dividends receivable				
(under “Other current assets” account)	70	1	–	–
Consultancy fee receivables				
(under “Other current assets” account)	64	1	32	2
Due from related parties	1,736	35	1,533	31
Financial assets at FVPL	1	–	102	9
Total financial assets	10,525	210	2,206	50
Financial Liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses	472	9	170	3
Due to related parties	17	1	17	–
Dividends payable	723	14	732	16
Total financial liabilities	1,212	24	919	19
Net Financial Assets	₱9,313	\$186	₱1,287	\$31

In translating these Philippine peso-denominated monetary assets and liabilities into U.S. Dollar, the exchange rates used were ₱49.93 to \$1.00 and ₱49.72 to \$1.00, the Philippine peso-U.S. Dollar closing exchange rates for December 31, 2017 and 2016, respectively.

The following table sets out, for the years ended December 31, 2017 and 2016, the impact on the Parent Company’s income (loss) before income tax of the range of reasonably possible movements in the U.S. Dollar and Philippine peso exchange rates with all other variables held constant, due to changes in the fair value of monetary assets and liabilities.

	2017		2016	
Change in exchange rate				
(in Philippine Peso against U.S. Dollar)	6%	(6%)	5%	(5%)
	<i>(Amounts in Millions)</i>			
Increase (decrease) in income (loss) before income tax	(\$10.6)	\$11.9	(\$1.3)	\$1.3

Any change in foreign currency exchange rate pertaining to financial assets and liabilities will have no impact on the Parent Company’s equity, other than those already affecting the parent company statements of income.

Liquidity Risk

The Parent Company’s exposure to liquidity risk refers to lack of funding needed to finance its growth and capital expenditures, service its maturing loan obligations in a timely fashion, and meet its working capital requirements. To manage this exposure, the Parent Company maintains its internally generated funds and prudently manages the proceeds obtained from fund raising activities through the debt and



equity markets. On a regular basis, the Parent Company's Treasury department monitors the available cash balances by preparing cash position reports. The Parent Company maintains a level of cash and cash equivalents deemed sufficient to finance the operations.

In addition, the Parent Company has short-term deposits and has available credit lines with certain banking institutions. As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows. It also continuously assesses the financial market conditions for opportunities to pursue fund-raising activities.

As of December 31, 2017 and 2016, 60.0% and 24.2%, respectively, of the Parent Company's financial liabilities will mature in less than one year based on the carrying value of borrowings reflected in the parent company financial statements.

The following tables below summarize the maturity profile of the Parent Company's financial assets used for liquidity management and financial liabilities as of December 31, 2017 and 2016 based on the contractual undiscounted payments:

	2017					Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	
Financial assets:						
Cash and cash equivalents	\$365,076	\$-	\$-	\$-	\$-	\$365,076
Financial assets at FVPL	21	-	-	-	-	21
	\$365,097	\$-	\$-	\$-	\$-	\$365,097
Financial liabilities:						
Accounts payable and accrued expenses*	\$4,759	\$-	\$-	\$-	\$-	\$4,759
Dividends payable	-	14,478	-	-	-	14,478
Due to related parties	448,979	-	-	-	-	448,979
Long-term debts	-	14,632	20,549	99,428	223,849	358,458
Advances from subsidiaries	44,311	-	35,321	66,216	-	145,848
	\$498,049	\$29,110	\$55,870	\$165,644	\$223,849	\$972,522

* Excluding local and other taxes and payable to government agencies.

	2016					Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	
Financial assets:						
Cash and cash equivalents	\$129,351	\$-	\$-	\$-	\$-	\$129,351
Financial assets at FVPL	2,049	-	-	-	-	2,049
	\$131,400	\$-	\$-	\$-	\$-	\$131,400
Financial liabilities:						
Accounts payable and accrued expenses*	\$1,426	\$-	\$-	\$-	\$-	\$1,426
Dividends payable	-	14,719	-	-	-	14,719
Due to related parties	145,732	-	-	-	-	145,732
Long-term debts	-	7,780	27,554	189,559	459,616	684,509
Advances from subsidiaries	16,417	-	47,597	169,603	-	233,617
	\$163,575	\$22,499	\$75,151	\$359,162	\$459,616	\$1,080,003

* Excluding local and other taxes and payable to government agencies.

Capital Management

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



The Parent Company manages its capital structure and makes adjustments to it in light of changes in business and economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new stocks (see Note 12).

No changes were made in the objectives, policies or processes for the years ended December 31, 2017 and 2016. The Parent Company was able to meet its capital management objectives as of December 31, 2017 and 2016.

As of December 31, 2017 and 2016, the Parent Company considers its total equity of \$2,079.7 million and \$2,032.0 million as its capital.

The Parent Company monitors capital using the debt to equity ratio, which is total liabilities divided by total equity. The Parent Company's practice is to keep the debt to equity ratio lower than 75:25.

	2017	2016
Accounts payable and accrued expenses	\$6,586	\$10,564
Dividends payable	14,478	14,719
Due to related parties	448,979	145,732
Long-term debts	278,003	490,143
Advances from subsidiaries	140,291	218,095
Total liabilities	\$888,337	\$879,253
Total equity	\$2,079,724	\$2,032,016
Debt to equity ratio	43:57	43:57

The Parent Company is obligated to perform certain covenants with respect to maintaining specified debt-to-equity and minimum debt-service-coverage ratios, as set forth in the respective agreements with the creditors. As of December 31, 2017 and 2016, the Parent Company is in compliance with those covenants.

19. Financial Instruments

Set out in the following tables is a comparison by category of the carrying values and fair values of the Parent Company's financial instruments as at December 31, 2017 and 2016 that are carried in the parent company financial statements:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	\$365,076	\$365,076	\$129,351	\$129,351
Due from related parties	52,475	52,475	45,516	45,516
Dividends receivable (under "Other current assets" account)	1,402	1,402	—	—
Consultancy fee receivables (under "Other current assets" account)	1,280	1,280	652	652
Financial assets at FVPL	21	21	2,049	2,049
	\$420,254	\$420,254	\$177,568	\$177,568



	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses**	\$4,759	\$4,759	\$8,486	\$8,486
Dividends payable	14,478	14,478	14,719	14,719
Due to related parties	448,979	448,979	145,732	145,732
Long-term debts	278,003	286,481	490,143	513,226
Advances from subsidiaries*	140,291	140,878	218,095	220,461
	\$886,510	\$895,575	\$877,175	\$902,624

*Carrying value includes accrued interest as of December 31, 2017 and 2016.

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

Fair Value and Categories of Financial Instruments

The fair values of cash and cash equivalents, amounts due to/from related parties, dividends receivable, consultancy fee receivables, accounts payable and accrued expenses, and dividends payable approximate their carrying values as at financial reporting date due to the short-term maturities of the transactions.

Financial Assets at FVPL

The fair values of financial assets at FVPL are based on the total net asset value as at reporting date.

Long-term debts and advances from subsidiaries

The fair values of long-term debts and advances from subsidiaries, specifically FGP, were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. Dollar interest rates on December 31, 2017 and 2016 ranging from 1.428% to 2.375% and 0.436% to 2.244%, respectively.

The fair value of advances from FGPC was determined by discounting future cash flows using the prevailing U.S. credit-adjusted LIBOR ranging from nil and 0.966% to 1.987% in 2017 and 2016, respectively.

Financial Instruments Carried at Fair Value

As of December 31, 2017 and 2016, the fair value measurement of financial assets at FVPL and long-term debt is categorized under Level 2 and Level 3 of fair value hierarchy, respectively. The Parent Company has no financial instruments under Level 1.

20. Other Matters

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 Supreme Court (SC) by the West Tower Condominium Corporation, et al., against respondents First Philippine Industrial Corporation (FPIC), the Parent Company, their respective boards of directors and officers, and John Does and Richard Roes. The petition was filed in connection with



the oil leak which is being attributed to a portion of FPIC's white oil pipeline located in Bangkal, Makati City.

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

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

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

For the purpose of expediting the proceedings and the resolution of all pending incidents, the SC reiterated its order to remand the case to the Court of Appeals to conduct subsequent hearings within a period of 60 days, and after trial, to render a report to be submitted to the SC.

On December 21, 2012, the former 11th Division of the Court of Appeals rendered its Report and Recommendation in which the following recommendations were made to the SC: (i) that certain persons/organizations be allowed to be formally impleaded as petitioners subject to the submission of the appropriate amended petition; (ii) that FPIC be ordered to submit a certification from the DOE that the white oil pipeline is safe for commercial operation; (iii) that the petitioners' prayer for the creation of a special trust fund to answer for similar contingencies in the future be denied for lack of sufficient basis; (iv) that respondent Company not be held solidarily liable under the TEPO; and (v) that without prejudice to the outcome of the civil and criminal cases filed against respondents, the individual directors and officers of FPIC and the Parent Company not be held liable in their individual capacities.

Petitioners filed a Motion for Partial Reconsideration in January 2013, in which they prayed, among others, that the Department of Science and Technology (DOST), specifically its Metal Industry Research and Development Center, be tasked to chair the monitoring of FPIC's compliance with the directives of the court and issue the certification required to prove that the pipeline is safe to



operate before commercial operation is resumed; that stakeholders be consulted before a certification is issued; that a trust fund be created to answer for future contingencies; and that the Company and the directors and officers of the Parent Company and FPIC also be held liable under the Writ of Kalikasan and the TEPO.

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

On July 30, 2013, the SC resolved to adopt the recommendations of the CA in its December 2012 resolution. Specifically, the SC ordered FPIC to secure a certification from the DOE that the white oil pipeline is safe to resume commercial operations, as well as consider FPIC's adoption of an appropriate leak detection system used in monitoring the entire pipeline's mass input versus mass output and the necessity of replacing pipes with existing patches and sleeves. On October 25, 2013 the DOE issued a certification that the white oil pipeline is safe to return to commercial operations. FPIC submitted the DOE certification to the SC on October 29, 2013. On June 16, 2015, the SC issued another resolution recognizing the powers of the DOE to oversee the operation of the pipelines. The resolution also stated that the DOE is fully authorized by law to issue an order for the return to commercial operations of the pipeline following integrity tests. Petitioners have filed several motions for the SC to reconsider this resolution. As of March 15, 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 Parent Company, Pilipinas Shell Petroleum Corporation, and Chevron Philippines, Inc. before the Makati City RTC. In their complaint, the Plaintiffs alleged that FPIC, its directors and officers, and the Company violated R.A. No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), R.A. 8749 (Philippine Clean Air Act of 1999) and Its Implementing Rules and Regulations, and R.A. 9275 (Philippine Clean Water Act of 2004). The complaint sought payment by the Defendants of actual damages comprising incurred rentals for alternative dwellings, incurred additional transportation and gasoline expenses and deprived rental income; recompense for diminished or lost property values to enable the buying of new homes; incurred expenses in dealing with the emergency; moral damages; exemplary damages; a medical fund; and attorney's fees.

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



In an Order dated December 1, 2011, Judge Elpidio Calis of the Makati City RTC (Branch 133) declared that the records of the case have been transferred to his court. In an Order dated March 29, 2012, Judge Calis denied the plaintiffs' Motion for Reconsideration for lack of merit, and ordered the plaintiffs to pay the appropriate filing fees within ten (10) days from receipt of the Order, with a warning that non-compliance will constrain the court to dismiss the case for lack of jurisdiction. Instead of paying the filing fees, the plaintiffs filed a Petition for Certiorari with the CA to nullify the order of Branch 133.

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

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

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

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

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 Parent 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.



21. Changes in Liabilities Arising from Financing Activities

	January 1, 2017	Cash flows	Foreign exchange movement	Others	December 31, 2017
Current and non-current portion of long-term debts	\$490,143	(\$214,310)	\$-	\$2,170	\$278,003
Accrued interest payable	7,060	(30,893)	-	27,570	3,737
Due to related parties and current and non-current advances from subsidiaries	363,827	220,997	-	4,446	589,270
Dividends payable	14,719	(53,938)	455	53,242	14,478
Total liabilities from financing activities	\$875,749	(\$78,144)	\$455	\$87,428	\$885,488

“Others” include the amortization of debt issuance costs, write-off of unamortized debt issuance costs, declaration of dividends on preferred stocks that were not yet paid at the end of financial reporting date, and the effect of accrued but not yet paid interest on long-term debts.

22. Events After the Financial Reporting Date

As of March 15, 2018, the Parent Company purchased from the open market 6,091,200 common stocks amounting to ₱90.5 million (\$1.8 million).

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

23. Supplementary Information Required Under Revenue Regulations No. 15-2010

The Parent Company reported and paid the following types of taxes as of and for the year ended December 31, 2017:

VAT

The Parent Company’s sales are subject to output VAT. The applicable VAT rate is 12.0%.

a. Net Sales/Receipts and Output VAT declared in the Parent Company’s VAT returns

	Net Sales/ Receipts	Output VAT
	<i>(Amounts in Philippine Peso)</i>	
Taxable Sales:		
Sale of services	₱363,823,530	₱43,538,824
Others	1,468,757	176,251
	₱364,292,287	₱43,715,075

Sale of services pertains to gross receipts/collections on revenues from consultancy services (i.e., lodged under the account “Consultancy fee” in the parent company statement of income).



The Parent Company has no VAT exempt and/or VAT zero-rated sales/receipts for the year 2017.

b. Input VAT credits claimed in the Parent Company's VAT returns

	Amounts in Philippine Peso
Balance at the beginning of year	₱—
Current year's domestic purchases/payments for:	
Services lodged under other accounts	17,250,162
Capital goods subject to amortization	900,754
Capital goods not subject to amortization	457,592
Goods other than resale or manufacture	207,257
Total input VAT available against output VAT	₱18,815,765

As of December 31, 2017, the Parent Company's output VAT payable and input VAT credits amounted to nil and ₱6,822,292, respectively.

Documentary Stamp Tax (DST)

The DST paid/ accrued for the year on the following transactions:

Transactions	Amounts in Philippine Peso
Advances to (from) related parties	₱9,480,793
Insurance	295,225
Others	89,227
	₱9,865,245

Taxes and License Fees

Taxes and license fees include DST, business taxes and permits, real property taxes, and fringe benefit taxes recorded in the "Taxes and licenses" account under the parent company statement of income for the year ended December 31, 2017:

	Amounts in Philippine Peso
Taxes and licenses lodged under operating expenses:	
Fringe benefit tax	₱15,868,250
DST	9,865,245
Business taxes and permits	9,759,917
PSE fees	2,008,000
Real property tax	4,705
SEC fees	11,675
Others	75,150
	₱37,592,942



Withholding Taxes

The details of the Parent Company's withholding taxes paid or accrued are as follows:

	Amounts in Philippine Peso
Withholding taxes on compensation	₱110,495,467
Expanded withholding taxes	57,066,450
Final withholding taxes	294,800,854
Withholding value-added tax	598,388
	<u>₱462,961,159</u>

Others

The Parent Company has no locally produced or imported excisable item, landed cost of imports, custom duties and tariff fees paid or accrued for the year ended December 31, 2017.

The Parent Company has no tax cases or litigation and/or prosecution in courts or bodies outside the BIR as of and during the year ended December 31, 2017.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

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

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of First Gen Corporation as at and for the years ended December 31, 2017 and 2016 and have issued our report thereon dated March 15, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of all effective standards and interpretations as of December 31, 2017 is the responsibility of the Parent Company's management. This schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-1 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001998-103-2017,
January 31, 2017, valid until January 30, 2020
PTR No. 6621266, January 9, 2018, Makati City

March 15, 2018



FIRST GEN CORPORATION

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS DECEMBER 31, 2017

List of Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations Committee (PIC) Q&A's effective as of December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Conditions			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions*	Not early adopted		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 4	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4*	Not early adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not early adopted		
	Amendments to PFRS 7: Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments*	Not early adopted		
	Amendments to PFRS 9: Prepayment Features with Negative Component*	Not early adopted		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Investment Entities*	Not early adopted		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 10 (cont'd)	Amendments to PFRS 10: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Disclosure of Interest in Other Entities-Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*	Not early adopted		
PFRS 16	Leases*	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Deferred Tax - Recovery of Underlying Assets			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 12 (cont'd)	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Servicing Equipment			✓
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation			✓
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional market issue regarding discount rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 12 (cont'd)	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Servicing Equipment			✓
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation			✓
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional market issue regarding discount rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended) <i>(cont'd)</i>	Amendments to PAS 28: Long-term Interests in Associates in Joint Ventures*	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
PAS 32	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 39 (cont'd)	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40: Investment Property			✓
	Amendments to PAS 40: Transfers of Investment Property*	Not early adopted		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*	Not early adopted		
IFRIC 23	Uncertainty over Income Tax Treatment*	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation Special Purpose Entities			✓
	Amendment to SIC-12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the years ended December 31, 2017 and 2016.



EXHIBIT “C”

SRC Rule 68, as Amended
(2011)
{Schedules}

FIRST GEN CORPORATION AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

December 31, 2017

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Report of Independent Public Accountants	
Consolidated Statements of Financial Position as of December 31, 2017 and 2016	
Consolidated Statements of Income	
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Consolidated Statements of Comprehensive Income	
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* These schedules, which are required by SRC Rule 68.1, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or in the related notes thereto.

Receivables from certain officers and employees were made in the ordinary course of business.

The Company is not a financial guarantor of obligations of any unconsolidated entity.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of First Gen Corporation and Subsidiaries as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form 17-A and have issued our report thereon dated March 15, 2018. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

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

March 2, 2017, valid until March 1, 2020

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001998-103-2017,

January 31, 2017, valid until January 30, 2020

PTR No. 6621266, January 9, 2018, Makati City

March 15, 2018



FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule A. Financial Assets

December 31, 2017

(Amounts in U.S. Dollars and in Thousands)

Financial Assets	Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Loans and receivables					
Cash and cash equivalents	N/A	N/A	\$ 671,251	N/A	\$ 7,991
Trade receivables - net of allowance for impairment losses	N/A	N/A	352,135	N/A	-
Due from related parties	N/A	N/A	1,729	N/A	-
Other receivables	N/A	N/A	3,083	N/A	-
Long-term receivables - net of allowance for impairment losses	N/A	N/A	2,575	N/A	-
Special deposits and funds	N/A	N/A	5,177	N/A	-
Short-term investments	N/A	N/A	14,847	N/A	-
Debt service reserve account	Various	N/A	114,173	N/A	1,040
Other current assets	N/A	N/A	709	N/A	-
Available-for-Sale (AFS) financial assets					
Quoted equity securities	Various	Various	864	864	-
Quoted government debt securities	Various	Various	2,245	2,245	-
Corporate bonds	Various	Various	691	691	-
Unquoted securities	BDO Unibank Inc.	₱300.0 million	6,178	6,178	-
Investments in proprietary club membership shares	N/A	N/A	964	N/A	-
Financial Assets at FVPL	Security Bank	N/A	20,699	20,699	-
Financial Assets at FVPL	BDO Unibank Inc.	N/A	21	21	1,101
			\$ 1,197,341		\$ 10,132

FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule C. Amounts Receivable from Related Parties which are Eliminated during Consolidation of Financial Statements

December 31, 2017

(Amounts in U.S. Dollars and in Thousands)

Receivable to Name of Subsidiary/ Counterparty	Beginning Balance	Additions	Collections	Reclassifications/ Revaluations	Amounts Written Off	Ending Balance		Amount Eliminated
						Current	Non-Current	
Subsidiaries:								
Red Vulcan Holdings Corporation	\$10,089	\$5,086	(\$37)	\$74	\$-	\$15,212	\$-	15,212
First Gas Holdings Corporation	9,554	-	-	-	-	9,554	-	9,554
FG Bubunawan Hydro Corporation	4,600	2,438	-	(23)	-	7,015	-	7,015
Gold silk Holdings Corp.	1,517	29,376	(27,409)	(6)	-	3,478	-	3,478
FG Mindanao Hydro Power Corporation	2,581	169	-	(11)	-	2,739	-	2,739
First Gen Prime Energy Corporation	1,976	-	-	(8)	-	1,968	-	1,968
FGLand Corporation	1,787	-	-	(8)	-	1,779	-	1,779
FG Puyo Hydro Corporation	1,206	413	-	(5)	-	1,614	-	1,614
FG Tagoloan Hydro Corporation	1,022	574	-	(4)	-	1,592	-	1,592
Northern Terracotta Power Corp.	5,192	-	(3,758)	(62)	-	1,372	-	1,372
First Gen Luzon Power Corp.	959	4	-	(4)	-	959	-	959
Prime Terracota Holdings Corp.	753	47	-	(1)	-	799	-	799
FGEN LNG Corporation	649	3	-	-	-	652	-	652
First Gen Power Ventures, Inc.	467	12	-	(1)	-	478	-	478
AlliedGen Power Corp.	361	1	-	(2)	-	360	-	360
Blue Vulcan Holdings Corp.	340	-	-	(1)	-	339	-	339
First Gen Premier Energy Corp.	217	-	-	(1)	-	216	-	216
First Gen Visayas Hydro Power Corporation	187	-	-	-	-	187	-	187
First Gen Ecopower Solutions Inc.	180	-	-	(1)	-	179	-	179
First NatGas Power Corp.	162	1	-	(1)	-	162	-	162
FGen Fuel Line System, Inc.	78	57	-	-	-	135	-	135
First Gen Meridian Holdings, Inc.	22	80	-	(1)	-	101	-	101
First Gas Power Corporation	97	-	-	-	-	97	-	97
First Gen Eco Solutions Holdings, Inc.	93	-	-	-	-	93	-	93
First Gen LNG Holdings Corporation	85	2	-	-	-	87	-	87
FG Cabadbaran Hydro Corporation	83	-	-	-	-	83	-	83
Prime Meridian Powergen Corporation	75	-	-	-	-	75	-	75
FG Tumalaong Hydro Corporation	24	-	-	-	-	24	-	24
FGen Northern Mindanao Holdings, Inc.	20	-	-	(1)	-	19	-	19
First Gen Visayas Energy, Inc.	14	1	-	(1)	-	14	-	14
First Gen Energy Solutions, Inc.	6	8	(1)	-	-	13	-	13
FG Mindanao Renewables Corp.	5	2	-	-	-	7	-	7
FGEN Casecnan Hyrdo Power Corp.	2	2	-	-	-	4	-	4
FGen Prime Holdings, Inc.	3	1	-	-	-	4	-	4
FGen Liquefied Natural Gas Holdings, Inc.	3	-	-	-	-	3	-	3
FGen Power Holdings, Inc.	2	1	-	-	-	3	-	3
First Gen Hydro Power Corporation	2	1	-	-	-	3	-	3
FGen Natural Gas Supply, Inc.	2	1	-	-	-	3	-	3
FGen Power Solutions, Inc.	2	-	-	-	-	2	-	2
Onecore Holdings, Inc.	1	1	-	-	-	2	-	2
First Gen Renewables, Inc.	1	-	-	-	-	1	-	1
FGen Reliable Energy Holdings, Inc.	1	-	-	-	-	1	-	1
FGen Vibrant Blue Sky Holdings, Inc.	1	-	-	-	-	1	-	1
FGen Aqua Power Holdings, Inc.	1	-	-	-	-	1	-	1
FGen Power Operations, Inc.	1	-	-	-	-	1	-	1
Dualcore Holdings, Inc.	-	1	-	-	-	1	-	1
FG Bukidnon Power Corporation	53	51	(135)	31	-	-	-	-
	\$44,476	\$38,333	(\$31,340)	(\$37)	\$-	\$51,432	\$-	\$51,432

FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule D. Intangible Assets - Other Assets

December 31, 2017

(Amounts in U.S. Dollars and in Thousands)

Description	Beginning Balance	Additions At Cost	Deductions		Other Changes- Additions (Deductions)*	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts		
A) Goodwill and Intangible assets						
Goodwill	\$972,057	\$-	\$-	\$-	(\$4,039)	\$968,018
Concession rights for contracts acquired - net of amortization	48,239	-	(11,646)		(302)	36,291
Water rights - net of amortization	28,777	-	(1,910)	-	(137)	26,730
Pipeline rights - net of amortization	4,671	-	(602)	-	-	4,069
Rights to Use Transmission Line	1,032	-	(120)	-	-	912
Other intangible assets - net of amortization	811	351	(707)	-	(8)	447
	\$1,055,587	\$351	(\$14,985)	\$-	(\$4,486)	\$1,036,467
B) Other Assets						
Input value added tax - net of allowance for impairment	\$82,297	\$53,838	(\$2,037)	\$-	(\$1,449)	\$132,649
Exploration and evaluation assets	62,530	378	(764)	-	(794)	61,350
Tax credit certificates	54,077	-	(8,784)	-	-	45,293
Prepaid major spare parts	65,506	28,738	-	(60,809)	-	33,435
AFS financial assets	10,328	15,298	-	201	(14,885)	10,942
Derivative assets	3,372	-	-	(1,250)	-	2,122
Special deposits and funds	2,695	2,482	-	-	-	5,177
Prepaid expenses	13,559	2,926	-	-	-	16,485
Long-term receivables - net of allowance for impairment losses	570	3,489	(1,268)	-	(216)	2,575
Retirement assets	2,597	-	(266)	(1,359)	-	972
Others	46,271	3,046	-	-	-	49,317
	\$343,802	\$110,195	(\$13,119)	(\$63,217)	(\$17,344)	\$360,317

* Pertains to foreign exchange translations of Intangible and Other assets of First Gen subsidiaries that uses the Philippine Peso as its functional currency to U.S. dollar.

FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule E. Long-term Debt

December 31, 2017

(Amounts in U.S. Dollars and in Thousands)

Name of Issuer and Type of Obligation	Total Loans - net	Amount Shown as Current - net	Amount Shown as Long-term - net	Remarks
Parent Company				
\$200M Term Loan	\$187,003	\$19,794	\$167,209	
\$300M Senior Unsecured Notes	91,000	-	91,000	
FGP Corp. Term Loan Facility	288,261	41,510	246,751	
First Gas Power Corporation Term Loan Facility	459,679	70,175	389,504	
FNPC KfW Facility	184,067	16,265	167,802	
Energy Development Corporation				
EDC \$300M Notes	210,142	-	210,142	
International Finance Corporation Loan	76,992	11,679	65,313	
Peso Fixed Rate Note Facility	121,653	4,651	117,002	
Peso Fixed Rate Bonds	138,678	-	138,678	
\$80M Term Loan	72,625	72,625	-	
₱291.2 M Term Loan	5,796	444	5,352	
₱1.5B Term Loan	29,310	584	28,726	
₱1.0B Term Loan	19,891	189	19,702	
UBP ₱2.0B Term Loan	38,497	2,644	35,853	
SBC ₱3.0B Term Loan	57,354	4,752	52,602	
PNB ₱500M Term Loan	8,972	1,987	6,985	
BPI ₱1.0B Term Loan	19,135	1,587	17,548	
SBC ₱1.0B Term Loan	19,248	1,322	17,926	
SBC ₱500M Term Loan	9,622	661	8,961	
Bac-Man Geothermal Inc.				
₱5.0B Term Loan	75,568	11,858	63,710	
EDC Burgos Wind Power Corporation				
\$37.5M Commercial Debt Facility	32,654	1,850	30,804	
\$150.0M ECA Debt Facility	129,603	7,259	122,344	
₱5.6B Commercial Debt Facility	98,867	5,656	93,211	
Green Core Geothermal Inc.				
₱8.5B Term Loan	118,429	20,180	98,249	
FG Hydro PNB Loan	19,641	3,507	16,134	
	\$2,512,687	\$301,179	\$2,211,508	

Note: Balances shown are already net of the unamortized portion of debt issuance costs as of December 31, 2017 in compliance with PAS 32, Financial Instruments: Presentation. Please refer to Note 14 of the consolidated financial statements for additional information.

FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule H. Capital Stock
December 31, 2017

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Redeemable preferred stock Series "B"	1,000,000,000	1,000,000,000	-	1,000,000,000	-	-
Redeemable preferred stock Series "E"	1,500,000,000	468,553,892	-	468,553,892	-	-
Redeemable preferred stock Series "F" *	100,000,000	63,202,160	-	16,745,930	-	46,456,230
Redeemable preferred stock Series "G" **	135,000,000	126,855,520	-	50,296,450	105,000	76,454,070
Common stock ***	5,000,000,000	3,598,780,657	-	2,373,266,059	33,494,372	1,192,020,226

Note: Please refer to Note 16 of the consolidated financial statements for additional information regarding the movements in Capital stock.

** Total number of redeemable preferred stock Series "F" issued and outstanding is net of preferred stocks held in treasury totalling to 36,797,840 as of December 31, 2017.*

*** Total number of redeemable preferred stock Series "G" issued and outstanding is net of preferred stocks held in treasury totalling to 6,894,480 as of December 31, 2017.*

**** Total number of common stocks issued and outstanding is net of common stocks held in treasury totalling to 62,162,900 as of December 31, 2017.*

FIRST GEN CORPORATION - PARENT COMPANY

Schedule I. SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

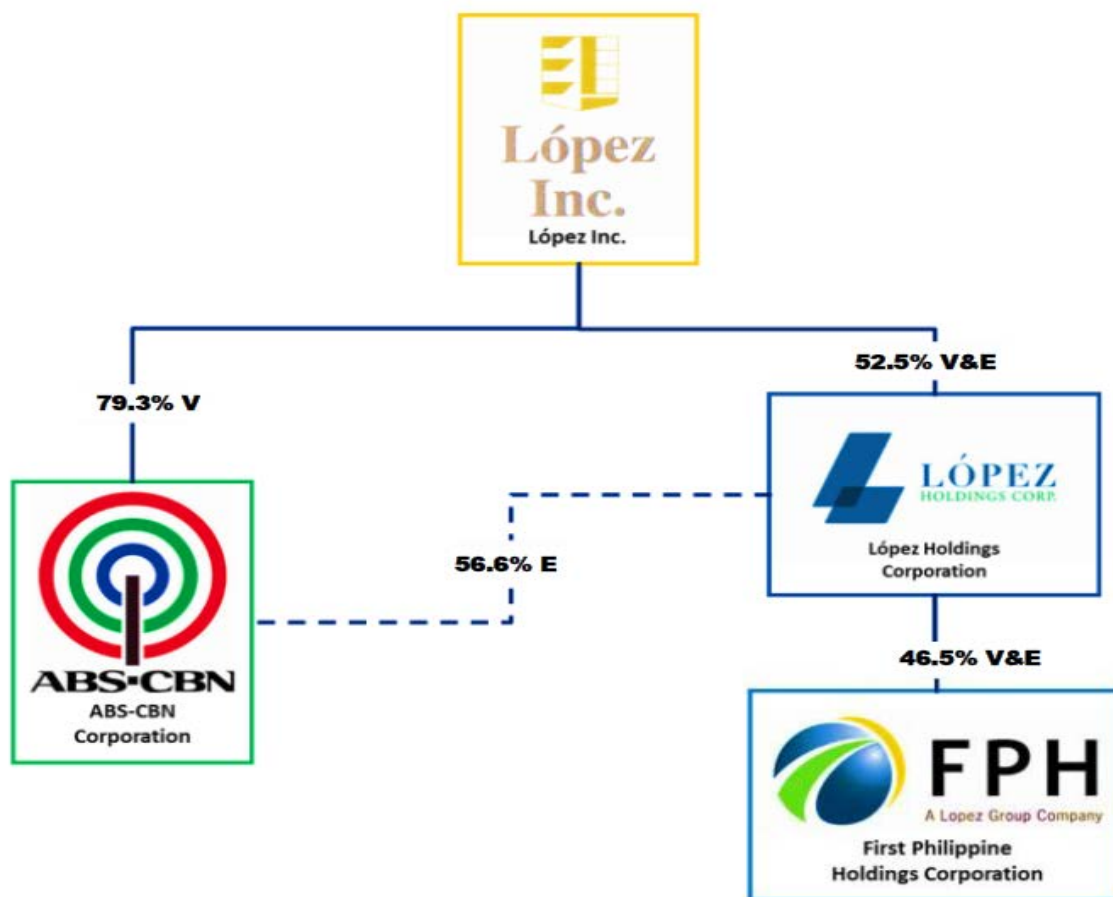
December 31, 2017

(Amounts in U.S. Dollars and in Thousands)

Unappropriated retained earnings, beginning		\$817,872
Add (less) adjustments:		
Non-actual/ unrealized income (net of tax) from previous periods	(50,580)	
Treasury shares	(125,399)	(175,979)
Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning		641,893
Net income during the period closed to retained earnings	105,985	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-	
Unrealized actuarial gain	133	
Fair value adjustment (mark-to-market gains)	-	
Fair value adjustment of investment property resulting to gain	-	
Deferred tax asset that reduced the amount of income tax expense	-	
Adjustment due to deviation from PFRS/GAAP- gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	133	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Sub-total	-	
Net income actual/realized during the year		105,852
Add (less):		
Dividends declaration during the period	(53,242)	
Appropriations of retained earnings during the period	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares - net of issuance	(5,168)	(58,410)
TOTAL RETAINED EARNINGS, AS ADJUSTED TO AVAILABLE FOR DIVIDEND DECLARATION, END		\$689,335

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE LOPEZ GROUP

MAP OF THE COMPANIES WITHIN THE LOPEZ GROUP
AS OF DECEMBER 31, 2017



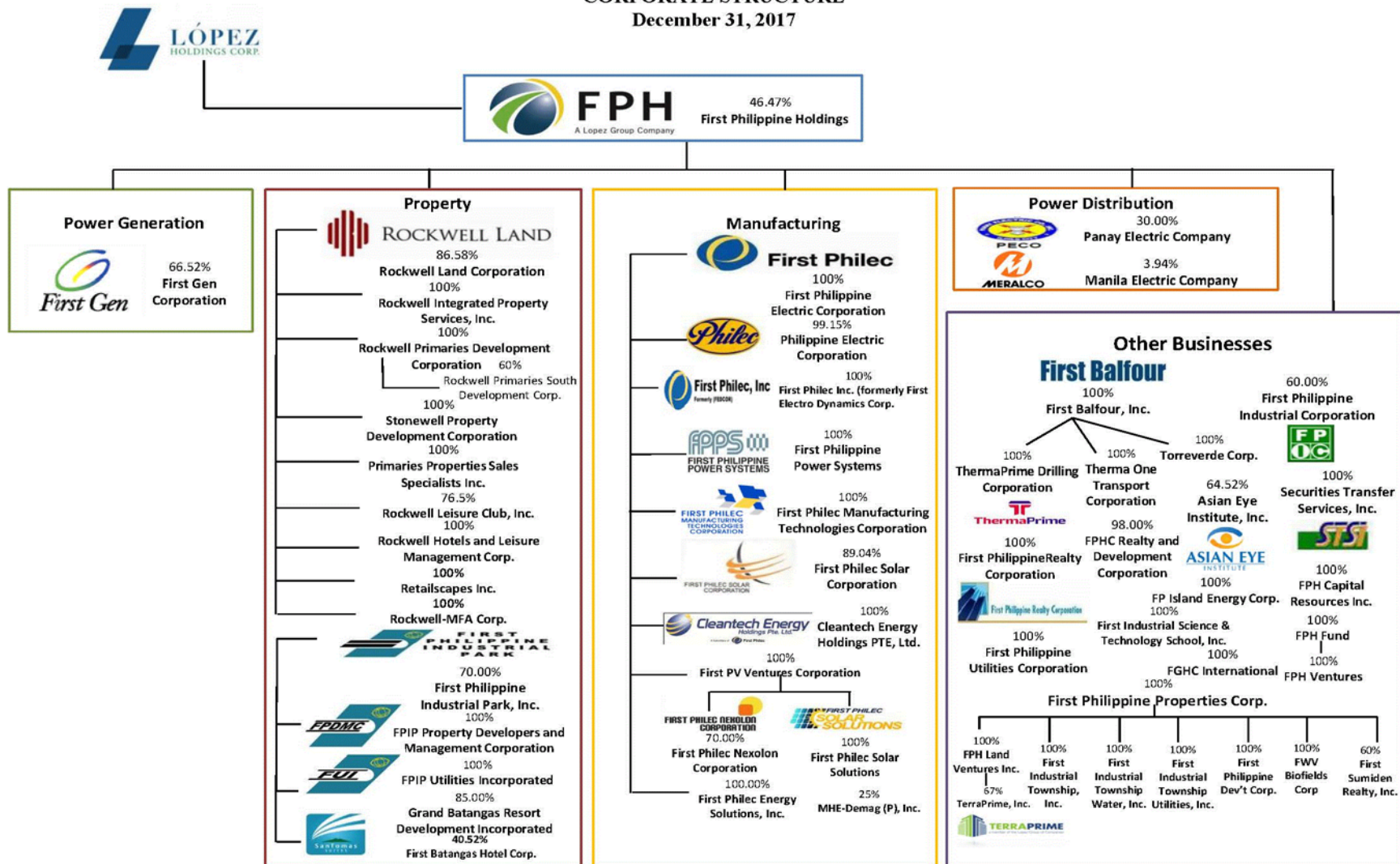
Legend:

E = Economic

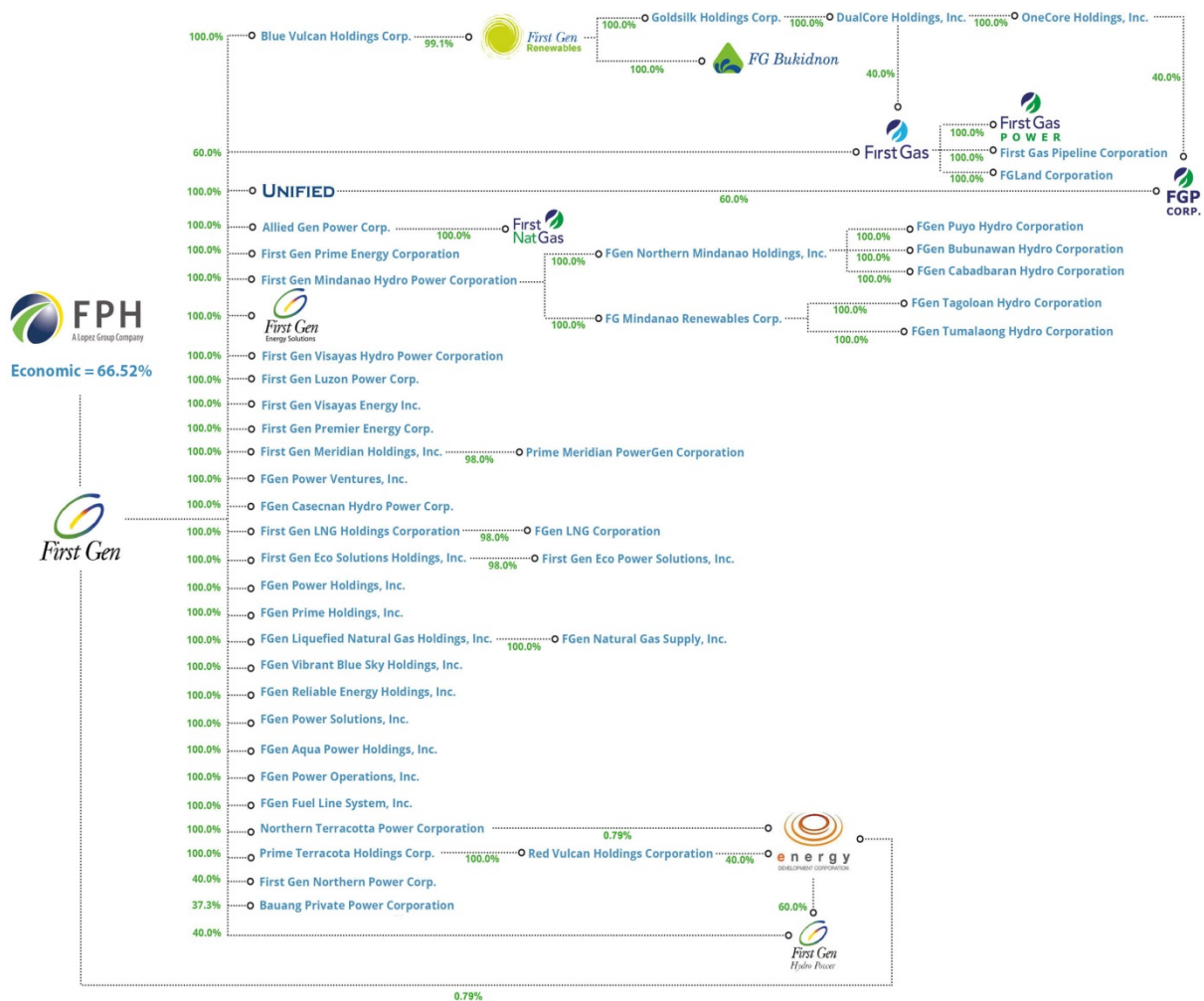
V = Voting

December 31, 2017

December 31, 2017



FPH's Corporate Structure as of December 31, 2017



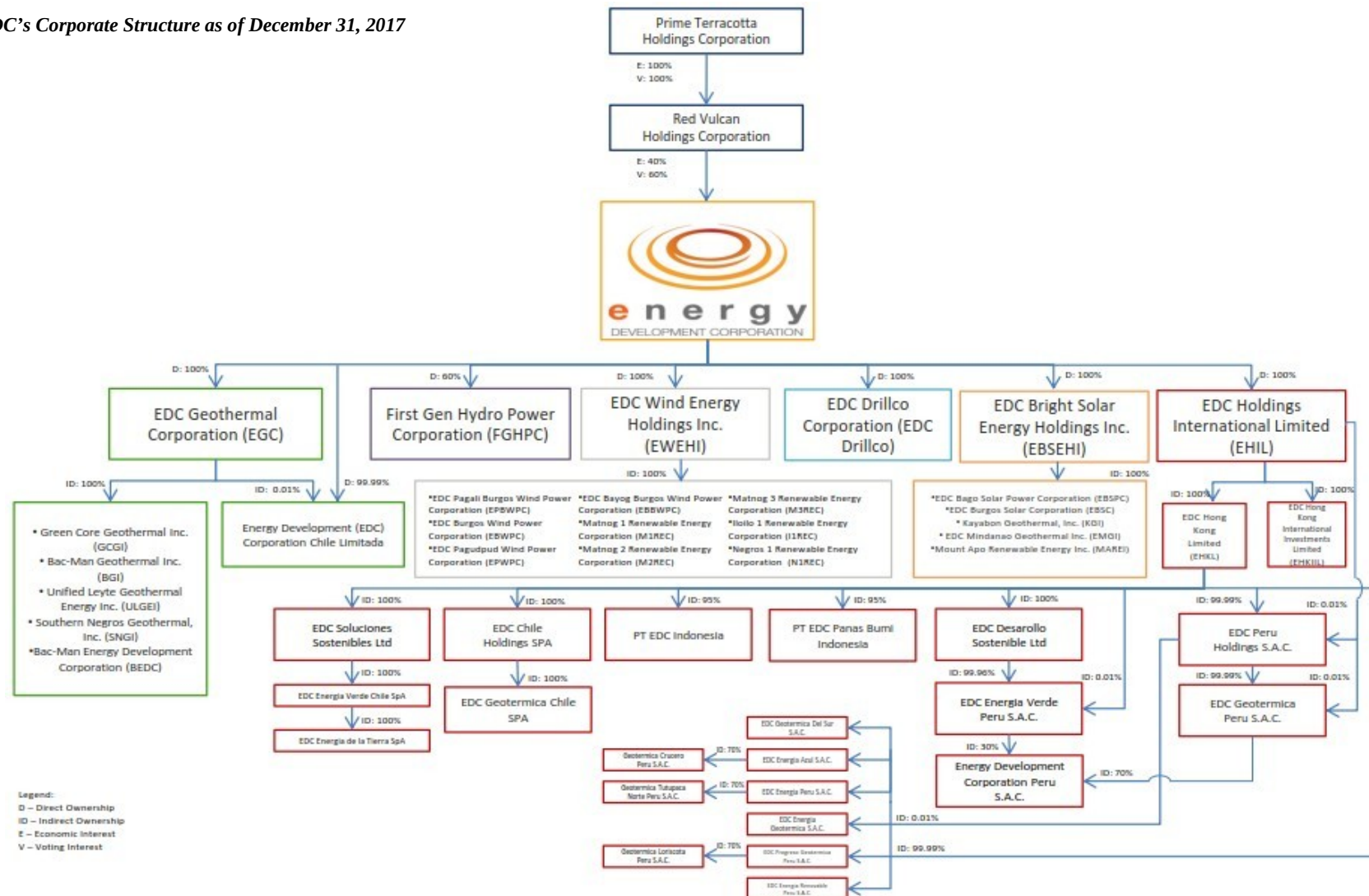
Legend:

- First Philippine Holdings Corporation	- First NatGas Power Corp.
- First Gen Corporation	- First Gen Energy Solutions Inc.
- First Gas Holdings Corporation	- First Gen Renewables Inc.
- First Gas Power Corporation	- FG Bukidnon Power Corporation
- Unified Holdings Corporation	- Energy Development Corporation
- FGP Corp.	- First Gen Hydro Power Corporation

Corporate structure is as of December 31, 2017

FGEN's Corporate Structure as of December 31, 2017

EDC's Corporate Structure as of December 31, 2017



FIRST GEN CORPORATION AND SUBSIDIARIES
**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2017**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Conditions			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions*	Not early adopted		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 4	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4*	Not early adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not early adopted		
	Amendments to PFRS 7: Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments*	Not early adopted		
	Amendments to PFRS 9: Prepayment Features with Negative Component*	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		

*Standards and interpretations which will become effective subsequent to December 31, 2017.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 10 (cont'd)	Amendments to PFRS 10: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Disclosure of Interest in Other Entities-Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*	Not early adopted		
PFRS 16	Leases*	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Deferred Tax - Recovery of Underlying Assets			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 12 (cont'd)	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Servicing Equipment			✓
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation			✓
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional market issue regarding discount rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*	Not early adopted		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		

*Standards and interpretations which will become effective subsequent to December 31, 2017.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended) (cont'd)	Amendments to PAS 28: Long-term Interests in Associates in Joint Ventures*		Not early adopted	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
PAS 32	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 39 (cont'd)	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40: Investment Property			✓
	Amendments to PAS 40: Transfers of Investment Property*	Not early adopted		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*	Not early adopted		
IFRIC 23	Uncertainty over Income Tax Treatment*	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation Special Purpose Entities			✓
	Amendment to SIC-12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the years ended December 31, 2017 and 2016.

EXHIBIT “D”

Audit Committee Report for the Year 2017



REPORT OF THE AUDIT COMMITTEE

OF

FIRST GEN CORPORATION

(For the year ended December 31, 2017)

The Audit Committee's roles and responsibilities are defined in First Gen Corporation's (First Gen) Manual on Corporate Governance and Audit Committee Charter. The Audit Committee assists the Board of Directors of the company in fulfilling its oversight responsibility relating to the following matters: (a) financial statements; (b) financial reporting processes and internal control systems; and (c) audit plan, scope and performance of independent auditors and the company's internal audit function.

In this regard, the Audit Committee of First Gen confirms that:

1. The Chairman of the Audit Committee is an Independent Director.
2. The Audit Committee conducted three (3) meetings in 2017.
3. The Audit Committee reviewed and discussed, together with management, the interim quarterly reports and financial statements; and with management and the company's independent auditors SyCip Gorres Velayo & Co. (SGV), the year-end audited consolidated financial statements. These activities were performed in the context of:
 - Management being primarily responsible for the financial statements and financial reporting process; and
 - SGV being responsible for expressing an opinion on the conformity of First Gen's consolidated financial statements with Philippine Financial Reporting Standards.
4. The Audit Committee discussed and approved the overall scope of the engagement of SGV, and the Internal Audit Group's annual plan.
5. The Audit Committee discussed the results of the audit conducted by SGV and assessed the company's internal controls and quality of financial reporting process. Further, the committee reviewed the reports of the company's internal auditors which address internal control and compliance issues, and ensure that management is taking appropriate corrective action in a timely manner.
6. For the year ended December 31, 2017, SGV was engaged to perform the following non-audit related services:
 - Issuance of agreed-upon procedures (AUP) report for the Verification of Terms of Inter-Company Advances;
 - Issuance of First Natgas Power Corp.'s translated US Dollar Functional Currency into Peso Presentation Currency Financial Statements; and
 - Conduct of various seminars.
7. The Audit Committee discussed the report on regulatory compliance and found the requirements to have been complied with.

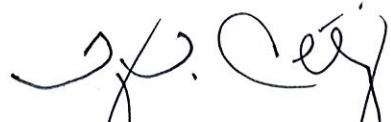
Based on the reviews and discussions undertaken and subject to the limitations on the Audit Committee's roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors of First Gen that the audited consolidated financial statements for the years ended December 31, 2017 and 2016 be included in the Annual Report for the year ended December 31, 2017, which report will be filed with the Philippine Stock Exchange, Inc. (PSE) and the Securities and Exchange Commission (SEC).

The Audit Committee further recommends to the Board of Directors of First Gen the re-appointment of SGV as the company's independent auditors for 2018 – 2019. This recommendation is made based on the review of the performance and qualifications of SGV.

March 15, 2018.



JAIME I. AYALA
Independent Director
Chairman



TONY TAN CAKTIONG
Independent Director
Member



PETER D. GARRUCHO JR.
Member



CIELITO F. HABITO
Independent Director
Member