SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. For the fiscal year ended : **December 31, 2016**

2. SEC Identification Number : **A1998-18260** 3. BIR Tax Identification No. **202-464-633**

4. Exact name of issuer as specified in its charter **FIRST GEN CORPORATION**

5. **PHILIPPINES**
Province, Country or other jurisdiction of incorporation or organization

6. SEC Use Only)
Industry Classification Code:

7. **6th Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City 1604**
Address of principal office Postal Code

8. Issuer's telephone number, including area code: **(632) 449-6400**

9. Former name, former address, and former fiscal year, if changed since last report. **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	**Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (*as of December 31, 2016*)**
Common Stock	3,660,943,557 shares
Bonds	None

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

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

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

12. Check whether the issuer:

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

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

13. Aggregate Market Value of Voting Stock held by Non-Affiliates: **₱26.35 billion**[*]

[*] *As of close of trading on December 29, 2016 (last trading day of 2016).*

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

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

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

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

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

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

As of December 31, 2016, FPH directly and indirectly owns 66.2% of the common stocks of First Gen and 100% of First Gen's voting preferred stocks. FPH is 46.50%-owned by Lopez Holdings Corporation (Lopez Holdings), a publicly-listed Philippine based entity, as at December 31, 2016. Majority of Lopez Holdings is owned by Lopez, Inc. Lopez Inc. is the ultimate parent of First Gen. FPH, Lopez Holdings and Lopez, Inc. are all incorporated in the Philippines.

First Gen is the largest clean and renewable Independent Power Producer (IPP) in the Philippines, with installed capacity of 3,468 MW as of December 31, 2016. All of the Company's power generation plants are operational and are majority-owned and controlled by the Company through its subsidiaries. Since 2005, First Gen's consolidated financial statements has been presented in U.S. Dollars (US$) being First Gen Group's functional and presentation currency under PFRS. First Gen's consolidated net income amounted to US$291.8 million for the year ended December 31, 2016, on revenues of US$1.56 billion. Net income attributable to equity holders of the Parent amounted to US$199.6 million.

Following is the list of the companies on which the Company has control as of December 31, 2016 and 2015:

	Percentage of Voting Interest	
	2016	2015
First Gen Renewables, Inc. (FGRI) [14]	**100**	100
Unified Holdings Corporation (Unified)	**100**	100
AlliedGen Power Corp. (AlliedGen)	**100**	100
First Gen Luzon Power Corp. (FG Luzon)	**100**	100
First Gen Visayas Hydro Power Corporation (FG Visayas)	**100**	100
First Gen Mindanao Hydro Power Corporation (FG Mindanao)	**100**	100
First Gen Ecopower Solutions, Inc. (FG Ecopower) [1]	**100**	100
First Gen Energy Solutions Inc. (FGES)	**100**	100
First Gen Premier Energy Corp. (FG Premier)	**100**	100
First Gen Prime Energy Corporation (FG Prime)	**100**	100
First Gen Visayas Energy, Inc. (FG Visayas Energy)	**100**	100
FG Bukidnon Power Corporation (FG Bukidnon)[2]	**100**	100
Northern Terracotta	**100**	100
Blue Vulcan Holdings Corporation (Blue Vulcan)[14]	**100**	100
Prime Meridian Powergen Corporation (Prime Meridian)[3]	**100**	100
Goldsilk Holdings Corporation[7, 14]	**100**	100
Dualcore Holdings Inc.[7,14]	**100**	100
Onecore Holdings Inc.[7,14]	**100**	100
FG Mindanao Renewables Corp. (FMRC)[8]	**100**	100
FGen Northern Mindanao Holdings, Inc. (FNMHI)[8]	**100**	100
FGen Tagoloan Hydro Corporation (FG Tagoloan)[9]	**100**	100
FGen Tumalaong Hydro Corporation (FG Tumalaong)[9]	**100**	100
FGen Puyo Hydro Corporation (FG Puyo)[10]	**100**	100
FGen Bubunawan Hydro Corporation (FG Bubunawan)[10]	**100**	100
FGen Cabadbaran Hydro Corporation (FG Cabadbaran)[10]	**100**	100
FGHC[14]	**100**	100
FGP[4, 14]	**100**	100
FNPC[5]	**100**	100
First Gas Power Corporation (FGPC)[6, 14]	**100**	100
First Gas Pipeline Corporation (FG Pipeline)[6, 14]	**100**	100
FGLand Corporation (FG Land)[6, 14]	**100**	100
FGEN LNG Corporation (FGEN LNG)[11]	**100**	100
First Gen LNG Holdings Corporation (LNG Holdings)	**100**	100
First Gen Meridian Holdings, Inc. (FGEN Meridian)	**100**	100
FGen Power Ventures, Inc. (FGEN Power Ventures)	**100**	100
FGen Casecnan Hydro Power Corp. (FGEN Casecnan)	**100**	100
FGen Power Holdings, Inc. (Power Holdings)	**100**	100
FGen Prime Holdings, Inc. (Prime Holdings)	**100**	100
FGen Eco Solutions Holdings, Inc. (FGESHI)	**100**	100
FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings)	**100**	100
FGen Reliable Energy Holdings, Inc. (FG Reliable Energy)	**100**	100
FGen Power Solutions, Inc. (FG Power Solutions)	**100**	100
FGen Vibrant Blue Sky Holdings, Inc. (FGVBSHI)	**100**	100
FGen Aqua Power Holdings, Inc. (FG Aqua Power)	**100**	100
FGen Natural Gas Supply, Inc. (FGen NatGas Supply)[15]	**100**	100
FGen Power Operations, Inc. (FPOI)[16]	**100**	100
FGen Fuel Line Systems, Inc. (FGen Fuel Line)[17]	**100**	100
Prime Terracota[13]	**100**	100
First Gen Hydro Power Corporation (FG Hydro)[12,13]	**40**	40

[1] *Through FGESHI*
[2] *Through FGRI*
[3] *Through FGEN Meridian*
[4] *Through Unified*
[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 Company has 40% direct voting interest in FG Hydro while its effective economic interest is 70.0% through Prime Terracota.
[13]On June 18, 2015, the Company purchased 16.0 million and 13.0 million Series "B" voting preferred stocks of Prime Terracota owned by QRC and LIRF, respectively. As of December 31, 2016, the Company has a 100% direct voting interest in Prime Terracota and a 67% voting interest in EDC through Prime Terracota.
[14]On June 17, 2014, the Philippine SEC approved the Plan and Articles of Merger between FGRI and Bluespark that was executed on April 29, 2014. As a result of the merger, FGRI becomes the surviving corporation and is now 99.1% effectively owned by Blue Vulcan while the remaining 0.9% is still owned by the Company. FGRI now effectively owns 40.0% voting and economic interest in FGHC and subsidiaries, and FGP. Prior to the merger, FGRI was a wholly-owned subsidiary of the Company.
[15]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.
[16]On July 21, 2015, FPOI was incorporated and registered with the Philippine SEC.
[17]On September 9, 2015, FGen Fuel Line was incorporated and registered with the Philippine SEC.

Below are descriptions of the different companies under First Gen:

- On May 30, 2012, First Gen, through its wholly-owned subsidiary Blue Vulcan Holdings Corporation (Blue Vulcan), successfully acquired from BG Asia Pacific Holdings Pte. Limited (BGAPH) (a member of the BG Group) the entire outstanding capital stock of Bluespark Management Limited (Bluespark) [formerly Lisbon Star Management Limited (LSML)]. Bluespark's wholly-owned subsidiaries, Goldsilk Holdings Corp. (Goldsilk) [formerly Lisbon Star Philippines Holdings, Inc.], Dualcore Holdings Inc. (Dualcore) [formerly BG Consolidated Holdings (Philippines), Inc.] and Onecore Holdings Inc. (Onecore) [formerly BG Philippines Holdings, Inc.], owned 40.0% of the outstanding capital stock of FGHC, FGP, and First NatGas Power Corporation (collectively referred to as the "First Gas Group"). Following the acquisition of Bluespark, First Gen now beneficially owns 100.0% of the First Gas Group through its intermediate holding companies. Following the acquisition of the non-controlling stake, LSML was subsequently renamed Bluespark Management Limited, Inc.

- First Gas Holdings Corporation (FGHC) was incorporated on February 3, 1995 as a holding company for the development of natural gas-fired power plants and other non-power gas related businesses. The company was 60.0% owned by First Gen and 40.0% owned by Dualcore Holdings Inc. (Dualcore) [formerly BG Consolidated Holdings (Philippines), Inc. (BG)] prior to the acquisition of the non-controlling stake of BG in the natural gas projects. As a result of the transaction, First Gen now effectively owns 100.0% of FGHC. FGHC wholly-owns FGPC, the project company of the 1,000 MW Santa Rita power plant.

    - FGPC is the project company of the Santa Rita Power Plant. The company was incorporated on November 24, 1994 to develop the 1,000 MW gas fired cycle power plant located in Santa Rita, Batangas City. The company started full commercial operations on August 17, 2000. FGPC generates electricity for Meralco under a 25-year Power Purchase Agreement (PPA). In order to fulfill its responsibility to operate and maintain the power plant, FGPC has an existing agreement with Siemens Power Operations, Inc. (SPOI), a 100.0% subsidiary of Siemens AG, to act as the operator under an Operations & Maintenance Agreement (O&M Agreement). Net income and revenues from sale of electricity for the year ended December 31, 2016 amounted to US$87.6 million and US$535.1 million, respectively.

- Unified Holdings Corporation (UHC) was incorporated on March 30, 1999 as the holding company of First Gen's 60.0% equity share in FGP Corp. (FGP), the project company of the 500 MW San Lorenzo Power Plant. First Gen owns 100% of UHC.

    - FGP is the project company of the San Lorenzo Power Plant. The company was established on July 23, 1997 to develop a 500 MW gas-fired combined cycle power plant in Santa Rita, Batangas, adjacent to the 1000 MW Santa Rita Power Plant. FGP was owned 60.0% by UHC and 40.0% by BG Philippines Holdings, Inc. The company started full commercial operations on October 1, 2002. Most of the economic and structural features that made the Santa Rita project attractive were replicated in the San Lorenzo project to preserve the innovative risk-mitigating structure. All major project agreements were substantially similar to those used in the Santa Rita project. Also, the economic and commercial advantages of being located adjacent to the Santa Rita project were optimized. The project's strategic location allows it to share common facilities such as the tank farm and jetty facilities thus reducing the need to duplicate various operational facilities. Cost reductions associated with the operations and maintenance of power plant were also achieved through the pooling of operations and maintenance (O&M) personnel and other expenses. Net income and revenues from sale of electricity for the year ended December 31, 2016 amounted to US$46.2 million and US$291.5 million, respectively.

- First Gen Renewables, Inc. (FGRI), formerly known as First Philippine Energy Corporation, was established on November 29, 1978. It is tasked to develop prospects in the renewable energy market. On June 17, 2014, the SEC approved the Plan and Articles of Merger between FGRI and Bluespark that was executed on April 29, 2014 following the majority vote of the board of directors and by the vote of the stockholders owning and representing more than two-thirds of the outstanding capital stock of constituent corporations on April 24, 2014. As a result of the merger, FGRI became the surviving corporation and is now 99.1% effectively-owned by Blue Vulcan. FGRI now effectively owns a 40.0% voting and economic interest in Santa Rita and San Lorenzo power plants. Prior to the merger, FGRI was a wholly-owned subsidiary of First Gen.

  - FG Bukidnon Power Corporation (FG Bukidnon), a wholly-owned subsidiary of FGRI, was incorporated on February 9, 2005. Upon conveyance of First Gen in October 2005, FG Bukidnon took over the operations and maintenance of the FG Bukidnon Hydroelectric Power Plant (FGBHPP). FG Bukidnon's net income and revenues from sale of electricity for the year ended December 31, 2016 amounted to ₱4.9 million and ₱36.6 million, respectively.

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

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

  On November 22, 2007, First Gen, through Red Vulcan, was declared the winning bidder for the Philippine National Oil Company and EDC Retirement Fund's remaining shares in EDC. Such common shares represented a 40.0% economic interest in EDC while the combined common and preferred shares represented 60.0% of the voting rights in EDC. As of December 31, 2016, EDC is the Philippines' largest producer of geothermal energy, operating 12 geothermal power plants in the four geothermal service contract areas where it is principally involved in: (i) the production of geothermal steam for sale to subsidiaries; and, (ii) the generation and sale of electricity through EDC-owned geothermal power plants to National Power Corporation (NPC) and various offtakers. Likewise, EDC owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 6.82 MW Burgos Solar Project (Burgos Solar) both situated in Burgos, Ilocos Norte. The Burgos Wind Project achieved commercial operations in November 2014, while the two-phased Burgos Solar Project achieved commercial operations in March 2015 and January 2016, respectively. EDC's consolidated net income and revenues as of December 31, 2016 amounted to ₱9.7 billion and ₱34.2 billion, respectively, with net income attributable to equity holders of the parent company of ₱9.4 billion.

  As of December 31, 2016, the Company's voting stake in Prime Terracota is equivalent to 100.0%, which effectively raised the Company's voting interest in EDC to 67.1%.

- First Gen Hydro Power Corporation (FG Hydro) was incorporated on March 13, 2006 as a wholly-owned subsidiary of First Gen. On September 8, 2006, FG Hydro emerged as the winning bidder for the 100 MW Pantabangan and the 12 MW Masiway Hydroelectric Power Plants (PMHEPP) that was conducted by the Power Sector Assets and Liabilities Management Corporation (PSALM). The 112 MW PMHEPP was transferred to FG Hydro on November 18, 2006, representing the first major generating assets of NPC to be successfully transferred to the private sector by PSALM. Subsequently, First Gen's board of directors approved the sale of 60% of FG Hydro to EDC. As a result of the divestment, First Gen's direct voting interest in FG Hydro was reduced to 40%. FG Hydro's net income and revenues from the sale of electricity for the year ended December 31, 2016 amounted to ₱893.0 million and ₱2.2 billion, respectively.

  - The 100 MW Pantabangan power plant commenced operations in 1977 and consists of two 50 MW generating units. The 12 MW Masiway power plant commenced operations in 1981 and consists of one 12 MW operating unit. Both facilities are located in Pantabangan, Nueva Ecija

Province in Central Luzon, 180 kilometers north of Metro Manila. Following FG Hydro's completion of its rehabilitation and upgrade project in December 2010, plant capacity of the Pantabangan plant was increased by 20 MW. With this upgrade, the new plant capacity of PMHEPP is now 132 MW. FG Hydro likewise rehabilitated the Masiway plant to address equipment obsolescence specifically on the excitation, protection and generator systems as well as the main step-up transformer of Masiway were replaced in 2015. The plant resumed operations in early December 2015 and formal takeover has taken place in 2016.

- AlliedGen Power Corp. (AGPC) was incorporated and registered with the SEC on February 14, 2005. AGPC wholly-owns FNPC, the project company of the 420 MW San Gabriel natural gas-fired power plant (San Gabriel). AGPC is a wholly-owned subsidiary of First Gen.

    - FNPC is the project company of San Gabriel, adjacent to the existing Santa Rita and San Lorenzo power plants in Santa Rita, Batangas City. The San Gabriel project serves the mid-merit and, potentially, the base load requirements of the Luzon Grid. It went into commercial operations in November 2016. It is currently a 100.0% merchant plant. FNPC's net income and revenues from the sale of electricity for the year ended December 31, 2016 amounted to $17.5 million and $6.6 million, respectively.

- Prime Meridian PowerGen Corporation (PMPC) was incorporated and registered with the SEC on August 8, 2011. The company is a wholly-owned subsidiary of First Gen. PMPC is the operating company of the 100 MW Avion open-cycle natural gas-fired power plant (Avion) that is likewise located adjacent to the existing natural gas-fired power plants inside the FGEN Clean Complex. The Avion Plant is using General Electric's LM6000 PC Sprint aero-derivative gas turbines and has the capability to burn natural gas or diesel. The plant went into commercial operations in September 2016. It is currently a 100.0% merchant plant. PMPC's net income and revenues from the sale of electricity for the year ended December 31, 2016 amounted to ₱25.4 million and ₱73.3 million, respectively.

- First Gen Energy Solutions, Inc. (FGES) was incorporated and registered with the SEC on November 24, 2006. As a wholly-owned subsidiary of First Gen, FGES markets and sells electricity generated by First Gen and EDC to address the power requirements of contestable customers. In addition, it provides value-added services relevant to its core business. FGES holds a Retail Electricity Supplier (RES) license effective for a period of five years from May 2016 until May 2021. With the commencement of the Retail Competition and Open Access (RCOA), FGES' RES business has a total contracted demand of 67.25 MW from 22 contestable customers as of December 31, 2016.

  In 2016, FGES has entered into various RSCs with contestable customers ranging from a contract period of 2 to 10 years. These agreements provide for the supply of electricity at an agreed price on a per kWh basis to contestable customers. Under the respective RSCs, FGES charges the customer for both the basic energy and pass through charges, as may be applicable. Total sale of electricity relating to the agreements amounted to ₱648.6 million as of December 31, 2016. The sale of electricity includes the distribution and transmission charges, which are pass-through charges under the agreements.

Business of Issuer

1. **FIRST GEN CORPORATION**

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

(i) FGPC, which operates the 1,000 MW Santa Rita natural gas-fired power plant;
(ii) FGP, which operates the 500 MW San Lorenzo natural gas-fired power plant;
(iii) PMPC, which operates the 100 MW Avion natural gas-fired power plant;
(iv) FNPC, which operates the 420 MW San Gabriel natural gas-fired power plant;
(v) FG Bukidnon, which operates the 1.6 MW FG Bukidnon mini-hydroelectric power plant;
(vi) EDC, with an aggregate installed capacity of approximately 1,326 MW of geothermal, wind and solar power; and,
(vii) FG Hydro, which operates the 132 MW Pantabangan-Masiway hydroelectric power plants.

First Gen's indirect 40.0% economic interest in EDC is held through Prime Terracota Holdings Corporation (Prime Terracota) and Red Vulcan Holdings Corporation (Red Vulcan). FGEN has a 40.0% direct economic interest in FG Hydro. As of December 31, 2016, the Company also directly and indirectly owns 1.98 billion common shares in EDC, of which 986.34 million common shares are held through its wholly-owned subsidiary, Northern Terracotta Power Corporation (Northern Terracotta). The 1.98 billion common shares are equivalent to a 10.6% economic interest in EDC.

The Philippine power industry is dominated by NPC, a government-owned and operated company. The generation sector can be broken down into the following main groups: (i) NPC-owned and operated generation facilities; (ii) NPC IPPs, which include plants operated by IPPs, as well as IPP-owned and operated plants, each of which supplies electricity to NPC; and (iii) IPP-owned and operated plants that supply electricity to customers other than NPC.

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

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

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

3. **FGP CORP. (San Lorenzo Power Plant)**

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

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

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

The commercial operations of FG Hydro commenced in November 2006 upon the transfer to it of PMHEPP's operations and maintenance. FG Hydro earns substantially all of its revenue from various privately-owned distribution utilities (DUs) under the Power Supply Agreement (PSAs). Generated electricity in excess of the contracted levels is sold to the Wholesale Electricity Spot Market (WESM). WESM and the various electric companies are committed to pay for the energy generated by the PMHEPP facilities.
Under the current regulatory regime, the generation rate charged by FG Hydro to WESM is not regulated but determined in accordance with the WESM Price Determination Methodology (PDM) approved by the Energy Regulatory Commission (ERC) and are complete pass-through charges to WESM. Likewise, the generation rate charged by FG Hydro to various electric companies is not subject to regulation and are complete pass-through charges to various electric companies.

5. **ENERGY DEVELOPMENT CORPORATION (EDC)**

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

- Tongonan, Kananga, Leyte - EDC operates three geothermal steamfield projects in Leyte, which deliver steam to the Tongonan geothermal power plant, owned by EDC's subsidiary Green Core Geothermal Inc. (GCGI), and the four EDC-owned Unified Leyte geothermal power plants.

- Southern Negros, Valencia, Negros Oriental - EDC operates two geothermal steamfield projects in Southern Negros, which deliver steam to the two GCGI-owned Palinpinon geothermal power plants and EDC-owned Nasulo geothermal power plant.

- Bacon-Manito, Albay and Sorsogon - EDC operates two geothermal steamfield projects, which deliver steam to two geothermal power plants in Albay and Sorsogon, owned by EDC's subsidiary Bac-Man GeothermaI Inc. (BGI).

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

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

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

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

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

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

- Steam Sales Agreement (SSA) of EDC

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

Details of the existing SSA are as follows:

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

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

- PPAs of EDC
  EDC sells electricity to NPC pursuant to the following PPAs:

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

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

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

  - 49.0 MW Nasulo
    As of December 31, 2016, EDC's Nasulo power plant has a total of three (3) PSAs as follows:

Customers	Contract Start	Contract Expiration
San Miguel Electric Cooperative (SMEC)	November 26, 2014	December 25, 2024
First Gen Energy Solutions (FGES)	August 26, 2016	August 25, 2018
Unified Leyte Geothermal Energy Inc.	March 26, 2016	December 25, 2016

EDC's Nasulo power plant has an existing PSA with SMEC for 2.6 MW. The PSA provides, among others, that SMEC shall pay EDC a base price per kilowatt-hour of electricity delivered subject to inflation adjustments.

Green Core Geothermal Inc. (GCGI)

With GCGI's takeover of Palinpinon and Tongonan Power Plants effective October 23, 2009, Schedule X of the Asset Purchase Agreement with PSALM provides for the assignment of 12 NPC Power Supply Contracts (PSCs) to GCGI. As of December 31, 2016, the following PSCs had already expired:

Customers	Contract Expiration
Dynasty Management & Development Corp. (DMDC)	March 25, 2016
Philippine Foremost Milling Corp. (PFMC)	March 25, 2016

As of December 31, 2016, GCGI has a total of 22 PSAs as follows:

Customers	Contract Start	Contract Expiration
Leyte		
Leyte II Electric Cooperative, Inc. (LEYECO II)*	December 26, 2010	December 25, 2040
LEYECO II*	December 26, 2011	December 25, 2040
Leyte III Electric Cooperative, Inc. (LEYECO III)*	December 26, 2011	December 25, 2040
Leyte IV Electric Cooperative, Inc. (LEYECO IV)*	December 26, 2012	December 25, 2017
Philippine Phosphate Fertilizer Corporation (PHILPHOS)	December 26, 2011	December 25, 2016
Cebu		
Visayan Electric Company, Inc. (VECO)*	December 26, 2010	December 25, 2024
VECO*	December 26, 2011	December 25, 2016
Balamban Enerzone Corporation (BEZ)*	December 26, 2010	December 25, 2025
Mactan Enerzone Corporation (MEZ)	September 26, 2015	December 25, 2025

Customers	Contract Start	Contract Expiration
Bohol		
Bohol II Electric Cooperative, Inc. (BOHECO II)*	January 26, 2013	December 25, 2040
Negros		
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
Panay		
Aklan Electric Cooperative, Inc. (AKELCO)*	March 26, 2010	December 25, 2040
Antique Electric Cooperative, Inc. (ANTECO)	December 26, 2014	December 25, 2040
Capiz Electric Cooperative, Inc. (CAPELCO)*	January 27, 2010	December 25, 2040
Iloilo I Electric Cooperative, Inc. (ILECO I)*	March 26, 2010	December 25, 2040
Iloilo II Electric Cooperative, Inc. (ILECO II)*	December 26, 2010	December 25, 2030
Iloilo III Electric Cooperative, Inc. (ILECO III)*	December 26, 2012	December 25, 2030
Guimaras Electric Cooperative, Inc. (GUIMELCO)*	December 26, 2012	December 25, 2040
First Gen Energy Solutions (FGES)***	October 26, 2016	December 25, 2020

** With Provisional Authority from the ERC as of December 31, 2016.*
*** NONECO is formerly known as V.M.C. Rural Electric Service Cooperative, Inc. (VRESCO).*
**** 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.

BacMan Geothermal Inc. (BGI)

With BGI's takeover of BMGPP from NPC effective September 2010, BGI entered into several PSAs with various companies and electric cooperative. As of December 31, 2016 BGI's outstanding PSAs are as follows:

Customers	Contract Start	Contract Expiration
First Philippine Industrial Corp. (FPIC)	December 26, 2012	December 26, 2018
Camarines Sur II Electric Cooperative, Inc.	January 26, 2013	December 26, 2018
ULGEI	August 26, 2015	December 25, 2025
FG Hydro	February 26, 2016	August 25, 2018
FGES	June 26, 2016	December 25, 2021
IMAK - INEC	December 26, 2016	July 25, 2018

On December 13, 2012, the PSA between GCGI and Philippine Associated Smelting and Refining Corporation was assigned to BGI effective December 26, 2012. The assigned PSA expired on December 25, 2015. Also, the two (2) PSAs with FG Hydro expired on June 25, 2015 and December 25, 2015.

Unified Leyte Geothermal Energy Inc. (ULGEI)

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

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

1. ULGEI was selected as the Winning Bidder for 40 MW Strips of Energy of the ULGPP at the bidded rate/price; and,

2. PSALM accepted ULGEI's decision not to accept the award as Winning Bidder for the Bulk Energy of the ULGPP, subject to subsequent determination/evaluation of the forfeiture of ULGEI's Bid Security and ULGEI's qualification to participate further in the rebidding process for said Bulk Energy.

In December 2014, the IPPA Contract for the strips of energy was turned over to ULGEI. As of December 31, 2016, ULGEI's outstanding PSAs are as follows:

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

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

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

On May 9, 2011, the ERC approved the renewal of FGES' Retail Electricity Supplier's (RES) License effective for a period of five years. On May 22, 2012, the ERC likewise granted the renewal of FGES' Wholesale Aggregator's (WA) license effective for a period of five years. With the commencement of the RCOA on June 26, 2013, FGES' RES business started its commercial operations on the same date. FGES' RES business has a total contracted demand of 67.25 MW from 22 contestable customers as of December 31, 2016. These agreements provide for the supply of electricity at an agreed price on a per kWh basis to contestable customers. Under the respective RSCs, FGES charges the customer for both the basic energy and pass through charges, as may be applicable.

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

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

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

Description of Registrant

Principal products or services.

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

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

Company	Principal products/services	Market	Effective Contribution to Consolidated Revenues* of First Gen
FGPC	- Power generation	MERALCO	US$535.1 million
FGP	- Power generation	MERALCO	US$291.5 million
FG Bukidnon	- Power generation	CEPALCO	US$0.8 million (or ₱36.6 million)
FG Hydro	- Power generation	WESM / NGCP/ various cooperatives	US$48.3 million (or ₱2,286.4 million)
EDC	EDC holds service contracts with the DOE corresponding to 15 geothermal contract areas EDC, through its subsidiary, EBWPC, operates the 150 MW wind project in Burgos, Ilocos Norte. EDC also owns and operates the 6.82 MW Burgos Solar power plant.	NPC (for power generation & steam sales), WESM, NGCP, electric cooperatives and industrial customers pursuant to the PPAs and Power Supply Agreements (PSAs), and FIT	US$675.6 million** (or ₱31,949.2 million)
FNPC	- Power generation	WESM	US$6.6 million (or ₱311.9 million)
PMPC	- Power generation	WESM	US$1.6 million (or ₱73.3 million)
FGES	- Retail energy supply	Various contestable customers	US$1.9 million***

** Pertains to revenues from sale of electricity only.*
*** Pertains to EDC's consolidated revenue from sale of electricity, excluding FG Hydro.*
****FGES' contribution to FGEN's consolidated revenues is net of intercompany revenues from sale of electricity amounting to $11.8 million.*

Note: The Philippine-peso balances of FG Bukidnon, FG Hydro, PMPC, and EDC were translated to U.S. Dollar using the weighted average rate of ₱47.288:US$1.00 for the year 2016.

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

Distribution Methods.

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

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

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

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

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

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

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

Solar Projects.

- On January 17, 2016, EDC successfully commissioned its 2.66 MW Burgos Solar Project Phase 2, which is inside the same concession area as EDC Burgos Wind Power Corporation (EBWPC's) wind farm. The project is geographically situated in Barangay Saoit, Burgos Ilocos Norte.

- On March 1, 2016, the ERC issued a Certificate of Compliance (COC) to EDC for the Burgos Solar Power Plant Phase 2. The COC specifies that the project, having a total capacity of 2.66 MW is entitled to a FiT rate of ₱8.69 per kWh, subject to adjustments as may be approved by the ERC, from January 19, 2016 to January 18, 2036.

Natural Gas Projects.

- On September 26, 2016, the 97 MW Avion plant received a COC that enables it to sell power to the WESM.

- On November 7, 2016, the 414 MW San Gabriel plant received a COC that likewise enables it to sell power to the WESM.

Geothermal Projects.

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

Hydro Projects.

- *FG Mindanao*
  On October 23, 2009, FG Mindanao 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, 2017, FGen Tumalaong is in coordination with the DOE for the settlement of its remaining obligations.

On November 10, 2016, the DOE has issued three Certificates of Registration to FG Mindanao as an RE Developer of 175 MW Binongan-Tineg, 160 MW Cagayan 1N, and 17.5 MW Cateel River hydroelectric power projects which are covered by HSCs executed between the DOE and FG Mindanao.

- *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 the 300 MW Pump Storage Hydroelectric Power Plant to 600 MW. On October 28, 2016, the DOE amended the HSC of FG Prime considering the non-extendible period of five years pre-development stage and the new capacity of 600 MW.

  On March 28, 2016, FG Premier notified the DOE regarding its intention to surrender the entire contract area covered by the HSC 2012-01-195 for the 300 MW Angat (Pump Storage) Hydro Project in Norzagaray, Bulacan due to the non-viability of the project. Such request was acknowledged by the DOE on May 20, 2016, and informed FG Premier that the said HSC was hereby terminated and has requested to settle the remaining financial obligations pursuant to the HSC to fully and satisfactorily comply all obligations in view of the termination of the HSC. As of March 15, 2017, FG Premier is in coordination with the DOE for the settlement of its remaining obligations.

- *FG Luzon*

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

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

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

Wind Projects.

- *FGRI*

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

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

  Continuous conduct of wind measurements is necessary to assess the wind resource in the area. This will be followed by wind data analysis to further confirm the viability of wind power project.

Retail Electricity Supply.

FGES holds a Retail Electricity Supplier (RES) license effective for a period of five years from May 2016 until May 2021. With the commencement of the RCOA, FGES' RES business has a total contracted demand of 67.25 MW from 22 contestable customers as of December 31, 2016. Under the RSCs, the basic energy charges for each billing period are inclusive of the generation charge and retail supply charge.

Competition.

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

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

For wind power, its closest competitor is North Luzon Renewable Energy Corporation, which operates the Caparispisan Wind Farm in Pagudpud, Ilocos Norte in addition to the following: Alterenergy Philippines Holdings Corporation, Petrowind Energy, Inc., Trans-Asia Renewable Energy Corp., and Northwind Power Development Corporation.

For solar energy an estimated capacity of 540MW had been installed in the country[1]. The major players in solar industry are Helios Solar Energy Corp. (formerly Phil-Power Solar Energy Corp.), Solar Philippines Calatagan Corporation, PetroSolar Corporation, San Carlos Solar Energy Inc., and Majestics Energy Corporation, among others. EDC, for its part, operates the Burgos Solar Phases 1 & 2 for a combined output of 6.82MW.

Further to clauses in the EPIRA Law entitled RCOA, a new electricity buyer group consisting of individual retail customers has emerged with the DOE providing the following timelines recently [2].

- Jun. 26, 2016 – Voluntary compliance for those below 1 MW to greater than 750 KW
- Dec. 26, 2016 – Mandatory compliance for those with 1 MW and greater
- Jun. 26, 2017 – Mandatory compliance for those below 1 MW to greater than 750 KW

"Retail competition" means that eligible electricity customers (or retail customers) may themselves contract for the supply of electricity with authorized suppliers, rather than through the franchised distribution facility. "Open Access", on the other hand, means that retail electricity customers and suppliers of electricity may also contract with the transmission company and the distribution company for the "wheeling" or delivery of energy/electricity through the transmission or distribution wires. Open Access is thus means by which Retail Competition is achieved [3].

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

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

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

[1] Source: DOE Website: www.doe.gov.ph
[2] Source: DOE Department Circular 2016-04-004
[3] Source: The Energy Report Philippines 2013-2014 Ed, KPMG Global Energy Institute

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

Company	Nature of the Contract
FGPC / FGP Corp.	Meralco is the sole off-taker of power output of FGPC and FGP Corp. under a 25-year PPA.
FG Bukidnon	On January 9, 2008, FG Bukidnon and CEPALCO signed a PSA for the FG Bukidnon plant. Under the PSA, FG Bukidnon shall generate and deliver to CEPALCO, and CEPALCO shall take and pay (for even if not taken), the available energy for a period commencing on the date of the ERC approval, which was in November 2009, until March 28, 2025. On June 14, 2012, FG Bukidnon signed a Transmission Service Agreement with NGCP for the latter's provision of the necessary transmission services to FG Bukidnon. The charges under this agreement are as provided in the Open Access Transmission Service Rules and/or applicable ERC orders/issuances. Under the PSA, these transmission-related charges shall be passed through to CEPALCO.
EDC	EDC has existing PPAs with NPC for a period of 25 years of commercial operations and may be extended upon the request of EDC by notice of not less than 12 months prior to the end of contract period, under terms and conditions as may be agreed upon by the parties. EDC's subsidiaries namely, GCGI and BGI have respective customers with long-term PSAs which will expire between 2016 and 2040.
FG Hydro	As of December 31, 2016, there are 3 remaining long-term PSAs being serviced by FG Hydro.

Details of the existing contracts are as follows:

Related Contract	Expiry Date	Other Development
Nueva Ecija II Electric Cooperative, Inc., Area 1 (NEECO II -Area 1)	August 25, 2018	The ERC granted a provisional approval on the PSA between FG Hydro and NEECO II-Area 1 on October 7, 2013 with a pending final resolution of the application for the approval thereof.
Edong Cold Storage and Ice Plant (ECOSIP)	December 25, 2020	A new agreement was signed by FG Hydro and ECOSIP in November 2010 for the supply of power in the succeeding 10 years.
National Irrigation Administration (NIA)-Upper Pampanga River Integrated Irrigation System	October 25, 2020	FG Hydro and NIA-UPRIIS signed a new agreement in October 2010 for the supply of power in the succeeding 10 years.
PAMES	December 25, 2008	There was no new agreement signed between FG Hydro and PAMES. However, FG Hydro had continued to supply PAMES' electricity requirements with PAMES' compliance to the agreed restructured payment terms.

In addition to the above contracts, FG Hydro entered into PSAs with FGES in 2016 for the delivery of electricity to a contestable customer of FGES. The PSA commenced on February 26, 2016 and will end on February 25, 2018.

Raw Materials and Suppliers.

Company	Sources of raw materials	Supplier of raw materials
FGPC/FGP/ PMPC/FNPC	- natural gas / liquid fuel*	Malampaya consortium composed of Shell Philippine Exploration, B.V., Chevron Malampaya, LLC and PNOC Exploration Corporation
FG Bukidnon	- water	The plant is a run-of-river facility
FG Hydro	- water	Water release generally determined by NIA
EDC	- steam - solar	Developed by EDC by virtue of Presidential Decree (P.D.) No. 1442. However, as stated above, the Geothermal Service Contracts (GSCs) of EDC (previously governed by P.D. No. 1442) were replaced by Geothermal Renewable Energy Service Contracts (GRESCs) effective October 23, 2009. EDC operates the 6.82 MW Burgos Solar Power Plant, which is located within the vicinity of EBWPC, using solar energy.
EBWPC	- wind	Established and operated by EDC through its subsidiary EBWPC under DOE Certificate of Registration No. WESC 2009-09-004. The wind farm consists of 50 wind turbine generator units of the Class 1 V90-3.0 MW wind turbine generator to be supplied by Vestas Wind Systems.

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

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

In the case of EDC, close to 37.7% of EDC's electricity revenues are derived from existing long-term PPAs with NPC.

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

Patent

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

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

Trademarks

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

Franchise

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

Concessions / Service Contracts

a) FG Mindanao

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

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 then terminated.

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.

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

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

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

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

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

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

Geothermal Renewable Energy Service Contract (GRESC) Areas

Contract Area	Expiration of GRESC	Project	Installed Capacity (in MWe)	Product	Expiration of Offtake Agreement	Minimum Take-or-pay Capacity [1] (in GWh/year)	Plant Owner
Tongonan Geothermal Project	2031	Tongonan	112.5	Steam and Electricity	2009 (SSA)[2] 2031 (GRSC) 2040 (PSAs)		GCGI[5]
		Upper Mahiao	125.0	Steam and Electricity	2022 (PPA)[4]	3,850.0[1]	EDC
		Malitbog	232.5	Steam and Electricity	2022 (PPA)[4]		EDC
		Mahanagdong	180.0	Steam and Electricity	2022 (PPA)[4]		EDC
		Optimization	50.9	Steam and Electricity	2022 (PPA)[4]		EDC
Southern Negros Geothermal Project	2031	Palinpinon I	112.5	Steam and Electricity	2008 (SSA)[2] 2031 (GRSC) 2040 (PSAs)		GCGI[5]
		Palinpinon II	60.0	Steam and Electricity	2009 (SSA)[2] 2031 (GRSC) 2040 (PSAs)		GCGI[5]
		Nasulo	49.4	Steam and Electricity	2024 (PSA)		EDC
Bacon-Manito Geothermal Project	2031	Bac-Man I	120.0	Steam and Electricity	2018 (SSA)	722.7	BGI[6]

		Bac-Man II	20.0	Steam and Electricity	2019/ (SSA) 2019 (PSAs)	131.4	BGI[6]
Mt. Apo Geothermal Project[3]	2042[3]	Mindanao I	52.0	Steam and Electricity	2022 (PPA)	390.0	EDC
		Mindanao II	54.0	Steam and Electricity	2024 (PPA)	398.0	EDC
Total			1,168.8			5,492.1	

[1] *Refers to one-year period, ending in July 2016. UL PPA Nominated Energy varies from year to year.*
[2] *The SSA that governs the sale of steam for use at the NPC-owned Palinpinon I power plant expired in December 2008 but was extended to a date when these plants were sold or privatized, pursuant to the privatization process under the EPIRA. The GRSC for Tongonan and Palinpinon I and Palinpinon II commenced upon take-over of the plants by GCGI.*
[3] *Includes a 25-year extension period to GRESC.*
[4] *Unified Leyte PPA*
[5] *On October 23, 2009, the Palinpinon and Tongonan geothermal power plants were turned over to Green Core Geothermal Inc. (GCGI), which won the PSALM's auction of the said plants on September 2, 2009.*
[6] *On September 3, 2010, the Bac-Man 1 and Bac-Man II geothermal power plants were turned over to Bac-Man Geothermal Inc. (BGI), which won the PSALM's auction of the said plants on May 5, 2010.*

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

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

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

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

d. Wind Energy Service Contract (WESC) of EDC

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

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

As of December 31, 2016, EBWPC holds eleven (11) WESC's with the DOE. Each WESC has a contract period of 25 years and will expire between 2034 and 2040. The WESC's cover the following projects:

	Projects	DOE Certificates of Registration
1)	150 MW wind project in Burgos, Ilocos Norte	WESC 2009-09-004 (expiring in 2034)
2)	84 MW wind project in Pagudpud, Ilocos Norte	WESC 2010-02-040 (expiring in 2035)
3)	Burgos 1 wind project in Burgos, Ilocos Norte	WESC 2013-12-063 (expiring in 2038)
4)	Burgos 2 wind project in Burgos, Ilocos Norte	WESC 2013-12-063 (expiring in 2038)
5)	Matnog 1 wind project in Matnog & Magdalena, Sorsogon	WESC 2014-07-075 (expiring in 2039)
6)	Matnog 2 wind project in Matnog, Sorsogon	WESC 2014-07-076 (expiring in 2039)
7)	Matnog 3 wind project in Matnog, Sorsogon	WESC 2014-07-077 (expiring in 2039)
8)	Iloilo 1 wind project in Batad & San Dionisio, Iloilo	WESC 2014-07-078 (expiring in 2039)
9)	Negros wind project in Manapla & Cadiz City*	WESC 2014-07-080 (expiring in 2039)
10)	Burgos 3 wind project in Burgos and Pasuquin, Ilocos Norte	WESC 2015-09-085 (expiring in 2040)
11)	Burgos 4 wind project in Burgos, Ilocos Norte	WESC 2015-09-086 (expiring in 2040)

**Cancellation letter has been submitted with the DOE in August 2016 but still awaiting confirmation reply.*

In terms of the solar projects, EDC holds six (6) SESC's with the DOE. Each SESC has a contract period of 25 years and will expire between 2039 and 2040. The WESC's cover the following projects:

	Projects	DOE Certificates of Registration
1)	6.82 MW Burgos solar project in Burgos, Ilocos Norte	SESC 2014-07-088 (expiring in 2039)
2)	Murcia solar project in Murcia, Negros Occidental	SESC 2015-03-113 (expiring in 2040)
3)	President Roxas solar project in President Roxas, North Cotabato*	SESC 2015-03-114 (expiring in 2040)
4)	Matalam solar project in Matalam, North Cotabato	SESC 2015-03-119 (expiring in 2040 and renewable for another 25 years)
5)	Bogo solar project in Bogo, Cebu	SESC 2015-06-234 (expiring in 2040 and renewable for another 25 years)
6)	Iloilo solar project in Iloilo City	SESC 2016-06-306 (expiring in 2041 and renewable for another 25 years)

**Cancellation letter has been submitted with the DOE in March 2016 but still awaiting confirmation reply.*

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

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

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

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

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

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

Government Regulations.

ELECTRIC POWER INDUSTRY REFORM ACT of 2001 (EPIRA)

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

Wholesale Electricity Spot Market

WESM Luzon has already been commercially operating for almost 10 years since its commencement on June 26, 2006. Annual average Luzon spot prices ranged from approximately ₱2.69/kWh, ₱3.58/kWh, and ₱4.66/kWh for 2016, 2015, and 2014 respectively. It must be noted, however, that the drop in 2015 WESM prices is attributable to increase in capacity made available during summer months.

On the other hand, WESM Visayas was operated and integrated with the Luzon grid on December 26, 2010. Annual average Visayas spot prices ranged from approximately ₱2.59/kWh, ₱3.42/kWh, and ₱3.64/kWh for 2016, 2015, and 2014 respectively.

Mindanao does not have a WESM yet. However, last September 26, 2013, the Interim Mindanao Electricity Spot Market (IMEM) was commercially operated. In contrast to the WESM in Luzon and Visayas, IMEM will be a day-ahead market intended to draw out uncontracted generation capacities and augment the supply, as well as attract the voluntary curtailment of load customers to lower the demand. The IMEM is seen as a medium-term and interim solution to address the supply deficiency in Mindanao, until the entry of new capacities in Mindanao by 2015. The IMEM was supposed to serve as a transition towards WESM in Mindanao. However, the commercial operations of the IMEM was suspended last March 2014 due to the emergency shutdown of major baseload plants in Mindanao. No information yet on the resumption of its operations.

Retail Competition and Open Access (RCOA)

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

RCOA shall be implemented in phases. During the 1st phase only end users with an average monthly peak demand of 1 MW for the 12 months immediately preceding the start of RCOA, shall have a choice of power supplier, as a contestable customer. Later, in the 2nd phase, the peak demand threshold will be lowered to 0.75 MW, and will continue to be periodically lowered until the household demand level is reached.

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

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

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

In June 2015, the DOE released a Circular (DC2015-06-0010) that provided policies that will facilitate the full implementation of RCOA in the Philippines. This was supplemented by 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 1MW and up contestable customers and June 26, 2017 for 750-999kW contestable customers.

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

Proposed Amendments to the EPIRA

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

In the Philippine Congress, pending for committee approval are:

1. Senate Bill (SB) No. 156: An Act Amending Section 47 of R.A. No. 9136, Otherwise Known As the EPIRA
2. SB No. 762: An Act Amending R.A. No. 9136, Otherwise Known As the EPIRA
3. House Bill (HB) No. 84: An Act Requiring the Energy Regulatory Commission to Conduct A Transparent Bidding Process for Power Supply, Amending for the purpose Section 45, B of Republic Act No. 9136, Otherwise Known as the EPIRA
4. HB No. 1222 An Act Declaring Power Infrastructure Projects as Projects of National Significance, amending for the Purpose Certain Provisions of Republic Act Numbered 9136, Otherwise Known as the EPIRA and for other Purposes
5. HB No. 1650 An Act Requiring the Energy Regulatory Commission to Conduct Transparent Bidding Process for Power Supply, Amending for the Purpose Section 45 (b) of Republic Act No. 9136, Otherwise Known as the EPIRA
6. HB No. 2298 An Act Amending Paragraph (J) Section 47 of Republic Act 9136 of the EPIRA
7. HB No. 3508 An Act to Address the Worsening State of the Power Industry in the Philippines, Amending for the Purpose Section 47 of Republic Act 9136, and for other Purposes
8. HB No. 3896 An Act Amending Section 47 of Republic Act No. 9136, Otherwise Known as the EPIRA
9. Joint Resolution 574 Urging the Appropriate House Committee to Conduct an Inquiry, in Aid of Legislation, on Amending R.A. No. 9136, Otherwise Known as the EPIRA, Specifically Section 38 Thereof, on the Powers, Functions and Membership of the Energy Regulatory Commission (ERC) Following the Suicide of ERC Director Francisco Jose Villa Jr. from Alleged Pressure from ERC Chair and Chief Executive Officer Jose Vicente B. Salazar to Approve Contracts without Proper Bidding and due Adherence to Procedure, and Allegations of Corruption Behind ERC Deals, and the Possibility of Withholding the ERC Budget During the Pendency of the Inquiry
10. Joint Resolution 656 Resolution Calling for an Investigation in Aid of Legislation by the Appropriate Committee of the House of Representatives to Review Sections 4, 5, 6, 7, and 8 of Rule 29 A of the Implementing Rules and Regulations (IRR) of R. A. 9136 Otherwise Known as EPIRA and other Related Laws

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

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

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

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

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

The RE Law also provides various fiscal and non-fiscal incentives to RE developers and manufacturers, fabricators, and suppliers of locally-produced RE equipment and components. The incentives to RE developers include, among others, Income Tax Holiday (ITH) for the 1st 7 years of the RE developers' commercial operations or, if there is a failure to receive ITH, accelerated depreciation; duty free importation of RE machinery, equipment and materials; special realty tax rates on civil works, equipment, machinery, and other improvements not to exceed 1.5% of the original cost less accumulated normal depreciation or net book value; NOLCO during the 1st 3 years from the start of commercial operations to be carried over as a deduction from gross income for the next 7 consecutive taxable years; 10% corporate income tax after ITH; 0% percent VAT tax rate on sale of power and purchase of local supply of goods, properties, and services; cash incentive for missionary electrification; tax exemption of proceeds from the sale of carbon emission credits; and tax credit on domestic capital equipment and services.

On August 10, 2009, the DOE issued the "Guidelines Governing a Transparent and Competitive System of Awarding Renewable Energy Service/Operating Contracts and Providing for the Registration Process of Renewable Energy Developers" (DOE Circular No. DC2009-07-0011), and the "Guidelines for the Accreditation of Manufactures, Fabricators and Suppliers of Locally-Produced Renewable Energy Development Equipment and Components (DOE Circular No. DC2009-07-0010). The DOE had since then began executing various service/operating contracts with RE developers.

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

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

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

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

1. Feed-in Tariff (FIT) Rules were issued by the ERC last July 12, 2010 under ERC Resolution No. 16, Series of 2010.
2. Resolution Approving the FIT Rates was approved by the ERC last July 27, 2012 under ERC Resolution No. 10 Series of 2012
3. Guidelines for the Selection Process of Renewable Energy Projects Under FIT System and the Award of Certificate for FIT Eligibility were approved by the DOE last May 28, 2013
4. Guidelines on the Collection of the Feed-in Tariff Allowance ("FIT All") and Disbursement of the FIT All Fund were adopted by the ERC last December 16, 2013 under Resolution No. 24 Series of 2013

5. Provisional Authority for Collection of Feed-in Tariff Allowance and Disbursement of the FIT Allowance Fund was granted to TransCo last October 10, 2014 under ERC Case No. 2014-19 RC, FIT All (Renewables) was set at ₱0.0406/kWh for 2014 and 2015

RE Technology	Installation targets (MW)	Approved Rates[1] (₱/kWh)
Solar PV	50	₱9.68
	450	₱8.69[2]
Ocean	10	Deferred
Wind	200	₱8.53
	200	₱7.40[3]
Biomass	250	₱6.6
Run-of-river Hydro	250	₱5.90

[1] Initial FIT Rates were approved by the ERC under ERC Resolution No 10 Series of 2012
[2] Solar FIT 2 was approved by the ERC under ERC Resolution No. 06 Series of 2015
[3] Wind FIT 2 was approved by the ERC under ERC Resolution No. 14 Series of 2015

Environmental Laws.

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

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

Company	Cost of compliance with Environmental Laws
FGPC	US$0.04 million
FGP	US$0.01 million
FNPC	US$0.05 million
PMPC	US$0.09 million
EDC	₱150.8 million

Employees.

Company		Number of regular employees	Union Members	CBA Expiration
First Gen		79	None	NA
Executive(Expatriate)	10			
Executive (Fixed Term)	1			
Vice President and up	13			
Assistant Vice President	11			
Senior Manager	7			
Manager	9			
Assistant Manager	15			
Supervisor	7			
Assistant	6			
Staff	0			
FGHC		14	None	NA
Vice President and up	2			
Assistant Vice President	2			
Senior Manager	0			
Manager	2			
Assistant Manager	3			
Supervisor	4			
Assistant	1			
Staff	0			
FGPC		109	None	NA
Executive (Fixed Term)	1			
Vice-President and up	7			
Assistant Vice-President	9			
Senior Manager	10			
Manager	17			
Assistant Manager	16			
Supervisor	15			
Assistant	25			
Staff	9			
FGP Corp.		92	None	NA
Vice President and up	7			
Assistant Vice President	8			
Senior Manager	6			
Manager	11			
Assistant Manager	12			
Supervisor	23			
Assistant	20			
Staff	5			
FGBPC		12	None	NA
Assistant Manager	1			
Supervisor	2			
Assistant	6			
Staff	3			
FGRI		3		
Supervisor	2			
Staff	1			
FGMHPC		10		
Assistant Vice-President	0			
Senior Manager	0			
Manager	2			
Assistant Manager	0			
Supervisor	4			
Assistant	2			
Staff	2			
FGHPC		66		
Assistant Vice President	1			
Senior Manager	2			
Manager	2			
Assistant Manager	11			
Supervisor	19			
Assistant	11			
Staff	20			

FGES		15		
Assistant Vice President	1			
Manager	2			
Assistant Manager	2			
Supervisor	1			
Assistant	9			
Staff	0			
PMPC		31	None	NA
Assistant Vice President	1			
Assistant Manager	1			
Supervisor	8			
Assistant	21			
Staff	0			
FNPC		27	None	NA
Manager	2			
Assistant Manager	2			
Supervisor	3			
Assistant	15			
Staff	4			
Professional (Fixed Term)	1			
FGEN LNG		2	None	NA
Vice President and up	1			
Assistant Vice President	1			
EDC		2,259*		
President	1			
EVP, Senior VP, VP & AVP	32			
Sr. Manager, Manager	91			
Asst. Mgr., Sr. Supervisor	90			
Supervisor, P/T	1,185		413	
Staff	467		573	

** This includes the employees of GCGI (composed of 127 employees), BGI (composed of 72 employees) and EBWPC (composed of 25 employees) as of December 31, 2016.*

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

No.	Union Name		Site	TOTAL
1	PEGEA	PNOC-Energy Group of Employees' Association	HO	36
2	UPE	United Power Employees' Union	LGBU	28
3	SNGPF RF	PNOC-EDC SNGPF Rank and File Union	NIGBU	80
4	TWU	Tongonan Worker's Union- National Federation of Labor Unions	LGBU	25
5	LAGPEU	Leyte "A" Geothermal Project Employees' Union	LGBU	146
6	DSM-ADLO	Demokratikong Samahang Manggagawa ng PNOC-BGPF/Association of Democratic Labor Organization (DSM – ADLO)	BGBU	41
7	MAWU	Mt. Apo Worker's Union/ Association of Labor Unions	MAGBU	56
8	BAPTEU	Bacman Geothermal Production Field Professional and Technical Employees Union	BGBU	52
9	MAPTEU	Mt. Apo Professional and Technical Employees' Union	MAGBU	46
10	LEGSPTEU	Leyte Geothermal Supervisory, Professional and Technical Employees Union	LGBU	133
11	PESSA	PNOC EDC Southern Negros Geothermal Project, Supervisory Association – Association of Professional, Supervisory, Office and Technical employees' Union -Trade Union	NIGBU	66
12	EBSEU	EDC-BGPF Supervisory Employees' Union	BGBU	14
13	BGI-PROTEC	Bacman Geothermal Inc. - Professional & Technical Employees Coalition	BGBU	27
14	BGI-PPSEU	Bacman Geothermal Inc. - Power Plant Supervisory Employees Union	BGBU	10
TOTAL				**760**

These unions enter into regular collective bargaining agreements (CBAs) with EDC as regards to number of working hours, compensation, employee benefits, and other employee entitlements as provided under Philippine labor laws. On February 17, 2016, EDC and BGI-PROTEC, a Professional/Technical Union held a CBA negotiation followed shortly by a Supervisory Union CBA negotiation on May 3, 2016 which was represented by EBSEU Union.

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

FACTORS AFFECTING THE COMPANY'S RESULTS OF OPERATIONS

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

Impact of Coal

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

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

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

Exchange Rate Fluctuations

The functional and presentation currency of some of the Company's subsidiaries is the Philippine Peso. However, its payments for debt service and major materials and services are denominated substantially in U.S. Dollar. Foreign exchange rate fluctuations affect the cost of borrowings, as well as the Philippine Peso value of such in their respective financial statements. EDC, in particular, recorded unrealized foreign exchange losses amounting to ₱653.5 million in 2016. The unit prices for majority of the SSAs and PPAs of EDC are indexed to the U.S. Dollar vis-a-vis the Philippine Peso.

Major Risks.

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

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

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

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

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

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

In November 2008, FGPC entered into interest rate swap (IRS) agreements to cover the interest payments for up to 91% of its combined debt under the Covered and Uncovered Facilities. In 2013, FGP entered into three interest rate swap agreements to cover interest payments up to 24.3% of its Term Loan Facility. Under the swap agreements, FGPC and FGP agreed to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed-upon notional principal amounts.

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

EDC's subsidiary, EBWPC, entered into four (4) IRS agreements in the last quarter of 2014 with an aggregate notional amount of US$150.0 million. This is to partially hedge the interest rate risks on its ECA and Commercial Debt facilities (Foreign Facility) that is benchmarked against the U.S. LIBOR. As it is EBWPC's intention to re-price the interest rate on its foreign facility semi-annually, EBWPC utilizes IRS with semi-annual interest payments and receipts. In the first quarter of 2016, EBWPC entered into three (3) additional IRS with aggregate notional amount of $30.0 million.

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

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

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

Foreign Currency Risk with Respect to U.S. Dollar. In the case of entities within First Gen Group with 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 were translated to Philippine peso using the exchange rate of ₱49.72 to $1.00 as at December 31, 2016.

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

Credit Risk

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

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

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

Concentration of Credit Risk

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

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

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

Liquidity Risk

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

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

Merchant Risk

The Company has two fully-merchant power plants, namely FNPC and PMPC. These plants are exposed to the volatility of spot prices because of supply and demand changes. Apart from supply and demand, there are other factors that could influence trends and movements in the WESM prices. These factors include (but are not limited to) unexpected outages, weather conditions, transmission constraints, and changes in fuel prices. These are expected to cause variability in the operating results of the aforementioned merchant plants.

The First Gen Group plans to mitigate these risks by having a balanced portfolio of contracted and spot capacities. It intends to contract half of FNPC's capacity. As of December 31, 2016, the First Gen Group was 79% contracted in terms of installed capacity. This percentage is targeted to increase.

Item 2. Properties

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

First Gas Holdings Corporation / First Gas Power Corporation

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

The property, plant and equipment, with a net book value of US$237.4 million as of December 31, 2016 has been pledged as security for long-term debt. FGPC has entered into a Mortgage, Assignment and Pledge Agreement whereby a first priority lien on most of FGPC's real and other properties, including revenues from operations of the power plant, has been executed in favor of the lenders. In addition, FGPC's shares of stock were pledged as part of the security to lenders.

Unified Holdings Corporation / FGP Corp.

UHC's 60%-owned subsidiary, FGP, operates the 500 MW San Lorenzo Power Plant located in Santa Rita, Batangas City. The power plant consists of 2 units where each unit is composed of a gas turbine, a steam turbine, and a generator connected to a common shaft and the corresponding heat recovery steam generator. The plant site occupies a total land area of 24 hectares. Buildings and structures consists of a power island, which consists of 1 block with a capacity of 500 MW. It also shares some of the facilities being used by the Santa Rita plant (e.g. control room and administration building, transmission line, circulating water pump building, tank farm, liquid fuel unloading jetty, water treatment plant, gas receiving station, among others). The net book value of FGP's property, plant and equipment amounted to US$147.7 million as of December 31, 2016.

FNPC

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

As of December 31, 2016, the net book value of FNPC's property, plant and equipment amounted to US$390.9 million.

PMPC

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

As of December 31, 2016, the net book value of PMPC's property, plant and equipment amounted to ₱4.74 billion.

FG Bukidnon Power Corp.

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

As of December 31, 2016, the net book value of FGBHPP's property, plant and equipment amounted to ₱62.9 million.

Energy Development Corporation

EDC is the registered owner of land located in various parts of the Philippines. As of December 31, 2016, these lands were valued by CB Richard Ellis Philippines for EDC at around ₱1.2 billion. EDC's landholdings include real estate properties in Bonifacio Global City in Taguig with a total area of 5,794.5 square meters, Baguio City with an area of 2,558 sq.m. and numerous parcels of land used for its geothermal operations in the cities of Ormoc, Bago, and Sorsogon and in the municipalities of Kananga, Leyte, Valencia, Negros Oriental, and Manito, Albay with an aggregate area of more or less 360 hectares.

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

Location / Project	Parcels of Land	Area (hectares)	Under Expropriation	Leased	Acquired	
					w/ title to EDC	Title for Consolidation
Fort Bonifacio	4	0.58	None	None	4	None
Baguio	1	0.26	None	None	1	None
Bacon-Manito Geothermal Project	33	24.31	None	None	13	20

Northern Negros Geothermal Project	151	105.16	19	119	12	1
Southern Negros Geothermal Project	80	87.92	2	12	None	None
Leyte Geothermal Project	107	199.09	11	9	38	49
Burgos Wind Project	2,146	815.73	1,696	450	None	None
Mindanao Geothermal Project	1	3.9	None	None	None	1
Total	**2,523**	**1,236.95**	**1,728**	**590**	**68**	**71**

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

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

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

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

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

Location/Project	Parcels of land	Structures	Duration of lease	Payment Terms	Lease Amount (in Php millions)	Renewal options
Northern Negros Geothermal Project	119	Dedicated point-to-point limited facilities	Perpetual	One time	₱0.27	NA
Southern Negros Geothermal Project	12	Pipelines, Drilling Pads and Access Roads	5 years	Annual	0.30	Renewable
Leyte Geothermal Project	9	Drilling Pads, Access Roads	25 years	One Time	1.37	First option to buy
Burgos Wind Project	144	Wind farm area / Dedicated point-to-point limited facilities	25 years	One Time	363.41	Renewable, with first option to buy
Total	**284**				**₱363.35**	

First Gen Hydro Power Corporation

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

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

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

As of December 31, 2016, the net book value of property, plant and equipment amounted to ₱3,381.0 million. Of this amount, ₱3,202.3 million has been mortgaged as security for long-term debt.

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

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

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

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

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

Item 3. Legal Proceedings

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

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

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

On April 3, 2015, FGPC filed its Comment on the Petition for Review filed by the BIR with the SC last December 7, 2014, in compliance with the SC's Resolution dated February 16, 2015. The appeal filed by the BIR was its remaining legal recourse against the CTA En Banc's decision affirming the tax position of FGPC mainly due to the legal infirmities on statutory waiver of prescription and validity of assessment forms issued by the BIR. On August 12, 2015, the SC issued a Resolution requiring the Office of the Solicitor General (OSG) to file a Reply to FGPC's Comment within ten (10) days from notice. However, the OSG requested for an additional period of thirty (30) days or until November 8, 2015 within which to file their Reply. On December 7, 2015, FGPC's legal counsel received from the SC a copy of the OSG's reply dated November 27, 2015 in response to FGPC's Comment filed in April 2015. On January 11, 2016, the SC issued a Resolution noting the filing of the BIR's Reply.

As of March 15, 2017, FGPC's legal counsel has not received the foregoing or any other resolution from the SC and the case remains pending.

Real Property Tax

In June 2003, FGPC received various Notices of Assessment and Tax Bills from the Provincial Government of Batangas, through the Office of the Provincial Assessor, imposing an annual RPT on steel towers, cable/transmission lines and accessories (the T-Line) amounting to $0.2 million (P12 million) per year. FGPC, claiming exemption from said RPT, appealed the assessment to the Provincial Local Board of Assessment Appeals (LBAA) and filed a Petition in August 2003 praying (1) that the Notices of Assessment and Tax Bills issued by the Provincial Assessor be recalled and revoked; and (2) that the Provincial Assessor drop from the Assessment Roll the 230 kV transmission lines from Sta. Rita to Calaca in accordance with Section 206 of the Local Government Code (LGC). FGPC argued that the T Line does not constitute real property for RPT purposes, and even assuming that the T-Line is regarded as real property, FGPC is still not liable for RPT as it is NPC/TransCo, a government-owned and controlled corporation (GOCC) engaged in the generation and/or transmission of electric power, which has actual, direct and exclusive use of the T-Line. Pursuant to Section 234 (c) of the LGC, a GOCC engaged in the generation and/or transmission of electric power and which has actual, direct and exclusive use thereof, is exempt from RPT.

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

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

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

Pre-Trial was terminated on April 11, 2016, and FGPC's Formal Offer of Exhibits is submitted for resolution.

- **Other legal proceedings**

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

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

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

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

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

For the purpose of expediting the proceedings and the resolution of all pending incidents, the SC reiterated its order to remand the case to the Court of Appeals to conduct subsequent hearings within a period of 60 days, and after trial, to render a report to be submitted to the SC. The SC also clarified that the black oil pipeline is not included in the Writ with TEPO.

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

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

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

On July 30, 2013, the SC resolved to adopt the recommendations of the CA in its December 2012 resolution. Specifically, the SC ordered FPIC to secure a certification from the DOE that the white oil pipeline is safe to resume commercial operations, as well as consider FPIC's adoption of an appropriate leak detection system used in monitoring the entire pipeline's mass input versus mass output and the necessity of replacing pipes with existing patches and sleeves. On October 25, 2013 the DOE issued a certification that the white oil pipeline is safe to return to commercial operations. FPIC submitted the DOE certification to the SC on October 29, 2013. On June 16, 2015, the SC issued another resolution recognizing the powers of the DOE to oversee the operation of the pipelines. The resolution also stated that the DOE is fully authorized by law to issue an order for the return to commercial operations of the pipeline following integrity tests. Petitioners have filed several motions for the SC to reconsider this resolution. As of December 31, 2016, the final resolution of the Writ remains pending with the SC.

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

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

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

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

In a resolution dated June 30, 2014, the CA denied the petition of West Tower and affirmed the trial court's recognition of the case as being an ordinary action for damages. The CA, however, also ruled that the individual residents who joined West Tower in the civil case need not file separate cases, but instead can be joined as parties in the present case. West Tower and FPIC each filed a motion for partial reconsideration, with West Tower arguing that the case is an ordinary action for damages, and FPIC assailing the ruling that the individual residents can be joined as parties in the present case. Both motions were denied in a CA resolution dated December 11, 2014. Both parties subsequently filed separate Petitions for Certiorari with the SC assailing the CA's resolution. As of December 31, 2016, the case remains pending.

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

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

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

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

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

On February 17, 2012, Respondent-Directors of the Company filed a Motion for Reconsideration of the Order dated January 18, 2012 which granted Complainant's petition for a change of venue. As of December 31, 2016, the case remains pending with the DOJ.

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

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

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

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

In the meantime, the SC ordered the parties to comment on the March 2014 Order of ERC declaring void the WESM prices for November and December 2013, and imposing regulated prices for the said months to be calculated by the PEMC. First Gen Group filed its Comment in May 2014, where it noted that the ERC has not made any adverse finding against the group or any ruling that the group committed an abuse of market power or anti-competitive behavior.

There has been no further substantial movement in the case since then.

Kevin M. Candee vs. First Gen Corporation and Francis Giles T. Puno
NLRC NCR Case No. 11-13474-15
NCR Regional Arbitration Office
Quezon City

This is a complaint for illegal dismissal and damages filed by Complainant Kevin M. Candee against Respondents First Gen and its President, Francis Giles T. Puno. Mr. Candee claims that Respondents illegally dismissed him from his employment by serving upon him a notice of termination for violations of his Contract of Employment, without giving him a chance to explain his side. He sought reinstatement and payment of backwages and damages. First Gen's position is that Mr. Candee was dismissed from his employment for valid cause and in observance of due process.

In a Decision dated August 26, 2016 the Labor Arbiter dismissed the complaint on the ground that Mr. Candee failed to execute the same under oath in accordance with the Rules of Procedure of the National Labor Relations Commission, and for his failure to personally appear during the mandatory conferences that were held prior to the submission of position papers in this case.

Mr. Candee appealed the decision of the Labor Arbiter, which appeal was denied in a Resolution dated November 29, 2016. The NLRC has held that the Labor Arbiter's Decision is now final and executory.

- **EDC**

  Expropriation Proceedings

  Several expropriation proceedings filed by the Republic of the Philippines, through the Department of Energy, and PNOC to acquire lands needed by EDC for its power plants and projects are still pending before various Philippine courts, in particular, with respect to the land requirements of the Leyte Geothermal Production Field, the Southern Negros Geothermal Production Field, Northern Negros Geothermal Project and the Burgos Wind Project. By 2016, around 2,178such cases had been filed of which 693 still remain pending in courts as of December 31, 2016. To date, neither the authority to expropriate land for EDC's use nor EDC's possession of the lands expropriated has been questioned in the pending proceedings. The common issue in these cases is the amount of compensation to be paid to the owners of expropriated lands.

  Tax Cases

  - *Real Property Taxes*

    From 2009 to 2016, EDC paid under protest (and for refund) real property taxes ("RPT") in excess of the preferential RPT rate of 1.5% under Section 15 (c) of R.A. No. 9513 or the Renewable Energy Act of 2008 ("RE Act") in the total amount of ₱300.77 million. This includes RPT payment under protest to (and for refund from): (i) the City of Ormoc in the total amount of ₱175.78 million; (ii) Province of Leyte in the total amount of ₱78.08 million; (iii) City of Kidapawan in the total amount of ₱18.93; (iv) the City of Bago in the total amount of ₱17.47 million; (v) Province of Negros Occidental in the total amount of ₱0.91 million; (vi) Province of Negros Oriental in the total amount of ₱8.72 million and (vi) Municipal of Burgos, Ilocos Norte ₱0.87 million. The foregoing protests have been appealed to the respective LBAAs having jurisdiction over the said cities and provinces and these appeals are still pending with the LBAA as of December 31, 2016.

    As of December 31, 2016, EDC's subsidiaries, BGI, GCGI, and EBWPC have also paid under protest (and for refund) RPT payments mainly for being in excess of the 1.5% preferential RPT rate under the RE Act totaling ₱228.74 million. Of this amount, BGI has RPT paid under protest to (and for refund from): (i) the City of Sorsogon in the total amount of ₱3.92 million and to the Province of Albay in the total amount of ₱23.05 million; while GCGI has paid RPT under protest to (and for refund from): (i) the Province of Leyte in the total amount of ₱25.81 million; and (ii) the Province of Negros Oriental in the total amount of ₱98.85 million, and c) EBWPC has paid RPT under protest to (and refund from):(i) the City of Laoag in the total amount of ₱0.76 million; (ii) to the Municipal of Burgos in the total amount of ₱72.71 million and (iii) to the Municipal of Pasuquin in the total amount of ₱3.64 million. These protests have been appealed to the respective LBAA having jurisdiction over the said city and provinces and these appeals are still pending with the LBAA as of December 31, 2016, except for the ₱17.82 million appeal by GCGI in the Province of Negros Oriental; and for the ₱0.41 million appeal by EBWPC which are now pending with the CBAA.

EDC and GCGI also have several appeals pending with the LBAA in relation to assessments or claims for exemption of certain real properties, including machineries and equipment for pollution control or environmental protection, which are exempt from RPT; while there is one appeal pending with the CBAA on the certain real properties located in Province of Negros Oriental. For EDC, assessments or claims for exemption on certain real properties located in the Province of Leyte and the Cities of Sorsogon and Kidapawan were appealed and are still pending with the LBAA as of December 31, 2016. On the other hand, GCGI's Palinpinon I power plant assets located in Valencia, Negros Oriental, were issued an assessment which have been appealed to and is now pending before the LBAA as of December 31, 2016.

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

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

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

- *Input Value Added Tax*
  On April 24, 2009 and December 29, 2009, EDC filed Petitions for Review with the Court of Tax Appeals (CTA) with respect to its un-acted claim from the Bureau of Internal Revenue (BIR) for tax credit on input value added tax (VAT) relating to the EDC's VAT zero-rated sales for 2007 and 2008, respectively. The aggregate claims amount to ₱298.28 million. These cases are both entitled Energy Development Corporation (Formerly PNOC Energy Development Corporation) vs. Commissioner of Internal Revenue (CIR) and have been docketed as CTA Case No. 7926 and 8019, respectively. EDC believes that the Company is entitled to a tax refund or tax credit of its unutilized input taxes attributable to VAT zero-rated sale of renewable energy pursuant to the provisions of the Renewable Energy Act of 2008 and the National Internal Revenue Code, as amended. The 2007 and 2008 input VAT claims have been appealed up to the Supreme Court where they are still pending as of December 31, 2016.

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

RE Act and the National Internal Revenue Code, as amended. The case is still pending with the CTA as of December 31, 2016.

Civil Cases
As of December 31, 2016, there are 21 civil cases to which EDC is a party. Although the aggregate monetary claims in these cases amount to approximately ₱15.5 million, EDC does not believe that an adverse result in any one case pose a material risk to EDC's operations.

Labor Cases
As of December 31, 2016, there were 10 pending labor cases against EDC, most of which deal with plaintiffs' claims of illegal dismissal and backwages. Although the aggregate monetary claims in these cases amount to approximately ₱37. 5 million, EDC does not believe that any one case poses a material risk to EDC's operations.

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

Not Applicable.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

MARKET INFORMATION

First Gen's common shares were listed with the Philippine Stock Exchange, Inc. on February 10, 2006. The high and low stock prices for 2015, 2016, and the 1st quarter of 2017 (as of March 15, 2017) are indicated below:

	High	Low
2017		
1Q (as of March 15, 2017)	23.20	20.85
2016		
4Q	25.35	20.90
3Q	26.60	24.00
2Q	26.00	19.48
1Q	22.80	17.60
2015		
4Q	27.00	21.30
3Q	28.15	21.30
2Q	31.30	24.30
1Q	31.80	25.40

The closing price of First Gen's common shares as of March 15, 2017 was ₱23.30 per share.

As of March 15, 2017, First Gen's public float is at 32.73%, computed as follows:

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

$$\frac{1{,}198{,}314{,}591}{3{,}660{,}943{,}557} \times 100 = \mathbf{32.73\%}$$

As of March 15, 2017, there were 358 common stockholders of record and 3,660,943,557 common shares issued and outstanding.

Following are the top 20 stockholders of First Gen as of March 15, 2017:

Common Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	2,424,990,159	66.239485%
2	PCD NOMINEE CORPORATION (FILIPINO)	797,398,663	21.781233%
3	PCD NOMINEE CORPORATION (FOREIGN)	395,499,286	10.803206%
4	F. YAP SECURITIES, INC.	10,429,800	0.284894%
5	GARRUCHO JR., PETER D.	6,787,004	0.185389%
6	LOPEZ, FEDERICO R.	5,569,511	0.152133%
7	LOPEZ, OSCAR M.	4,375,520	0.119519%
8	CROSLO HOLDINGS CORPORATION	2,010,000	0.054904%
9	PUNO, FRANCIS GILES B.	1,800,001	0.049168%
10	TANTOCO, RICHARD B.	1,768,681	0.048312%
11	PACITA KING YAP &/OR PHILIP KING YAP	1,150,000	0.031413%
12	PUNO,FRANCIS GILES B.,&/OR MA. PATRICIA D. PUNO	1,105,800	0.030205%
13	DE GUIA, ARTHUR A.	752,160	0.020546%
14	ARLENE YAP TAN &/OR PAUL KING YAP JR.	530,000	0.014477%
15	GO,REGINA PIA BANAL	500,000	0.013658%
16	BENJAMIN K. LIBORO &/OR LUISA BENGZON LIBORO	480,400	0.013122%
17	VASAY, NESTOR H.	333,633	0.009113%
18	LOPEZ, CONSUELO R.	310,050	0.008469%
19	TAN,LOZANO A.	300,000	0.008195%
20	LOPEZ, MONINA D.	264,738	0.007231%
TOTAL SHARES (TOP 20)		**3,656,355,406**	**99.874673%**
TOTAL SHARES (REST OF STOCKHOLDERS)		4,588,151	0.125327%
TOTAL ISSUED AND OUTSTANDING SHARES		**3,660,943,557**	**100.000000%**

Series “B” Preferred Shares

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

Series “E” Preferred Shares

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

Series “F” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	61,237,090	96.855817%
2	KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS.	1,000,000	1.581653%
3	EUGENIO LOPEZ FOUNDATION, INC.	500,000	0.790826%
4	CROSLO HOLDINGS CORPORATION	200,000	0.316331%
5	PERLA RAYOS DEL SOL CATAHAN &/OR ROBERTO BUENAVIDEZ CATAHAN	50,000	0.079083%

6	GERTES,JOVITO VICTORINO	30,000	0.047450%
7	WIENEKE,MARIANELA ALDEGUER	30,000	0.047450%
8	EMELITA DE LEON SABELLA &/OR RONALDO CUSTODIO SABELLA	20,000	0.031633%
9	LACHICA,DANILO COMELIO,&/OR MA. BERNARDITA FERNANDEZ LACHICA	20,000	0.031633%
10	LIBORO,BENJAMIN KALUAG	20,000	0.031633%
11	MABASA,ANTHONY MILITAR	20,000	0.031633%
12	PCD NOMINEE CORPORATION (FOREIGN)	11,180	0.017683%
13	BRIGIDA QUINTOS PAGDAGDAGAN &/OR RAMON TAGARDA PAGDAGDAGAN	10,000	0.015817%
14	FADRI,ARDEL LABRADOR	10,000	0.015817%
15	FADRI,MILAGROS DELA VEGA	10,000	0.015817%
16	LEONIDES ULIT GARDE &/OR MARIA SALUD DE SANTOS GARDE &/OR LIANA ALEXANDRA DE SANTOS GARDE	10,000	0.015817%
17	MACEDA,MA. LOURDES ELVIRA RUFINO,&/OR JOSEFINA PADILLA RUFINO	10,000	0.015817%
18	MARTINEZ,VICTORIA A.	10,000	0.015817%
19	RICARDO BATISTA YATCO &/OR CYNTHIA ACOSTA YATCO	10,000	0.015817%
20	RICARDO BATISTA YATCO &/OR GERARDO BATISTA YATCO	10,000	0.015817%
TOTAL SHARES (TOP 20)		**63,218,270**	**99.989355%**
TOTAL SHARES (REST OF STOCKHOLDERS)		6,730	0.010645%
TOTAL ISSUED AND OUTSTANDING SHARES		**63,225,000**[1]	**100.000000%**

<u>Series "G" Preferred Shares</u>

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	74,452,000	58.658854%
2	FIRST PHILIPPINE HOLDINGS CORPORATION	50,296,450	39.627305%
3	LOPEZ, INC.	500,000	0.393937%
4	FIRST PHILIPPINE HOLDINGS CORPORATION PENSION FUND	300,000	0.236362%
5	CROSLO HOLDINGS CORPORATION	200,000	0.157575%
6	EUGENIO LOPEZ FOUNDATION, INC.	200,000	0.157575%
7	PCD NOMINEE CORPORATION (FOREIGN)	158,820	0.125130%
8	CATAHAN,PERLA R.,&/OR ROBERTO B. CATAHAN	100,000	0.078787%
9	LOPEZ,OSCAR M.,&/OR CONSUELO R. LOPEZ	100,000	0.078787%
10	ANTONIO GUAY TINSAY &/OR JOIE CLARAVALL TINSAY &/OR IRENE CLARAVALL TINSAY	75,000	0.059091%
11	ALEXANDER TAN SOLIS &/OR GINA TAN SINFUEGO	50,000	0.039394%
12	G. D. TAN & CO., INC.	40,000	0.031515%
13	CLEMENTE, III,ENRIQUE C.	30,000	0.023636%
14	MARIANELA A. WIENEKE &/OR JORGE NOEL Y. WIENEKE	30,000	0.023636%
15	LORAYES,ANGELES Z.	25,000	0.019697%
16	WIENEKE,MARIANELA ALDEGUER	25,000	0.019697%
17	TEH,ALFONSO SY	22,000	0.017333%
18	ESGUERRA,ALMIRA JAZMIN P.	20,000	0.015757%
19	FRAGANTE,MARGARITA B.	20,000	0.015757%
20	IRENEO A. RAULE, JR. &/OR VALERIE F. RAULE	20,000	0.015757%
TOTAL SHARES (TOP 20)		**126,664,270**	**99.795586%**
TOTAL SHARES (REST OF STOCKHOLDERS)		259,450	0.204414%
TOTAL ISSUED AND OUTSTANDING SHARES		**126,923,720**	**100.000000%**

[1] *Inclusive of the 22,840 Series "F" preferred shares bought back by the Company on March 15, 2017.*

DIVIDENDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- ₱0.02 per share on all outstanding Series "B" preferred shares;
- ₱0.01 per share on all outstanding Series "E" preferred shares;
- ₱4.00 per share on all outstanding Series "F" preferred shares;
- ₱3.8904 per share on 120 million Series "G" preferred shares, consisting of 100 million Series "G" shares issued by way of follow-on offering in May 2012 plus 20 million Series "G" shares topped-up by FPH; and

- ₱0.38904 per share on the 13,750,000 Series "G" preferred shares issued to FPH by way of private placement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On November 28, 2016, the board of directors approved the declaration of 2017 cash dividends on its preferred shares as follows:

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

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

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

SALE OF UNREGISTERED / EXEMPT SECURITIES

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

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

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

The Management Report is hereto attached as ***Exhibit "A"***.

Item 7. Financial Statements

The Company's audited consolidated financial statements for the years ended December 31, 2016 and 2015 are hereto attached as ***Exhibit "B"***.

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

SyCip Gorres Velayo & Co. (SGV) has acted as the Corporation's external auditors since its incorporation in December 1998. SGV is in compliance with Rule 68, paragraph 3(b)(iv) of the SRC which requires the rotation of the handling partner every 5 consecutive years. The engagement partner who conducted the audit for calendar year 2016 is Ms. Jhoanna Feliza C. Go. She replaced Mr. Ladislao Z. Avila, who was the handling partner for the calendar years 2013-2014.

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

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

	For the years ended December 31		
AUDIT FEES (in Philippine peso)	**2016**	**2015**	**2014**
Audit and Audit-Related Fees	₱7,485,867	₱10,031,201	₱7,391,319
Tax Fees	2,389,594	-	294,000
All Other Fees [1]	408,579	712,381	1,413,253
TOTAL	₱10,284,040	₱10,743,582	₱9,098,572

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

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

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

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

The following members of the board of directors were elected by the stockholders during the Annual General Meeting held on May 11, 2016:

Director	Nationality	Position	Age	Year Position was Assumed
Oscar M. Lopez	Filipino	Chairman Emeritus	87	1998
Federico R. Lopez	Filipino	Chairman	55	1998
Francis Giles B. Puno	Filipino	Director	52	2005
Richard B. Tantoco	Filipino	Director	50	2005
Peter D. Garrucho Jr.	Filipino	Director	73	1998
Eugenio L. Lopez III	Filipino	Director	64	2009
Tony Tan Caktiong	Filipino	Independent Director	64	2005
Jaime I. Ayala	Filipino	Independent Director	55	2013
Cielito F. Habito	Filipino	Independent Director	64	2016

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

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

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

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

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

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

Tony Tan Caktiong, born January 5, 1953, Filipino, has been an Independent Director of the company since April 2005. He is the Chairman and Founder of Jollibee Foods Corporation and Co-Chairman of DoubleDragon Properties Corp., both of which are publicly-listed companies. He is at the helm of Jollibee, Chowking, Greenwich, Red Ribbon, Mang Inasal, and the Burger King franchise in the Philippines, along with Yonghe King, Hong Zhuang Yuan, and the Dunkin Donuts franchise in China. He is also a Director in the joint venture with the SuperFoods Group - owner of Highlands Coffee (with stores in Vietnam and the Philippines), Pho 24 (with stores in Vietnam, Indonesia, Cambodia, Korea and Australia), in 12 Hotpot in the People's Republic of China, and Smashburger in the United States. He is involved in non-profit work as Chairman of Jollibee Group Foundation and a member of the Board of Trustees of St Luke's Medical Center and Temasek Foundation International of Singapore. He is an Agora Awardee for Outstanding Marketing Achievement, Asian Institute of Management (AIM) Triple A Alumni Awardee, TOYM Awardee for Entrepreneurship, and a recipient of the World Entrepreneur of the Year award in 2004. Mr. Tan Caktiong has a BS in Chemical Engineering from the University of Santo Tomas (1975) and management tutoring certifications from Harvard University, AIM, the University of Michigan Business School, and Harvard Business School.

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

Cielito F. Habito, born April 20, 1953, Filipino, was elected Independent Director of the company in May 2016. An accomplished economist, Dr. Habito is a Professor of Economics at the Ateneo de Manila University and is also Chairman of Brain Trust Inc. and Operation Compassion Philippines. He is an

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

As of March 15, 2017, the Company’s senior management is composed of the following:

Officer	Nationality	Position	Age	Year position was assumed
Federico R. Lopez	Filipino	Chairman and CEO	55	Chairman since 2010; CEO since 2008
Francis Giles B. Puno	Filipino	President and COO	52	June 2010
Richard B. Tantoco	Filipino	Executive Vice President	50	2008
Jonathan C. Russell	British	Executive Vice President	52	2010
Renato A. Castillo	Filipino	Senior Vice President	62	2011
Ferdinand Edwin S. Co Seteng	Filipino	Senior Vice President	54	2012
Colin Fleming	British	Senior Vice President	55	2012
Victor B. Santos Jr.	Filipino	SVP	49	2010
Emmanuel P. Singson	Filipino	SVP, CFO, and Treasurer	51	CFO since 2011, SVP and Treasurer since 2010
Nestor H. Vasay	Filipino	Senior Vice President	63	2010
Julicer A. Alvis	Filipino	Vice President	41	2014
Ramon J. Araneta	Filipino	Vice President	56	2014
Erwin O. Avante	Filipino	Vice President	42	2009
Jerome H. Cainglet	Filipino	Vice President	48	2011
Dominador M. Camu Jr.	Filipino	Vice President	55	2014
Ramon A. Carandang	Filipino	Vice President for Corporate Communications	49	2015
Ma. Aurora E. Ceniza	Filipino	Vice President	54	2015
Reman A. Chua	Filipino	Vice President	46	2015
Nurjehan Maria D. Dayrit	Filipino	Vice President	49	2016
Cara Martha R. De Guzman	Filipino	Assistant Corporate Secretary	33	2016
Valerie Y. Dy Sun	Filipino	VP & Head of Investor Relations	40	Head of Investor Relations since 2011, Vice President since 2012
Anna Karina P. Gerochi	Filipino	Vice President	49	2012
Dennis P. Gonzales	Filipino	Vice President	46	2009
Rachel R. Hernandez	Filipino	VP, Corporate Secretary and Compliance Officer	50	Corporate Secretary since 2009, VP since 2013, Compliance Officer since 2015
Shirley C. Hombrebueno	Filipino	Vice President	47	2011
Raymundo N. Jarque Jr.	Filipino	Vice President	50	2015
Ariel Arman V. Lapus	Filipino	Vice President	47	2009
Rassen M. Lopez	Filipino	Vice President	47	2015
Jorge H. Lucas	Filipino	Vice President	60	2010
Aloysius L. Santos	Filipino	Vice President	55	2007

Carmina Z. Ubaña	Filipino	VP & Comptroller	40	2011
Daniel H. Valeriano Jr.	Filipino	Vice President	67	2001
Charlie R. Valerio	Filipino	VP & Chief Information Officer	50	2012
Conrado Ernesto C. Viejo	Filipino	Vice President	45	2015
Ma. Theresa M. Villanueva	Filipino	Head of Internal Audit	40	2013
Vincent C. Villegas	Filipino	Vice President	44	2009

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Significant Employees

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

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

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

a. Any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, or executive officer of the Corporation, was a general partner or executive officer either at the time of the bankruptcy or within 2 years prior to that time;

b. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign (excluding traffic violations and other minor offenses), save for the criminal complaint discussed in Item 3 (Legal Proceedings) entitled West Tower Condominium Corporation vs. Leonides Garde, *et al.*;

c. Any order, judgment or decree not subsequently reversed, suspended or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of a director, person nominated to become a director, or executive officer, in any type of business, securities, commodities or banking activities; or

d. Any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, that any director, person nominated to become a director, or executive officer, has violated a securities or commodities law.

Item 10. Executive Compensation

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

Name and Position	Year	Salary (in PHP)	Bonus/Other Income (in PHP)
Federico R. Lopez Chairman and CEO			
Francis Giles B. Puno President and COO			
Richard B. Tantoco Executive Vice President			
Jonathan Russell Executive Vice President			
Victor B. Santos Jr. Senior Vice President			
CEO and the 4 most highly compensated officers named above	2015	170,602,657	195,911,307
	2016	170,401,627	121,930,215
	2017 (est)	172,522,400	87,608,000
Aggregate compensation paid to all officers and directors as a group unnamed	2015	361,041,556	358,867,935
	2016	351,477,021	256,321,858
	2017 (est)	358,820,446	204,876,822

b) Standard Arrangements

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

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

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

d) Warrants and Options Outstanding

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record & Beneficial Owners

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

As of March 15, 2017, the Company knows of no one who is directly or indirectly the record or beneficial owner of more than 5% of the corporation's capital stock except as set forth below:

COMMON SHARES:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Common Shares
Common	**FPH** *6th Floor Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City* FPH is the parent of the Corporation.	FPH is the record and beneficial owner of the shares indicated.[2]	Filipino	2,424,990,159	66.24%
Common	**PCD Nominee Corp.** *37th Floor Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City*	Various	Filipino Foreign	797,398,663 395,499,286	21.78% 10.80%
	Owner of more than 5% under PCD Nominee Corp.				
Common	**Deutsche Bank Manila-Clients A/C** *26th Floor Ayala Tower One Ayala Triangle Makati City* [3]	Various	Foreign	214,410,007	5.86%

[2] *The following have been appointed proxies of FPH to represent it and vote its shares during the annual general meeting: Federico R. Lopez or, his absence, Francis Giles B. Puno or Emmanuel P. Singson.*
[3] *Deutsche Bank Manila – Clients A/C is a participant of the Philippine Central Depository, Inc. (PCD). None of its clients holds more than 5% of First Gen's capital stock.*

PREFERRED SHARES:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Voting Preferred Shares
Voting Preferred Shares (Series B and E)	**FPH**	FPH is the record and beneficial owner of the shares.	Filipino	1,468,553,892	100.00%
Non-Voting Preferred Shares (Series F)	**PCD Nominee Corp.** (Filipino)	Various	Filipino	61,237,090* **This is inclusive of the 16,745,930 shares of FPH.*	32.20%

	Owner of more than 5% under PCD Nominee Corp.				
Non-Voting Preferred Shares (Series F)	**BDO Securities Corporation** *27th Floor Tower I & Exchange Plaza Ayala Ave., Makati City*	Various	Filipino Foreign	25,155,290 10,000	13.23%
Non-Voting Preferred Shares (Series F)	**RCBC Securities, Inc.** *Unit 1008 Tower I & Exchange Plaza Ayala Ave., Makati City*	Various	Filipino Foreign	10,000,000 1,000	5.26%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Non-Voting Preferred Shares
Non-Voting Preferred Shares (Series G)	**FPH**	FPH is the record and beneficial owner of the shares.	Filipino	50,296,450	26.45%
Non-Voting Preferred Shares (Series G)	**PCD Nominee Corp.** (Filipino)	Various	Filipino	74,452,000	39.15%

	Owner of more than 5% under PCD Nominee Corp.				
Non-Voting Preferred Shares (Series G)	**BDO Securities Corporation** *27th Floor Tower I & Exchange Plaza Ayala Ave., Makati City*	Various	Filipino Foreign	34,435,940 90,000	18.16%

(2) Security Ownership of Management as of March 15, 2017:

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

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percentage to Common Shares
Common	Oscar M. Lopez	Direct - 4,375,520	Indirect - 310,050	Filipino	0.1280%
Common	Federico R. Lopez	Direct - 5,569,397	Indirect - 264,738	Filipino	0.1594%
Common	Francis Giles B. Puno	Direct - 8,090,930		Filipino	0.2210%
Common	Richard B. Tantoco	Direct - 4,289,820		Filipino	0.1172%
Common	Peter D. Garrucho Jr.	Direct - 6,887,004		Filipino	0.1881%
Common	Eugenio L. Lopez III	Direct - 150		Filipino	0.0000%
Common	Tony Tan Caktiong	Direct - 165		Filipino	0.0000%
Common	Jaime I. Ayala	Direct - 1		Filipino	0.0000%
Common	Cielito F. Habito	Direct - 100		Filipino	0.0000%

Common	Jonathan C. Russell	Direct - 1,484,538		British	0.0406%
Common	Renato A. Castillo	0		Filipino	0.0000%
Common	Victor B. Santos Jr.	0		Filipino	0.0000%
Common	Emmanuel P. Singson	Direct - 605,000		Filipino	0.0165%
Common	Nestor H. Vasay	Direct - 408,633		Filipino	0.0112%
Common	Ferdinand Edwin S. Co Seteng	0		Filipino	0.0000%
Common	Colin Fleming	0		British	0.0000%
Common	Julicer A. Alvis	0		Filipino	0.0000%
Common	Ramon J. Araneta	Direct - 60,028		Filipino	0.0016%
Common	Erwin O. Avante	Direct - 269,275		Filipino	0.0074%
Common	Jerome H. Cainglet	Direct - 294,416		Filipino	0.0080%
Common	Dominador M. Camu Jr.	0		Filipino	0.0000%
Common	Ramon A. Carandang	0		Filipino	0.0000%
Common	Ma. Aurora E. Ceniza	0		Filipino	0.0000%
Common	Reman A. Chua	Direct - 4,500		Filipino	0.0001%
Common	Nurjehan Maria D. Dayrit	0		Filipino	0.0000%
Common	Cara Martha R. De Guzman	0		Filipino	0.0000%
Common	Valerie Y. Dy Sun	0		Filipino	0.0000%
Common	Ana Karina P. Gerochi	0		Filipino	0.0000%
Common	Dennis P. Gonzales	Direct - 465,000		Filipino	0.0127%
Common	Rachel R. Hernandez	Direct - 8,299		Filipino	0.0002%
Common	Shirley C. Hombrebueno	Direct - 410,749		Filipino	0.0112%
Common	Raymundo N. Jarque Jr.	Direct - 42,948		Filipino	0.0012%
Common	Ariel Arman V. Lapus	0		Filipino	0.0000%
Common	Rassen M. Lopez	0		Filipino	0.0000%
Common	Jorge H. Lucas	Direct – 169,729		Filipino	0.0046%
Common	Aloysius L. Santos	0		Filipino	0.0000%
Common	Carmina Z. Ubaña	Direct – 10,268		Filipino	0.0003%
Common	Daniel H. Valeriano Jr.	Direct – 1,300,000		Filipino	0.0355%
Common	Charlie R. Valerio	0		Filipino	0.0000%
Common	Conrado Ernesto C. Viejo	0		Filipino	0.0000%
Common	Ma. Theresa M. Villanueva	0		Filipino	0.0000%
Common	Vincent C. Villegas	Direct - 269		Filipino	0.0000%

As of March 15, 2017, the aggregate amount of common shares registered in the names of the directors and officers of the Corporation is 35,321,527.

(3) Voting Trust Holders of 5% or more

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

(4) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

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

The following are the other significant transactions with related parties:

a. Due to related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of certain entities in the Lopez Group.

b. First Gen Group leases its office premises where its new principal offices are located from Rockwell Land Corporation (Rockwell), a subsidiary of FPH.

c. The Company is engaged as EDC's consultant to render services pertaining to financial, business development and other matters under a Consultancy Agreement. On March 8, 2015, the Company and EDC agreed to extend the Consultancy Agreement for a period of 24 months, from January 1, 2015 to December 31, 2016, for a monthly fee of ₱28.4 million, net of withholding taxes plus VAT. On November 23, 2016, the Company and EDC agreed to further extend the Consultancy Agreement for a period of 24 months, from January 1, 2017 to December 31, 2018, for a monthly fee of ₱28.0 million, net of withholding taxes plus VAT.

d. Following the usual bidding process, EDC awarded to First Balfour, Inc. (First Balfour) procurement contracts for various works such as civil, structural and mechanical/ piping works in EDC's geothermal, solar and wind power plants. EDC also engaged the services of Thermaprime Well Services, Inc. (Thermaprime), a subsidiary of First Balfour, for the drilling services such as, but not limited to, rig operations, rig maintenance, well design and engineering.

   As of December 31, 2016, the outstanding balances of EDC's payables to First Balfour and Thermaprime totaled to \$19.0 million recorded under "Accounts payable and accrued expenses" account in the consolidated financial statements. First Balfour is a wholly owned subsidiary of FPH.

e. GSPA between PMPC and FGP
   On December 4, 2015, Prime Meridian (as "Buyer") and FGP (as "Seller") entered a GSPA wherein the Seller shall sell and tender for delivery to Buyer at the Delivery Point, and Buyer shall purchase and take from Seller the quantities of natural gas determined by Buyer to meet the operating requirements of the Avion Plant, provided that such quantities shall not exceed the Available Daily Gas Quantity and the Available Annual Gas Quantity, as applicable, and provided further that, the Seller shall have no obligation to tender for delivery quantity of natural gas if there is restriction or expected restriction in the availability of natural gas or if the quantity of natural gas is or will not be sufficient after taking into consideration the operational requirements of the Seller.

f. Project Development and Technical Consultancy Services Agreement
   On September 1, 2016, the Company has entered into a Project Development and Technical Consultancy Services Agreement (the Agreement) with FNPC and PMPC relating to the development, construction, and completion of the 414 MW San Gabriel and the 97 MW Avion power plants (collectively referred to as the "Project" or "Power Plant"). Under the Agreement, the Company shall render engineering and environmental studies, consultation, procurement of licenses and permits for, supervision of site planning and preparation for construction, engineering, and construction management of the Project.

   The above services shall commence during the period of development and construction of the power plant up to its full completion, unless sooner terminated or otherwise extended as may be agreed by the parties. As of December 31, 2016, FNPC and PMPC paid the Company a fixed fee amounting to \$15.0 million and \$5.0 million (net of VAT), respectively.

g. Intercompany Guarantees
   First Gen
   During the February 26, 2014 meeting, the board of directors of the Company approved the confirmation, ratification and approval of the authority of the Company, pursuant to Clause (i) of the Second Article of the Company's Amended Articles of Incorporation, to act as a guarantor or co-obligor or assume any obligation of any person, corporation or entity in which the Corporation may have an interest, directly or indirectly, including but not limited to FNPC, which is the operating company of the 420 MW San Gabriel power plant and PMPC, which is the operating company of the 100 MW Avion power plant, under such terms and conditions as the Company's duly authorized representatives may deem necessary, proper or convenient in the best interest of

the Company and its relevant subsidiary. On May 12, 2014, the stockholders of the Company ratified and confirmed such authority.

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

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

EDC

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

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

PART IV – CORPORATE GOVERNANCE

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

PART V - EXHIBITS AND SCHEDULES

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

(1) Exhibits

Exhibit "A"	Management Report
Exhibit "B"	Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015, and the Audited Parent Company Financial Statements stamped received by the BIR
Exhibit "C"	SRC Rule 68, As Amended (2011) [Schedules]
Exhibit "D"	Audit Committee Report for the year 2016

(2) Reports on SEC Form 17-C

The Company filed the following reports on SEC Form 17-C (Current Report) during the period January to December 2016:

January 4, 2016	The Company reported the demise of its Assistant Corporate Secretary, Atty. Anna Marie M. Sencio.
February 24, 2016	The Company advised of the change in its principal office address from the 3rd Floor Benpres Building, Exchange Road cor. Meralco Avenue, Pasig City 1600 to the 6th Floor Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City 1604.
March 14, 2016	It was disclosed that PMPC, First Gen's wholly-owned subsidiary: (i) terminated the turnkey engineering, procurement, and construction contracts with Istroenergo Group

a.s. (IEG) and its Philippine branch company Energy Project Completion Ltd. (EPC) in relation to PMPC's 97 MW Avion open-cycle natural gas-fired power plant; and (ii) drew against various performance securities issued by IEG and EPC in the amount of $12.2M and ₱146.8M.

March 16, 2016

The Company reported that the board of directors approved the following material resolutions:

1. The Audited Consolidated Financial Statements for the years ended December 31, 2015 and 2014;

2. The appointment of SyCip Gorres Velayo & Co. as the company's external auditors for 2016-2017; and

3. The nominations of the following for election to the board of directors for the period 2016-2017 and until the election and qualification of their successors:

   (1) Mr. Oscar M. Lopez
   (2) Mr. Federico R. Lopez
   (3) Mr. Francis Giles B. Puno
   (4) Mr. Richard B. Tantoco
   (5) Mr. Peter D. Garrucho Jr.
   (6) Mr. Eugenio L. Lopez III
   (7) Mr. Tony Tan Caktiong (Independent Director)
   (8) Mr. Jaime I. Ayala (Independent Director)
   (9) Mr. Cielito F. Habito (Independent Director)

4. Details of the Corporation's annual general meeting as follows:

Date	:	May 11, 2016 (Wednesday)
Time	:	10:00 am
Venue	:	Philippine Stock Exchange (PSE) Centre Auditorium Ground Floor, PSE Centre Exchange Road, Ortigas Center Pasig City
Record Date:		April 1, 2016

May 11, 2016

The Company disclosed stockholder approval of the following matters:

1. Election of the following members of the board of directors:

   1) Federico R. Lopez
   2) Oscar M. Lopez
   3) Francis Giles B. Puno
   4) Richard B. Tantoco
   5) Peter D. Garrucho Jr.
   6) Eugenio L. Lopez III
   7) Tony Tan Caktiong (Independent Director)
   8) Jaime I. Ayala (Independent Director)
   9) Cielito F. Habito (Independent Director)

2. Approval of the Audited Consolidated Financial Statements for the years ended December 31, 2015 and 2014.

3. Re-appointment of SyCip Gorres Velayo & Co. as the company's external auditors for 2016-2017.

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

1. Election of the following officers of the corporation:

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

2. Election of the members of the following committees:

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

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

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

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

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

3. Extension of the common share buyback program for another 2 years or from June 1, 2016 to May 31, 2018;

4. Extension of the Series F and G preferred share buyback program for 2 years or from June 1, 2016 to May 31, 2018 covering ₱10 billion worth of said preferred shares.

June 15, 2016	The Company disclosed that its board approved the declaration of cash dividends on its Series F and G preferred shares as follows: ₱4.00 per share on all outstanding Series F preferred shares; ₱3.8904 per share on 120 million Series G preferred shares (consisting of 100 million Series G shares issued by way of follow-on offering in May 2012 plus 20 million Series G shares topped-up by FPH); and ₱0.38904 per share on the 13,750,000 Series G preferred shares issued to FPH by way of private placement. The cash dividends have a record date of June 29, 2016 and a payment date of July 25, 2016.
July 18, 2016	The Company advised that Vice President Teodorico R. Delfin resigned from the Company.
August 23, 2016	The Company reported that a fault occurred at the main generator transformer of Unit 20 of the 1000 MW Santa Rita combined cycle power plant.
September 1, 2016	The Company advised that preliminary inspection and testing carried out on the Unit 20 transformer the Santa Rita plant showed damage to its internal components. To expedite the restoration of the unit, the Company advised that the damaged main transformer will be replaced with the spare main transformer which is stored on site.
September 7, 2016	The Company reported that PMPC received the Certificate of Compliance issued by the ERC for its 97MW Avion natural gas-fired power plant.
September 14, 2016	The Company reported that its board of directors approved the declaration of cash dividends on its issued and outstanding common shares at ₱0.35 per share. The cash dividends have a record date of September 28, 2016 and a payment date of October 14, 2016.
September 26, 2016	The Company advised that the PEMC acknowledged the start of participation in the WESM of the 97MW Avion natural gas-fired power plant.
September 28, 2016	The Company reported that Unit 20 of the 1000 MW Santa Rita combined cycle power plant resumed operations following the replacement of the unit's damaged main generator transformer with the spare main transformer.
November 3, 2016	The Company advised that it purchased from the market 8,000 Series F preferred shares at ₱112.90 per share.
November 7, 2016	The Company advised that it purchased from the market 5,000 Series G preferred shares at ₱113.80 per share.
November 7, 2016	The Company reported that PEMC acknowledged the start of participation in the WESM of the 414 MW San Gabriel combined cycle natural gas-fired power plant.
November 10, 2016	It was advised that First Gen purchased from the market 20,000 Series G preferred shares at ₱115.10 per share.
November 16, 2016	The Company disclosed its purchase from the market of 1,280 Series G preferred shares at ₱122.00 per share.

November 22, 2016	The Company advised that it purchased from the market 2,000 Series F preferred shares at ₱113.00 per share.
November 28, 2016	The Company disclosed that its board approved the declaration of cash dividends on its preferred shares as follows: ₱0.02 per share on all outstanding Series B preferred shares; ₱0.01 per share on all outstanding Series E preferred shares; ₱4.00 per share on all outstanding Series F preferred shares; ₱3.8904 per share on all outstanding Preferred G shares issued by way of follow-on offering and topped-up by FPH; and ₱0.38904 per share on the 13,750,000 Series G preferred shares issued to FPH by way of private placement. The cash dividends have a record date of December 29, 2016 and a payment date of January 25, 2017.
December 9, 2016	It was disclosed that First Gen purchased from the market 5.0 million Series G preferred shares at ₱119.00 per share.
December 27, 2016	The Company reported that in the aftermath of Typhoon Nina, no damage was sustained by the 1000 MW Santa Rita, 500 MW San Lorenzo, 414 MW San Gabriel and 97 MW Avion power plants and that all units were running and supplying electricity to the grid. The said natural gas power plants are located within the First Gen Clean Energy Complex in Batangas City of the Lopez group of companies.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig, this APR 0 3 2017 day of March 2017.

FIRST GEN CORPORATION
Issuer

By:

FEDERICO R. LOPEZ
Chairman & CEO

MARIA CARMINA Z. UBAÑA
VP & Comptroller

FRANCIS GILES B. PUNO
President & COO

RACHEL R. HERNANDEZ
Corporate Secretary

EMMANUEL P. SINGSON
SVP & CFO

SUBSCRIBED AND SWORN to before me this APR 0 3 2017 day of March 2017, affiants exhibiting to me their CTC and SSS Numbers as follows:

NAME	CTC/SSS NOS.	DATE OF ISSUE	PLACE OF ISSUE
FEDERICO R. LOPEZ	SSS 0372789020		
	CTC 7397215	January 18, 2017	Pasig
FRANCIS GILES B. PUNO	SSS 3355362021		
	CTC 7397216	January 18, 2017	Pasig
EMMANUEL P. SINGSON	SSS 0388564598		
	CTC 26398626	January 10, 2017	Pasig
MARIA CARMINA Z. UBAÑA	SSS 3352113846		
	CTC 26397898	January 6, 2017	Pasig
RACHEL R. HERNANDEZ	SSS 3318848948		
	CTC 07397219	January 18, 2017	Pasig

Doc. No. 081;
Page No. 018;
Book No. I;
Series of 2017

JASON S. JIMENEZ
NOTARY PUBLIC
FOR AND IN THE CITIES OF PASIG AND SAN JUAN
AND IN THE MUNICIPALITY OF PATEROS, METRO MANILA
UNTIL DECEMBER 31, 2018
PTR NO. 2535558; 1/26/17; PASIG CITY
IBP NO. 1060948; RSM CHAPTER; LIFETIME MEMBER
ROLL NO. 65776 / APPOINTMENT NO. 113 (2017-2018)
6F ROCKWELL BUSINESS CENTER TOWER 3
ORTIGAS AVENUE, PASIG CITY

EXHIBIT “A”

Management Report

MANAGEMENT REPORT

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

The following discussion and analysis of the Company's consolidated financial performance for the year ended December 31, 2016 should be read in conjunction with its audited consolidated financial statements and the accompanying notes as at December 31, 2016 and 2015. The primary objective of this MD&A is to help the readers understand the dynamics of the Company's business and the key factors underlying its financial results. Hence, our MD&A is comprised of a discussion of its core business, and analysis of the results of operations for each business segment. This section also focuses on key statistics from the audited consolidated financial statements and pertains to known risks and uncertainties relating to the power industry in the Philippines where we operate up to the stated reporting period.

This report also contains information that may constitute "forward-looking statements." Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "plan," "foresee," "will" and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future - including statements relating to revenue growth and statements expressing general views about future operating results - are forward-looking statements. Such forward-looking statements are made based on management's current expectations or beliefs as well as assumptions made by, and information currently available to, management. First Gen does not make express or implied representations or warranties as to the accuracy and completeness of the information contained herein and shall not accept any responsibility or liability (including any third party liability) for any loss or damage, whether or not arising from any error or omission in compiling such information or as a result of any party's reliance or use of such information. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company's historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Risk Factors Affecting the Company's Results of Operations and elsewhere in this report and in our Annual Report on Form 17-A for the year ended December 31, 2016, and those described from time to time in our future reports filed with the Philippine Securities and Exchange Commission (SEC).

The financial information appearing in this report and in the accompanying audited consolidated financial statements is stated in United States dollars. All references to "U.S. dollars," "US$" or "dollars" are to the lawful currency of the United States; all references to "Philippine pesos," "Php" or "pesos" are to the lawful currency of the Philippines; and all references to "Euro" or "€" are to the lawful currency of the European Union. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying audited consolidated financial statements were made based on the exchange rate quoted through the Philippine Dealing System as at December 31, 2016.

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

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

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

(i) First Gas Power Corporation (FGPC), which operates the 1,000 MW Santa Rita natural gas-fired power plant;
(ii) FGP Corp. (FGP), which operates the 500 MW San Lorenzo natural gas-fired power plant;
(iii) Prime Meridian PowerGen Corporation (PMPC), which operates the 100 MW Avion natural gas-fired power plant;
(iv) First NatGas Power Corp. (FNPC), which operates the 420 MW San Gabriel natural gas-fired power plant;
(v) FG Bukidnon Power Corporation (FG Bukidnon), which operates the 1.6 MW FG Bukidnon mini-hydroelectric power plant;
(vi) Energy Development Corporation (EDC), with an aggregate installed capacity of approximately 1,326 MW of geothermal, wind and solar power; and
(vii) First Gen Hydro Power Corporation (FG Hydro), which operates the 132 MW Pantabangan-Masiway hydroelectric power plants.

First Gen's indirect 40.0% economic interest in EDC is held through Prime Terracota Holdings Corporation (Prime Terracota) and Red Vulcan Holdings Corporation (Red Vulcan). FGEN has a 40.0% direct economic interest in FG Hydro. As of December 31, 2016, the Company also directly and indirectly owns 1.98 billion common shares in EDC, of which 986.34 million common shares are held through its wholly-owned subsidiary, Northern Terracotta Power Corporation (Northern Terracotta). The 1.98 billion common shares are equivalent to a 10.6% economic interest in EDC.

The following discussion focuses on the results of operations of First Gen and its power generating companies. As of December 31, 2016, First Gen's ownership interests in these operating companies are indirectly held through intermediate holding companies, with the exception of FG Hydro, where First Gen directly holds a 40.0% economic interest as stated above.

- First Gas Holdings Corporation (FGHC) was incorporated on February 3, 1995 as a holding company for the development of natural gas-fired power plants and other non-power gas related businesses. The company was 60.0% owned by First Gen and 40.0% owned by Dualcore Holdings Inc. (Dualcore) [formerly BG Consolidated Holdings (Philippines), Inc. (BG)] prior to the acquisition of the non-controlling stake of BG in the natural gas projects. As a result of the transaction, First Gen now effectively owns 100.0% of FGHC. FGHC wholly-owns FGPC, the project company of the 1,000 MW Santa Rita power plant.

    - FGPC is the project company of the Santa Rita power plant. The company was incorporated on November 24, 1994 to develop the 1,000 MW combined-cycle natural gas-fired power plant located in Santa Rita, Batangas City inside the First Gen Clean Energy Complex (FGEN Clean Complex). The company started full commercial operations on August 17, 2000. FGPC generates electricity for Meralco under a 25-year Power Purchase Agreement (PPA). In order to fulfill its responsibility to operate and maintain the power plant, FGPC has an existing agreement with Siemens Power Operations, Inc. (SPOI), a 100.0% subsidiary of Siemens AG, to act as the operator under an Operations & Maintenance Agreement (O&M Agreement).

- Unified Holdings Corporation (Unified) was incorporated on March 30, 1999 as the holding company of First Gen's 60.0% equity share in FGP, the project company of the 500 MW San Lorenzo Power Plant. First Gen owns 100.0% of Unified.

    - FGP is the project company of the San Lorenzo power plant. The company was established on July 23, 1997 to develop a 500 MW combined-cycle natural gas-fired power plant in Santa Rita, Batangas City, adjacent to the 1,000 MW Santa Rita power plant inside the FGEN Clean Complex. The company started full commercial operations on October 1, 2002. It is likewise operated by SPOI under a separate O&M Agreement and generates electricity under a separate 25-year PPA with Meralco.

- On May 30, 2012, the Company, through its wholly-owned subsidiary Blue Vulcan Holdings Corporation (Blue Vulcan), successfully acquired from BG Asia Pacific Holdings Pte. Limited, a member of the BG Group, the entire outstanding capital stock of Bluespark Management Limited (Bluespark) [formerly Lisbon Star Management Limited]. Bluespark's wholly owned subsidiaries namely, Goldsilk Holdings Corp. (Goldsilk) [formerly Lisbon Star Philippines Holdings, Inc.], Dualcore, and Onecore Holdings Inc. (Onecore) [formerly BG Philippines Holdings, Inc.] owned 40.0% of the outstanding capital stock of FGHC, FGP, and FGPC (collectively referred to as the "First Gas Group"). Following the acquisition of Bluespark, the Company now beneficially owns 100.0% of the First Gas Group through its intermediate holding companies.

- First Gen Renewables, Inc. (FGRI), formerly known as First Philippine Energy Corporation, was established on November 29, 1978. It is tasked to develop prospects in the renewable energy market. On June 17, 2014, the SEC approved the Plan and Articles of Merger between FGRI and Bluespark that was executed on April 29, 2014 following the majority vote of the board of directors and by the vote of the stockholders owning and representing more than two-thirds of the outstanding capital stock of constituent corporations on April 24, 2014. As a result of the merger, FGRI became the surviving corporation and is now 99.1% effectively-owned by Blue Vulcan. FGRI now effectively owns a 40.0% voting and economic interest in Santa Rita and San Lorenzo power plants. Prior to the merger, FGRI was a wholly-owned subsidiary of First Gen.

  - FG Bukidnon, a wholly-owned subsidiary of FGRI, was incorporated on February 9, 2005. Upon conveyance of First Gen in October 2005, FG Bukidnon took over the operations and maintenance of the FG Bukidnon Hydroelectric power plant. The run-of-river plant consists of two 800-kW turbine generators that use water from the Agusan River to generate electricity. It is connected to the local distribution grid of the Cagayan Electric Power & Light Company, Inc. (CEPALCO) via the National Grid Corporation of the Philippines (NGCP) line.

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

  On November 22, 2007, First Gen, through Red Vulcan, was declared the winning bidder for the Philippine National Oil Company and EDC Retirement Fund's remaining shares in EDC. Such common shares represented a 40.0% economic interest in EDC while the combined common and preferred shares represented 60.0% of the voting rights in EDC. As of December 31, 2016, EDC is the Philippines' largest producer of geothermal energy, operating 12 geothermal power plants in the four geothermal service contract areas where it is principally involved in: (i) the production of geothermal steam for sale to subsidiaries; and, (ii) the generation and sale of electricity through EDC-owned geothermal power plants to National Power Corporation (NPC) and various offtakers. Likewise, EDC owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 6.82 MW Burgos Solar Project (Burgos Solar) both situated in Burgos, Ilocos Norte. The Burgos Wind Project achieved commercial operations in November 2014, while the two-phased Burgos Solar Project achieved commercial operations in March 2015 and January 2016, respectively.

  As of December 31, 2016, the Company's voting stake in Prime Terracota is equivalent to 100.0%, which effectively raised the Company's voting interest in EDC to 67.1%.

- FG Hydro was incorporated on March 13, 2006 as a wholly-owned subsidiary of First Gen. On September 8, 2006, FG Hydro emerged as the winning bidder for the then 100 MW Pantabangan and the 12 MW Masiway Hydroelectric Power Plants (PMHEPP). The then 112 MW PMHEPP was transferred to FG Hydro on November 18, 2006, representing the first major generating asset of NPC to be successfully transferred to the private sector. On October 15, 2008, First Gen's Board of Directors (BOD) approved the sale of 60.0% of FG Hydro to EDC and the divestment was completed in November 2008. As a result of the divestment, First Gen's direct voting and economic interests in FG Hydro were reduced to 40.0%. Moreover, the completion of the rehabilitation and upgrade project of Pantabangan hydroelectric power plant's Units 1 and 2 in 2010 increased the power generation capacity of PMHEPP by 20 MW to 132 MW. FG Hydro likewise rehabilitated the Masiway plant to address equipment obsolescence specifically on the excitation, protection and generator systems as well as the main step-up transformer of Masiway were replaced in 2015. The plant resumed operations in early December 2015 and formal takeover took place in 2016.

- AlliedGen Power Corp. (AGPC) was incorporated and registered with the SEC on February 14, 2005. AGPC wholly-owns FNPC, the project company of the 420 MW San Gabriel natural gas-fired power plant (San Gabriel). AGPC is a wholly-owned subsidiary of First Gen.

  - FNPC is the project company of San Gabriel, adjacent to the existing Santa Rita and San Lorenzo power plants inside the FGEN Clean Complex in Santa Rita, Batangas City. The San Gabriel project serves the mid-merit and, potentially, the base load requirements of the Luzon Grid. It went into commercial operations in November 2016. It is currently a 100.0% merchant plant.

- Prime Meridian PowerGen Corporation (PMPC) was incorporated and registered with the SEC on August 8, 2011. The company is a wholly-owned subsidiary of First Gen. PMPC is the operating company of the 100 MW Avion open-cycle natural gas-fired power plant (Avion) that is likewise located adjacent to the existing natural gas-fired power plants inside the FGEN Clean Complex. The Avion Plant is using General Electric's LM6000 PC Sprint aero-derivative gas turbines and has the capability to burn natural gas or diesel. The plant went into commercial operations in September 2016. It is currently a 100.0% merchant plant.

- First Gen Energy Solutions, Inc. (FGES) was incorporated and registered with the SEC on November 24, 2006. As a wholly-owned subsidiary of First Gen, FGES markets and sells electricity generated by First Gen and EDC to address the power requirements of Contestable Customers. In addition, it provides value-added services relevant to its core business. FGES holds a Retail Electricity Supplier (RES) license effective for a period of five years from May 2016 until May 2021. With the commencement of the Retail Competition and Open Access, FGES' RES business has a total contracted demand of 67.25 MW from 22 contestable customers as of December 31, 2016.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

As at December 31, 2016 and 2015

And For the Years Ended December 31, 2016 and 2015

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

Selected Financial Data	31-Dec-16	31-Dec-15	Change	YoY %
(Amounts in U.S. Dollar and in thousands)	(Audited)			
Revenues from sale of electricity	$1,561,484	$1,836,268	($274,784)	-15.0%
Operating income	$497,921	$477,152	$20,769	4.4%
Consolidated net income	$291,811	$245,272	$46,539	19.0%
Net income attributable to equity holders of the Parent Company	$199,590	$167,318	$32,272	19.3%

	31-Dec-16	31-Dec-15	Change	YoY %
	(Audited)			
Total assets	$5,289,303	$5,518,687	($229,384)	-4.2%
Long-term debt (including current portion)	$2,678,132	$2,962,799	($284,667)	-9.6%

Key Performance Indicators	31-Dec-16	31-Dec-15
EBITDA (1)	$771,726	$694,639
EPS (2)	$0.047	$0.037
RNI (3)	$162,071	$163,031
FCF (4)	$299,660	$88,929
Plant Capacity (5)	3,479 MW	2,957 MW

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

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

(3) Recurring Net Income (RNI.) The Company computes RNI as net income subtracted by non-recurring items, such as proceeds from liquidated damages, insurance claims, input VAT claims written-off, one-time gains and losses, movements in deferred income taxes, unrealized foreign exchange differences, and MTM gains (loss) on derivative transactions.

(4) Free Cash Flows (FCF). The Company computes FCF as the sum of movements in net cash flow from operations cash, net cash flow from investing, and effects of exchange rate.

(5) Plant Capacity: The Company computes the Plant Capacity as total consolidated capacity in megawatts (MW).

- EBITDA increased for the year 2016 due to higher contributions from FNPC as it received income from liquidated damages caused by the delay of its contractor, from EDC due to lower power plant O&M brought by lower purchased services and utilities caused by lesser drilling, and from FG Hydro due to higher plant dispatch and lower operating expenses; supplemented by higher insurance claims from EDC as a result of BacMan's steam turbine rotor incident. These were partially offset by lower contributions from FGP due to the absence of insurance claims proceeds in 2016, lower contributions from BacMan and Nasulo, and an unfavorable effect of foreign exchange translation.

- EPS increased for the year of 2016 due to higher attributable net income to equity holders of the Parent due to the aforementioned causes in EBITDA. The increase was partially offset by FNPC's and EDC's higher income tax arising from the receipt of liquidated damages and insurance claims, respectively.

- RNI was, however, flat. The higher costs of sale of electricity and interest expenses of FNPC, the higher interest expenses incurred by the Parent, and the lower RNI contribution of EDC due to foreign exchange translation and lower WESM prices were offset by the higher RNI contributions of FG Hydro from higher dispatch and of FGPC as a result of lower operating expenses.

- FCF increased mainly because of lower capital expenditures in 2016 as most of the construction works of Avion and San Gabriel occurred in 2015. The new gas plants started their commercial operations in September 2016 and November 2016, respectively.

- Plant Capacity increased because of the construction completion of the 420 MW San Gabriel and the 100 MW Avion plants in 2016. This was supplemented by the addition of the 2.66 MW Burgos Solar 2 plant, which started commercial operations in January 2016.

Review of December 31, 2016 operations vs. December 31, 2015 operations

The First Gen Group generated a consolidated net income of $291.8 million in 2016, $46.5 million or 19.0% higher than the $245.3 million posted in 2015. Consolidated revenues from the sale of electricity reached $1,561.5 million, $274.8 million or 15.0% lower than the $1,836.3 million posted last year.

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

- An increase in net income contribution of FNPC by $19.6 million to $17.5 million in 2016 due to its receipt of liquidated damages from its contractor, compared to a $2.1 million net loss in 2015 as the plant was in the middle of construction then, though partially offset by higher interest expense from its loan following its commercial operations in November 2016;

- Higher net income contribution of EDC by $10.8 million, or 13.8% to $89.1 million in 2016 compared to $78.3 million in 2015 due to higher insurance proceeds as a result of the insurance claim made by BacMan for its steam turbine rotor incident, supplemented by lower plant O&M expenses, lower G&A expenses, and lower foreign exchange losses;

- FGPC's higher net income contribution by $8.4 million, or 11.5%, mainly due to lower interest expenses and lower plant O&M expenses brought about by the 75.0% cap in the chargeable net electrical output (CNEO) that was reached in July 2016; and

- FG Hydro's higher net income contribution by $5.1 million, or 60.3% to $13.5 million in 2016 compared to $8.4 million in 2015 due to higher ancillary sales and higher plant dispatch.

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

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

CONSOLIDATED STATEMENTS OF INCOME

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

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

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

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

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

Natural Gas

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

Geothermal/Wind/Solar ("GWS")

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

Hydro

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

Others

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

Costs of sale of electricity

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

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

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

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

Natural Gas

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

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

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

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

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

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

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

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

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

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

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

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

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

- An increase in net income contribution of EDC by $20.8 million, or 13.6% to $173.9 million in 2016 compared to $153.1 million in 2015 due to higher insurance proceeds resulting from the insurance claim received by BacMan from its steam turbine rotor incident, supplemented by lower plant O&M expenses, lower G&A expenses, and lower foreign exchange losses;

- Higher net income contribution of FNPC by $19.6 million to $17.5 million in 2016 due to its receipt of liquidated damages from its contractor, compared to a $2.1 million net loss in 2015 as the plant was in the middle of construction then, though partially offset by higher interest expense from its loan following its commercial operations in November 2016;

- FGPC's higher net income contribution by $8.4 million, or 11.5% mainly due to lower interest expenses and plant O&M expenses brought about by the 75.0% cap in the CNEO that was reached in July 2016; and

- FG Hydro's higher net income contribution by $7.2 million, or 60.2% to $19.2 million in 2016 compared to $12.0 million in 2015 due to higher ancillary sales and higher plant dispatch.

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

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

- An increase in net income contribution of FNPC by $19.6 million to $17.5 million in 2016 due to its receipt of liquidated damages from its contractor, compared to a $2.1 million net loss in 2015 as the plant was in the middle of construction then, though partially offset by higher interest expense from its loan following its commercial operations in November 2016;

- Higher net income contribution of EDC by $10.8 million, or 13.8% to $89.1 million in 2016 compared to $78.3 million in 2015 due to higher insurance proceeds as a result of the insurance claim made by BacMan for its steam turbine rotor incident, supplemented by lower plant O&M expenses, lower G&A expenses, and lower foreign exchange losses;

- FGPC's higher net income contribution by $8.4 million, or 11.5%, mainly due to lower interest expenses and lower plant O&M expenses brought about by the 75.0% cap in the CNEO that was reached in July 2016; and

- FG Hydro's higher net income contribution by $5.1 million, or 60.3% to $13.5 million in 2016 compared to $8.4 million in 2015 due to higher ancillary sales and higher plant dispatch.

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

Adjusting for non-recurring items such as liquidated damages, insurance claims, input VAT claims written-off, one-time gains and losses, movements in deferred income taxes, unrealized foreign exchange differences, and MTM gains (losses) on derivative transactions, First Gen's RNI attributable to the Parent Company was $162.1 million for 2016. This was $0.9 million, or 0.6% lower than the attributable RNI of $163.0 million in 2015. RNI remained flat as the higher RNI contributions of FGPC (due to lower interest and operating expenses) and FG Hydro (due to higher dispatch) were offset by the higher interest and G&A expenses of FNPC and the higher interest expenses incurred by the Parent.

	For the years ended December 31	
Amount in USD thousands	**2016**	**2015**
Net income attributable to the Parent Company	$199,590	$167,318
Adjustment of non-recurring items attributable to the Parent Company:		
Insurance proceeds – FGP	–	(6,986)
Insurance proceeds – EDC	(16,167)	(13,070)
Liquidated damages – FNPC	(35,863)	–
EDC's recovery of impairment provision relating to NNGP plant assets	–	386
EDC's input VAT claims written off	607	1,086
EDC's expenses related to typhoon damages	–	8,872
EDC's collection of legal fees related to BGI's arbitration	(508)	–
EDC's employee retirement program ERP	7,191	–
EDC's gain on sale of rigs and some inventory materials	–	236
Movement in deferred income tax of FGPC, FGP, FGES, and Blue Vulcan	3,280	(3,144)
Movement in deferred income tax of EDC	(464)	(1,195)
Unrealized foreign exchange losses of FGPC, FGP, FNPC and Parent	3,297	3,600
Unrealized foreign exchange losses of EDC, FG Hydro, and Red Vulcan	7,215	15,421
Capitalized interest costs of FNPC and PMPC	(7,278)	(9,560)
MTM loss (gain) on derivatives and MTM gain on financial assets at FVPL of Parent Company	18	(37)
MTM losses on derivatives and MTM losses on financial assets at FVPL of EDC	1,153	104
Recurring Net Income attributable to the Parent Company	**$162,071**	**$163,031**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

(Amounts in US$ and in Thousands)	As of the years ended December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2016	**2015**	**2016 vs. 2015**	**2016 vs. 2015**	**2016**	**2015**
ASSETS						
Current Assets						
Cash and cash equivalents	$497,980	$730,463	($232,483)	-31.8%	9.4%	13.2%
Receivables	344,482	317,482	27,000	8.5%	6.5%	5.8%
Inventories	118,242	101,618	16,624	16.4%	2.2%	1.8%
Financial assets at fair value through profit or loss	22,534	30,108	(7,574)	-25.2%	0.4%	0.5%
Other current assets	129,573	119,321	10,252	8.6%	2.4%	2.2%
Total Current Assets	**1,112,811**	**1,298,992**	**(186,181)**	**-14.3%**	**21.0%**	**23.5%**
Noncurrent Assets						
Property, plant and equipment – net	2,746,392	2,708,175	38,217	1.4%	51.9%	49.1%
Goodwill and intangible assets	1,055,587	1,130,920	(75,333)	-6.7%	20.0%	20.5%
Deferred income tax assets – net	30,711	27,831	2,880	10.3%	0.6%	0.5%
Other noncurrent assets	343,802	352,769	(8,967)	-2.5%	6.5%	6.4%
Total Noncurrent Assets	**4,176,492**	**4,219,695**	**(43,203)**	**-1.0%**	**79.0%**	**76.5%**
TOTAL ASSETS	**$5,289,303**	**$5,518,687**	**($229,384)**	**-4.2%**	**100.0%**	**100.0%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	$378,473	$388,157	($9,684)	-2.5%	7.2%	7.0%
Dividends payable	14,719	15,967	(1,248)	-7.8%	0.3%	0.3%
Income tax payable	11,617	8,807	2,810	31.9%	0.2%	0.2%
Due to a related party	145	145	0	0.0%	0.0%	0.0%
Current portion of:						
Long-term debts	289,274	285,661	3,613	1.3%	5.5%	5.2%
Derivative liabilities	88	105	(17)	-16.2%	0.0%	0.0%
Total Current Liabilities	**694,316**	**698,842**	**(4,526)**	**-0.6%**	**13.1%**	**12.7%**
Noncurrent Liabilities						
Long-term debts – net of current portion	2,388,858	2,677,138	(288,280)	-10.8%	45.2%	48.5%
Derivative liabilities – net of current portion	16,347	26,388	(10,041)	-38.1%	0.3%	0.5%
Retirement and other post-employment benefits	26,306	41,541	(15,235)	-36.7%	0.5%	0.8%
Deferred income tax liabilities – net	32,861	20,651	12,210	59.1%	0.6%	0.4%
Other noncurrent liabilities	41,048	48,644	(7,596)	-15.6%	0.8%	0.9%
Total Noncurrent Liabilities	**2,505,420**	**2,814,362**	**(308,942)**	**-11.0%**	**47.4%**	**51.0%**
Total Liabilities	**3,199,736**	**3,513,204**	**(313,468)**	**-8.9%**	**60.5%**	**63.7%**
Equity Attributable to Equity Holders of the Parent Company						
Redeemable preferred stock	69,345	69,345	0	0.0%	1.3%	1.3%
Common stock	75,123	75,123	0	0.0%	1.4%	1.4%
Additional paid-in capital	1,165,366	1,165,366	0	0.0%	22.0%	21.1%
Deposits for future stock subscriptions	2,139	-	2,139	100.0%	0.0%	0.0%
Accumulated unrealized gain on Available-for-sale (AFS) financial assets	345	296	49	16.6%	0.0%	0.0%
Cumulative translation adjustments	(135,488)	(65,584)	(69,904)	106.6%	-2.6%	-1.2%
Equity reserve	(378,744)	(378,744)	0	0.0%	-7.2%	-6.9%
Retained earnings	986,981	841,503	145,478	17.3%	18.7%	15.2%
Cost of stocks held in treasury	(122,118)	(109,001)	(13,117)	12.0%	-2.3%	-2.0%
Sub-total	1,662,949	1,598,304	64,645	4.0%	31.4%	29.0%
Non-controlling Interests	426,618	407,179	19,439	4.8%	8.1%	7.4%
Total Equity	**2,089,567**	**2,005,483**	**84,084**	**4.2%**	**39.5%**	**36.3%**
TOTAL LIABILITIES AND EQUITY	**$5,289,303**	**$5,518,687**	**($229,384)**	**-4.2%**	**100.0%**	**100.0%**
	-	-	-	-	-	-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cumulative translation adjustments
The Cumulative translation adjustments account significantly increased by $69.9 million, or 106.6% due to the unfavorable difference on foreign exchange translation of the assets and liabilities of the subsidiaries whose functional currency is the Philippine Peso, such as EDC and PMPC, to U.S. Dollar to conform to First Gen’s U.S. Dollar functional currency reporting.

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

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

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

CONSOLIDATED STATEMENTS OF INCOME

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

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

Revenues from sale of electricity

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

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

Costs of sale of electricity

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

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

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

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

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

General and Administrative (G&A) Expenses

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

Interest income

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

Foreign exchange losses – net

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

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

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

Others

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

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

Provision for Income Tax

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

Net Income

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

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

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

Net Income Attributable to Equity Holders of the Parent Company

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

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

The near-term outlook for our business remains sound, and we expect to generate ample cash flows from operations in 2016, which will give us significant flexibility to meet our financial commitments. We normally use debt financing to lower our overall cost of capital and increase our return on stockholders' equity. We have a history of borrowing funds domestically and internationally, and continue to have the ability to borrow funds at reasonable interest rates.

The following table shows our consolidated cash flows for the years ended December 31, 2016 and 2015, and provides certain relevant measures of our liquidity and capital resources as at December 31, 2016 and December 31, 2015:

(in Thousand U.S. Dollars except for % change)	**For the years ended December 31**			
	2016	**2015**	**Change**	**YoY%**
Consolidated Cash Flows				
Net cash flows from operating activities	$611,802	$696,599	($84,797)	-12.2%
Net cash flows from investing activities	(310,252)	(607,342)	297,090	-48.9%
Net cash flows from financing activities	(532,143)	(32,359)	(499,784)	1,544.5%
Total Capital Expenditures[1]	$282,416	$470,840	($188,424)	-40.0%
Capitalization	**31-Dec-16**	**31-Dec-15**		
Interest-bearing long-term debt:				
Current portion	$289,274	$285,661		
Non-current portion	2,388,858	2,677,138		
Total interest-bearing long-term debt	2,678,132	2,962,799		
Total equity attributable to equity holders of the Parent Company	1,662,949	1,598,304		
	$4,341,081	$4,561,103		
Other Selected Financial Data				
Total assets	$5,289,303	$5,518,687		
Cash and cash equivalents	497,980	730,463		
Financial assets at FVPL	22,534	30,108		

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

The First Gen Group's consolidated assets as at December 31, 2016 amounted to $5.29 billion compared to $5.52 billion as of December 31, 2015. Consolidated cash and cash equivalents and short-term investments in FVPL amounted to $520.5 million as of December 31, 2016 compared to $760.6 million as of December 31, 2015.

Principal sources of cash and cash equivalents in 2016 were generated from the Company's operations, which was offset by capital expenditures related to the construction of Avion and San Gabriel, as well as the scheduled principal and interest payments on the Company's existing loans in 2016.

Cash Flows from Operating Activities

Net cash flows provided by operating activities for the year ended December 31, 2016 decreased by 12.2%, or $84.8 million to $611.8 million from $696.6 million in 2015 mainly due to unfavorable movements in working capital changes brought about by a reversal in accounts receivable and accounts payable as EDC had higher outstanding trade purchases in 2015 compared to 2016 and a lower decrease in trade receivables. This was supplemented by the absence of $8.5 million in insurance proceeds that FGP booked in 2015. Higher income contributions of EDC due to higher receipt of insurance claims, FNPC due to its receipt of liquidated damages, FGPC brought by lower operating expenses, and FG Hydro brought by higher energy sales partially offset the decrease.

Cash Flows from Investing Activities

Net cash flows used in investing activities for the year ended December 31, 2016 decreased by 48.9% or $297.0 million to $310.3 million from $607.3 million in 2015. This was primarily due to the lower capital expenditures of Avion and San Gabriel in 2016 as most of the construction works occurred in 2015, supplemented by the decline in EDC's local exploration projects and lower purchases of financial assets at FVPL. Additions to Property, plant, and equipment account (net of disposals) for the year ended December 31, 2016 amounted to $280.2 million, as compared to $464.4 million in 2015.

Cash Flows from Financing Activities

Net cash flows used in financing activities for the year ended December 31, 2016 increased significantly by 1,544.5%, or $499.8 million from $32.4 million in 2015 to $532.1 million. In 2016, there were no significant fund raising activities for the Company and its subsidiaries as compared to debt and equity issuances totaling to $808.8 million in 2015. It is worth noting that in 2015, GCGI and BGI secured ₱8.5 billion and ₱5.0 billion project finance loans, respectively. This was further supplemented by FNPC's higher additional loan drawdown in 2015, the Parent Company's $200.0 million note facility from BDO, and the $166.5 million private placement of its common shares in January 2015.

Debt Financing
Movements in the financing activities for the year ended December 31, 2016 are mainly due to the scheduled principal and interest payments of First Gen and its subsidiaries amounting to $489.7 million. The cash outflows from financing activities were partially offset by FNPC's additional loan drawdown for project construction of $88.0 million in 2016. Proceeds from long-term debt are intended to finance our capital expenditure requirements.

Below is the schedule of debt maturities based on the total outstanding debt of the First Gen Group as of December 31, 2016:

Year Due	(In thousand US$)
Within one year	294,361
2 to 3 years	463,642
4 to 5 years	778,111
More than 5 years	1,191,297
	2,727,411

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

As of December 31, 2016 and December 31, 2015, we are in compliance with all of our debt covenants.

See Note 14 - Long-term Debts - Loan Covenants to the accompanying audited consolidated financial statements for a detailed discussion of our debt covenants.

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

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

FINANCIAL SOUNDNESS INDICATORS

First Gen Consolidated	**December 2016**	**December 2015**
Liquidity		
Current ratio	1.60x	1.86x
Quick ratio	1.21x	1.50x
Solvency/Financial leverage		
Debt-to-equity ratio	1.53x	1.75x
Interest-bearing debt-to-equity ratio (times)	1.28x	1.48x
Asset-to-equity ratio	2.53x	2.75x
Profitability		
Return on assets (%)	5.40%	4.54%
Return on equity (%)	14.25%	12.52%

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

DISCUSSIONS OF MAJOR SUBSIDIARIES

FGPC

(AUDITED)	**For the years ended December 31**	
(in USD thousands)	**2016**	**2015**
Revenues from sale of electricity	535,141	715,620
Operating income	139,978	136,887
Net income	87,648	83,062
	As of the years ended December 31	
(in USD thousands)	**2016**	**2015**
Total assets	715,442	757,168
Debt – net of debt issuance costs	220,011	272,749
Other liabilities	224,009	222,756
Total equity	271,422	261,663

December 2016 vs. December 2015 Results

FGPC's revenues for 2016 decreased by $180.5 million, or 25.2% from $715.6 million in 2015 to $535.1 million 2016. The decrease was primarily due to lower average gas prices in 2016 ($6.5/MMBtu in 2016 from $9.1/MMBtu in 2015). This was made worse by FGPC’s lower dispatch in 2016 (72.9% in 2016 compared to 81.5% in 2015) though partially offset by higher capacity charge collections resulting from higher average NDC values (1,040.6 MW in 2016 versus 1,034.3 MW in 2015).

Operating income is higher by $3.0 million in 2016 to $140.0 from $137.0 in 2015 primarily due to lower O&M variable costs brought about by the 75.0% cap in the chargeable NEO that was reached in July 2016 coupled with lower G&A expenses in 2016. FGPC posted a net income of $87.6 million in 2016, which was higher by $4.5 million from the $83.1 million in income earned last 2015. In addition to lower O&M variable costs and G&A expenses, the increase was brought about by FGPC’s lower interest expenses as a result of its scheduled debt payments partially offset by the decrease in the interest income.

December 2016 vs. December 2015

ASSETS

FGPC’s total assets as of December 2016 stood at $715.4 million, which is lower by $41.8 million, or 5.5% from a balance of $757.2 million as of December 31, 2015 due to movements in the following accounts:

- lower ending cash balances generated from operations;
- lower level of accounts receivables;
- decrease in Advances to shareholders resulting from the scheduled payments;
- the depreciation of property, plant and equipment for one year.

These were partially offset by higher liquid fuel inventory and Input VAT related to the liquid fuel importation in December 2016 in preparation for the scheduled Malampaya outage in February 2017.

LIABILITIES AND EQUITY

FGPC’s total liabilities amounted to $444.0 million as of December 31, 2016, lower by $51.5 million, or 10.4%, from $495.5 million as of December 31, 2015. The decrease in liabilities is primarily due to scheduled payments of loans plus the decrease in derivative liabilities due to favorable movements in the MTM valuation of FGPC’s derivative instruments.

Total equity increased by $9.7 million to $271.4 million as of December 31, 2016 as compared to $261.7 million as of December 31, 2015 mainly due to income earned during the year, net of the cash dividends declared together with the decrease in the “Accumulated other comprehensive loss” account due to favorable movements in the MTM valuation of FGPC’s derivative instruments.

FGP Corp.

(AUDITED)	For the years ended December 31	
(in USD thousands)	**2016**	**2015**
Revenues from sale of electricity	291,536	360,852
Operating income	73,247	73,313
Net income	46,175	55,276
	As of the years ended December 31	
(in USD thousands)	**2016**	**2015**
Total Assets	575,424	589,339
Debt – net of debt issuance costs	321,717	355,124
Other Liabilities	124,347	117,906
Total Equity	129,360	116,309

December 2016 vs. December 2015 Results

Total revenues for the year ended December 31, 2016 decreased by $69.3 million, or 19.2% from $360.8 million in 2015 to $291.5 million in 2016. The decline in revenues was primarily due to lower fuel revenues that resulted from a decrease in average gas prices ($6.6/MMBtu in 2016 as compared to $9.1/MMBtu in 2015). The decrease was coupled with lower average NDC (541.0MW in 2016 compared to 542.2MW in 2015) that resulted in lower capacity charge collections. FGP did, however, have slightly higher plant dispatch (79.3% in 2016 compared to 78.4% in 2015).

Correspondingly, operating income slightly decreased by $0.1 million, or 0.1% to $73.2 million in 2016 from $73.3 million in 2015 mainly due to higher administrative expenses in 2016. Net income decreased by $9.1 million, or 16.5%, from $55.3 million in 2015 to $46.2 million in 2016. In 2015, FGP recognized the proceeds from insurance claims amounting to $8.5 million as part of Other income.

December 2016 vs. December 2015

ASSETS

FGP's total assets as of December 31, 2016 stood at $575.4 million, which decreased by $13.9 million, or 2.4%, from $589.3 million in 2015 mainly due to the collection of advances from shareholders and lower cash balance generated from operations.

LIABILITIES AND EQUITY

As of December 31, 2016, total liabilities decreased by $26.9 million, or 5.7%, to $446.1 million from last year's $473.0 million mainly due to its scheduled loan payments (principal plus accrued interest).

Total equity increased by $13.1 million, or 11.2%, to $129.4 million as of December 31, 2016 as compared to $116.3 million as of December 31, 2015. The increase in equity was mainly due to earnings during the year, net of cash dividends, though partially offset by the unfavorable movements in the MTM valuation of FGP's derivative instruments.

EDC Consolidated

(AUDITED) (Amounts in PHP millions)	For the years ended December 31	
	2016	2015
Revenues from sale of electricity	34,235.6	34,360.5
Foreign exchange losses, net	(653.5)	(1,365.5)
Income before income tax	11,389.5	8,740.0
Net income	9,715.6	7,859.4
Net income attributable to Equity holders of the Parent Company	9,352.4	7,642.1
Recurring Net Income (RNI)	9,521.8	9,027.4
RNI attributable to Equity holders of the Parent Company	9,155.3	8,798.9
	As of the years ended December 31	
	2016	2015
Total Assets	135,805.8	136,041.1
Total Liabilities	82,995.6	88,811.3
Total Equity	52,810.2	47,229.8

December 2016 vs. December 2015 Results

EDC posted a net income of ₱9,715.6 million in 2016, an increase of ₱1,856.2 million, or 23.6%, from the ₱7,859.4 million in 2015. The movement was driven by the ₱1,698.8 million decrease in costs of sale of electricity and G&A expenses. Energy sales volume in 2016 increased by 1.1% or by 90.4 GWh to 8,531.5 GWh from the 8,441.1 GWh in 2015. Total revenues for the year dropped by ₱124.9 million, or 0.4%, to ₱34,235.6 million from ₱34,360.5 million in 2015 given the ₱0.058/kWh reduction in average market price.

EDC's recurring net income generated in 2016 increased by 5.5% or ₱494.4 million to ₱9,521.8 million from ₱9,027.4 million in 2015. The increase is attributable to the decrease in cash operating expenses and interest and other charges amounting to ₱930.8 million and ₱108.7 million, respectively. This was offset by the increase in provision for income tax by ₱420.2 million and decrease in revenues amounting to ₱124.9 million.

ASSETS

Total assets slightly decreased by ₱235.3 million, or 0.2%, from ₱136,041.1 million in 2015 to ₱135,805.8 million as of December 31, 2016, mainly due to purchase of various materials and supplies for the power plant's maintenance and rehabilitation activities, purchase of additional AFS financial assets amounting to ₱300.0 million during the year, additions totaling ₱8,241.3 million to the Property, plant and equipment (PPE) account, and the additional capital funding for EDC's international entities. Total cash and cash equivalents significantly decreased by ₱7,014.1 million, or 39.8% to ₱10,599.8 million as of December 31, 2016 from ₱17,613.9 million as of December 31, 2015, primarily attributable to scheduled loan repayments, acquisitions of PPE, interest and financing charges, regular cash dividend payments, capital funding for EDC's international projects, and the settlement of trade payables. These cash outflows were offset by the proceeds from long-term debt and cash generated from operating activities.

Total Property, plant and equipment account increased by ₱3,364.3 million, or 3.8%, from ₱88,567.7 million as of December 31, 2015 to ₱91,932.0 million as of December 31, 2016 primarily due to capital expenditures made, offset by the depreciation and amortization during the year, and the receipt of arbitration settlement proceeds from Weir Engineering Services related to BacMan's rehabilitation.

LIABILITIES AND EQUITY

Total liabilities decreased by ₱5,815.7 million, or 6.5% to ₱82,995.6 million as of December 31, 2016 from ₱88,811.3 million as of December 31, 2015 primarily due to payments made to various suppliers and scheduled loan repayments and prepayments.

Total equity increased by ₱5,580.4 million, or 11.8%, from ₱47,229.8 million as of December 31, 2015 to ₱52,810.2 million as of December 31, 2016 mainly due to net income earned during the year, partly reduced by cash dividends declared.

FG Hydro

(AUDITED) (Amounts in PHP millions)	For the periods ended December 31 (Audited)	
	2016	**2015**
Operating revenues	2,286.4	1,884.3
Cost of sales	603.4	583.7
G&A expenses	329.9	338.7
Operating profit	1,353.1	961.9
Other expenses – net	110.9	174.2
Income before tax	1,242.2	787.7
Provision for income tax	349.2	228.9
Net income	893.0	558.8
	As of the years ended December 31 (Audited)	
	2016	**2015**
Total assets	6,063.8	7,404.3
Total liabilities	2,053.6	3,427.6
Total equity	4,010.2	3,976.7

FG Hydro generated revenues of ₱2,286.4 million for the year ended December 31, 2016, 21.3% or ₱402.1 million higher than the revenues of ₱1,884.3 million in 2015. The favorable variance was mainly on account of a 27.7% increase in ancillary service revenues and the plants' slightly higher dispatch. FG Hydro's higher revenues were partly offset by lower average spot market prices.

Cost of sales in 2016 ended at ₱603.4 million, which was ₱19.7 million or 3.4% higher as compared to ₱583.7 million in 2015. The unfavorable variance was mainly due to the depreciation of the Masiway rehabilitation expenditures beginning January 2016 and higher water service fees paid to the National Irrigation Authority (NIA) during the year. General and administrative expenses, however, dropped by ₱8.8 million or 2.6% to ₱329.9 million for the year as compared to ₱338.7 million in 2015 due to lower insurance premiums, but partially offset by higher professional fees. Interest expense in 2016 of ₱115.4 million was 25.4% or ₱39.2 million lower as compared to ₱154.6 million in 2015 due to its scheduled debt service payments, as well as a ₱ 1,000.0 million voluntary prepayment made in November 2016. Provision for income tax in 2016 of ₱349.2 million is 52.6%, or ₱120.3 million higher as compared to ₱228.9 million in 2015. Overall, FG Hydro posted a 59.8% or ₱334.2 million increase in net income from the ₱558.8 million reported income in 2015 to ₱893.0 million for the year ended December 31, 2016.

Total assets as of December 31, 2016 stood at ₱6,063.8 million, ₱1,340.5 million or 18.1% lower than the December 31, 2015 level of ₱7,404.3 million. The unfavorable variance was mainly due to lower cash balance in 2016 as a result of the company's debt prepayment.

As of December 31, 2016, total liabilities stood at ₱2,053.6 million, ₱1,374.0 million or 40.1% lower than the December 31, 2015 level of ₱3,427.6 million. The favorable variance is mainly on account of the significant reduction in long-term debt due to the ₱1,000.0 million voluntary prepayment of principal on November 7, 2016.

Total equity as of December 31, 2016 of ₱4,010.2 million is slightly better by ₱33.5 million than the December 31, 2015 level of ₱3,976.7 million mainly from net income earned during the year partly reduced by cash dividends declared.

FIRST GEN CORPORATION AND SUBSIDIARIES
AGING OF RECEIVABLES
Amounts in U.S. Dollars and in Thousands

	Current	More than 30 days past due	More than 30 days to 1 year past due	More than 1 year past due	Total
Trade	$268,060	$5,240	$12,988	$52,537	$338,825
Related parties	1,592	–	–	–	1,592
Loans and notes receivables	1,541	–	–	–	1,541
Others	4,831	–	–	–	4,831
	276,024	5,240	12,988	52,537	346,789
Less: allowance for impairment losses	–	–	–	(2,307)	(2,307)
	$276,024	**$5,240**	**$12,988**	**$50,230**	**$344,482**

INFORMATION ON INDEPENDENT AUDITORS

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

	For the years ended December 31		
AUDIT FEES (in Philippine peso)	**2016**	**2015**	**2014**
Audit and Audit-Related Fees	₱7,485,867	₱10,031,201	₱7,391,319
Tax Fees	2,389,594	-	294,000
All Other Fees [1]	408,579	712,381	1,413,253
TOTAL	₱10,284,040	₱10,743,582	₱9,098,572

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

MARKET INFORMATION

First Gen's common shares were listed with the Philippine Stock Exchange, Inc. on February 10, 2006. The high and low stock prices for 2015, 2016, and the 1st quarter of 2017 (as of March 15, 2017) are indicated below:

	High	Low
2017		
1Q (as of March 15, 2017)	23.20	20.85
2016		
4Q	25.35	20.90
3Q	26.60	24.00
2Q	26.00	19.48
1Q	22.80	17.60
2015		
4Q	27.00	21.30
3Q	28.15	21.30
2Q	31.30	24.30
1Q	31.80	25.40

The closing price of First Gen's common shares as of March 15, 2017 was ₱23.30 per share.

As of March 15, 2017, First Gen's public float is at 32.73%, computed as follows:

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

$$\frac{1{,}198{,}314{,}591}{3{,}660{,}943{,}557} \times 100 = \mathbf{32.73\%}$$

As of March 15, 2017, there were 358 common stockholders of record and 3,660,943,557 common shares issued and outstanding.

Following are the top 20 stockholders of First Gen as of March 15, 2017:

Common Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	2,424,990,159	66.239485%
2	PCD NOMINEE CORPORATION (FILIPINO)	797,398,663	21.781233%
3	PCD NOMINEE CORPORATION (FOREIGN)	395,499,286	10.803206%
4	F. YAP SECURITIES, INC.	10,429,800	0.284894%
5	GARRUCHO JR., PETER D.	6,787,004	0.185389%
6	LOPEZ, FEDERICO R.	5,569,511	0.152133%
7	LOPEZ, OSCAR M.	4,375,520	0.119519%
8	CROSLO HOLDINGS CORPORATION	2,010,000	0.054904%
9	PUNO, FRANCIS GILES B.	1,800,001	0.049168%
10	TANTOCO, RICHARD B.	1,768,681	0.048312%
11	PACITA KING YAP &/OR PHILIP KING YAP	1,150,000	0.031413%
12	PUNO,FRANCIS GILES B.,&/OR MA. PATRICIA D. PUNO	1,105,800	0.030205%
13	DE GUIA, ARTHUR A.	752,160	0.020546%
14	ARLENE YAP TAN &/OR PAUL KING YAP JR.	530,000	0.014477%
15	GO,REGINA PIA BANAL	500,000	0.013658%
16	BENJAMIN K. LIBORO &/OR LUISA BENGZON LIBORO	480,400	0.013122%
17	VASAY, NESTOR H.	333,633	0.009113%
18	LOPEZ, CONSUELO R.	310,050	0.008469%
19	TAN,LOZANO A.	300,000	0.008195%
20	LOPEZ, MONINA D.	264,738	0.007231%
TOTAL SHARES (TOP 20)		**3,656,355,406**	**99.874673%**
TOTAL SHARES (REST OF STOCKHOLDERS)		4,588,151	0.125327%
TOTAL ISSUED AND OUTSTANDING SHARES		**3,660,943,557**	**100.000000%**

Series "B" Preferred Shares

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

Series "E" Preferred Shares

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

Series "F" Preferred Shares

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	61,237,090	96.855817%
2	KNIGHTS OF COLUMBUS FRATERNAL	1,000,000	1.581653%

	ASSOCIATION OF THE PHILS.		
3	EUGENIO LOPEZ FOUNDATION, INC.	500,000	0.790826%
4	CROSLO HOLDINGS CORPORATION	200,000	0.316331%
5	PERLA RAYOS DEL SOL CATAHAN &/OR ROBERTO BUENAVIDEZ CATAHAN	50,000	0.079083%
6	GERTES,JOVITO VICTORINO	30,000	0.047450%
7	WIENEKE,MARIANELA ALDEGUER	30,000	0.047450%
8	EMELITA DE LEON SABELLA &/OR RONALDO CUSTODIO SABELLA	20,000	0.031633%
9	LACHICA,DANILO COMELIO,&/OR MA. BERNARDITA FERNANDEZ LACHICA	20,000	0.031633%
10	LIBORO,BENJAMIN KALUAG	20,000	0.031633%
11	MABASA,ANTHONY MILITAR	20,000	0.031633%
12	PCD NOMINEE CORPORATION (FOREIGN)	11,180	0.017683%
13	BRIGIDA QUINTOS PAGDAGDAGAN &/OR RAMON TAGARDA PAGDAGDAGAN	10,000	0.015817%
14	FADRI,ARDEL LABRADOR	10,000	0.015817%
15	FADRI,MILAGROS DELA VEGA	10,000	0.015817%
16	LEONIDES ULIT GARDE &/OR MARIA SALUD DE SANTOS GARDE &/OR LIANA ALEXANDRA DE SANTOS GARDE	10,000	0.015817%
17	MACEDA,MA. LOURDES ELVIRA RUFINO,&/OR JOSEFINA PADILLA RUFINO	10,000	0.015817%
18	MARTINEZ,VICTORIA A.	10,000	0.015817%
19	RICARDO BATISTA YATCO &/OR CYNTHIA ACOSTA YATCO	10,000	0.015817%
20	RICARDO BATISTA YATCO &/OR GERARDO BATISTA YATCO	10,000	0.015817%
TOTAL SHARES (TOP 20)		**63,218,270**	**99.989355%**
TOTAL SHARES (REST OF STOCKHOLDERS)		6,730	0.010645%
TOTAL ISSUED AND OUTSTANDING SHARES		**63,225,000**[1]	**100.000000%**

Series “G” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	74,452,000	58.658854%
2	FIRST PHILIPPINE HOLDINGS CORPORATION	50,296,450	39.627305%
3	LOPEZ, INC.	500,000	0.393937%
4	FIRST PHILIPPINE HOLDINGS CORPORATION PENSION FUND	300,000	0.236362%
5	CROSLO HOLDINGS CORPORATION	200,000	0.157575%
6	EUGENIO LOPEZ FOUNDATION, INC.	200,000	0.157575%
7	PCD NOMINEE CORPORATION (FOREIGN)	158,820	0.125130%
8	CATAHAN,PERLA R.,&/OR ROBERTO B. CATAHAN	100,000	0.078787%
9	LOPEZ,OSCAR M.,&/OR CONSUELO R. LOPEZ	100,000	0.078787%
10	ANTONIO GUAY TINSAY &/OR JOIE CLARAVALL TINSAY &/OR IRENE CLARAVALL TINSAY	75,000	0.059091%
11	ALEXANDER TAN SOLIS &/OR GINA TAN SINFUEGO	50,000	0.039394%
12	G. D. TAN & CO., INC.	40,000	0.031515%
13	CLEMENTE, III,ENRIQUE C.	30,000	0.023636%
14	MARIANELA A. WIENEKE &/OR JORGE NOEL Y. WIENEKE	30,000	0.023636%
15	LORAYES,ANGELES Z.	25,000	0.019697%

[1] *Inclusive of the 22,840 Series F preferred shares bought back by the Company on March 15, 2017.*

16	WIENEKE,MARIANELA ALDEGUER	25,000	0.019697%
17	TEH,ALFONSO SY	22,000	0.017333%
18	ESGUERRA,ALMIRA JAZMIN P.	20,000	0.015757%
19	FRAGANTE,MARGARITA B.	20,000	0.015757%
20	IRENEO A. RAULE, JR. &/OR VALERIE F. RAULE	20,000	0.015757%
TOTAL SHARES (TOP 20)		**126,664,270**	**99.795586%**
TOTAL SHARES (REST OF STOCKHOLDERS)		259,450	0.204414%

DIVIDENDS

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

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

On March 30, 2009, the BOD of First Gen approved the declaration of a 50.0% stock dividend on First Gen's common shares to be taken from unissued common shares, and a 50.0% property dividend on First Gen's preferred shares to be taken from treasury preferred shares.

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

On September 23, 2009, the Philippine SEC approved First Gen's declaration of a 50.0% property dividend consisting of 177,619,000 preferred shares, to be taken from treasury preferred shares and amounting to $7.6 million (₱680.3 million), in favor of First Gen's preferred stockholder of record as of May 13, 2009.

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

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

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

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

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

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

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

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

On March 13, 2012, the Philippine SEC approved an increase in First Gen's authorized capital stock from ₱7,250.0 million to ₱8,600.0 million by way of the creation of 135 million Series "G" perpetual preferred shares with a par value of ₱10.00 per share. Of the increase of ₱1,350.0 million, the amount of ₱337,500,000.00 consisting of 33,750,000 Series "G" preferred shares, representing at least 25.0% of the increase, was subscribed and paid in full by FPH in support of First Gen's application to increase its authorized capital stock.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SALE OF UNREGISTERED / EXEMPT SECURITIES

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

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

CORPORATE GOVERNANCE

First Gen recognizes the importance of good corporate governance as a tool to achieve long term success for the Company as well as secure its sustained competitiveness in the energy industry. To this end, First Gen has put a premium on compliance with corporate governance regulations in the country as well as the continued improvement of its corporate governance structures to comply with global best practices.

Our Directors and Board Committees

The corporate governance structures of First Gen are managed and driven by its Board of Directors, which is composed of individuals of proven competence and integrity. The Board is responsible for guiding the Company in fulfilling its economic targets and governance aspirations. The Company's directors and officers make it a point to keep themselves abreast of the latest standards in corporate governance. All of the Company's directors and key officers regularly participate in corporate governance seminars to further enhance their knowledge and understanding of governance structures, roles and responsibilities.

Acknowledging independent judgment as a driver of good corporate governance, the Company increased the number of independent directors with the election of Dr. Cielito F. Habito on May 11, 2016. With the election of Dr. Habito, one-third (1/3) of the Company's Board of Directors is now composed of independent directors.

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

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

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

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

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

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

Pursuant to the Compensation and Remuneration Committee Charter, the committee has the principal function of studying and recommending an appropriate compensation and/or reward system. It shall exercise powers and functions over the compensation and remuneration of the corporate officers other than the Chairman, whose compensation and remuneration shall be determined by the President and two (2) Directors, one of whom shall be an Independent Director. The committee shall establish a policy on remuneration of Directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy, and the business environment in which it operates.

Further, it is tasked to review the Corporation's human resources development or personnel handbook, in order to strengthen provisions on conflict of interest, policies on salaries and benefits, and directives on promotion and career advancement.

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

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

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

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

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

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

<u>Our Governance Initiatives</u>

- To maintain its high standards of corporate governance, First Gen continues to implement its Enterprise Risk Management (ERM) system across all departments and levels of the organization and in every phase of the company's business activities. The objective of the ERM system is to establish a corporate risk management system that provides the Board of Directors, management and all employees with a clear roadmap for identifying risks, avoiding pitfalls, and seizing opportunities to grow stakeholder value.

- Recognizing the importance of both availability and accessibility of information, First Gen re-launched its website in the first quarter of 2016 to afford its stakeholders easier access to Company information. The new website provides a more user-friendly interface with the public, and through which Company disclosures, news, programs and other information are readily available.

- To further strengthen its corporate governance practices, the Company has issued policies on Anti-Bribery and Corruption, Conflict of Interest, Corporate Social Responsibility, Insider Trading and Whistleblowing. The policies aim to ensure stakeholder protection as well as foster a culture of responsibility in the Company.

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

Corporate Governance; and, if any deviations are found, explaining the reasons for such deviation; and recommending to the Board the review of the Manual on Corporate Governance.

First Gen has long recognized corporate governance as a necessary component of sound business management. As such, the Company, through its Board of Directors and senior management, continues to search for ways and means to further improve its corporate governance structures. The Company regularly reviews its existing policies and programs, with the intention of further elevating the level of accountability of the Company's Directors, officers, and employees. Efforts to enhance and develop the Company's corporate governance structures have resulted in earlier amendments to the Company's By-laws and Manual on Corporate Governance.

First Gen looks forward to playing an even greater role in the Philippine energy industry. As the Company grows, it will continuously improve its corporate governance initiatives in keeping with its commitment to excellence.

Attendance of the Directors in 2016 Board Meetings

	2016 FGEN Board Meetings							
Name of Directors	**Feb 24**	**Mar 16**	**May 11**	**Jun 15**	**Jul 13**	**Sep 14**	**Nov 28**	**Total**
Oscar M. Lopez	/	/	/	/	/	x	x	**5**
Federico R. Lopez	/	/	/	/	/	/	/	**7**
Francis Giles B. Puno	/	/	/	/	/	/	/	**7**
Richard B. Tantoco	/	/	/	/	/	/	/	**7**
Elpidio L. Ibañez	/	/	*Served as director until 5.11.16*					**2 of 2**
Peter D. Garrucho Jr.	/	/	/	/	/	/	/	**7**
Eugenio L. Lopez III	/	/	/	/	/	/	x	**6**
Tony Tan Caktiong	x	/	/	/	x	x	/	**4**
Jaime I. Ayala	/	/	/	/	/	/	/	**7**
Cielito F. Habito	*Elected on 5.11.16*		1	1	1	1	0	**4 of 5**

PART II – OTHER INFORMATION

RELATED PARTY TRANSACTIONS

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

OTHER RELEVANT INFORMATION

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

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

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

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

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

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

As of December 31, 2016, there were no known trends, events or uncertainties that have had or reasonably expected to have material effect in the Company's liquidity.

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

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

a. **Run-of-river hydro:** The Company is strengthening its expertise in hydroelectric power plant construction and development in order to start the construction of the 32 MW Bubunawan run-of-river hydro power project in 2017. This project is located in Mindanao. Moreover, First Gen has licenses to develop at least two other run-of-river hydro projects in Mindanao; namely, the 33 MW Tagoloan and the 30 MW Puyo.

b. **LNG terminal:** The Company continues to pursue and employ its pioneering efforts for natural gas by developing an import and regasification LNG terminal. Its planned construction and operation is in preparation for the eventual exhaustion of the Malampaya gas field and also to support the development of the Philippines gas industry. The Company continues to work on various development activities to be able to advance the project and make a final investment decision. The LNG terminal's Front End Engineering Design ("FEED") has been completed, and it is now going through a tender for the engineering, procurement, and construction ("EPC") Contract. In parallel, the Company has also been working on early site development for the LNG terminal site.

c. **Natural gas:** The Company is likewise evaluating the construction of two 450 MW natural gas-fired power plants, namely Santa Maria and Saint Joseph. The Company expects that the construction and operation of these new facilities would benefit from synergies throughout the gas projects, such as efficiencies from the shared fuel delivery and fuel storage facilities. The use of similar generating technology will also allow the Company to take advantage of the operational expertise of its personnel. The commissioning of the plants will be planned in coordination with the progress of the development of the LNG terminal.

d. **Geothermal:** The Company remains committed to solidify its lead in the Philippine geothermal industry by exploring and developing new geothermal fields. In line with this target, the company secured six (6) geothermal projects through the execution of RE Contracts with the DOE. Surveys and resource assessments of these projects are being finalized.

e. **Wind and Solar:** The Company has 10 wind energy service contracts, 9 of which are undergoing feasibility studies while one is operational. Moreover, it has 5 solar energy service contracts, 3 of which are undergoing feasibility studies while 2 are operational.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

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

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

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

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

FG Hydro and FG Bukidnon's sale of electricity are affected by seasonality or cyclicality of interim operations.

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

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

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