



ABOITIZ POWER CORPORATION

Interim Unaudited Financial Statements
with Management Discussion and Analysis
for the First Quarter of 2017

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of Aboitiz Power Corporation's (AP, AboitizPower, Parent or the Company) consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures set forth elsewhere in this report.

Key Performance Indicators

Management uses the following indicators to evaluate the performance of the Company and its subsidiaries (the Company and its subsidiaries are hereinafter collectively referred to as the "Group"):

1. **Share in Net Earnings of Associates and Joint Ventures.** It represents the Group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to acquisition of said investment. It also indicates profitability of the investment and investees' contribution to the Group's net income.

Manner of Computation:

Investee's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost

2. **Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA).** The Company computes EBITDA as earnings before extra-ordinary items, 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.
3. **Cash Flow Generated.** Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.
4. **Current Ratio.** Current ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt paying ability. The higher the ratio, the more liquid the Group.
5. **Debt-to-Equity Ratio.** Debt-to-Equity ratio gives an indication of how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

The table below shows the comparative figures of the top five key performance indicators for the first three months of 2017 and 2016, and as of December 31, 2016:

	MAR 2017	MAR 2016	DEC 2016
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	1,342,004	897,320	
EBITDA	10,716,403	9,239,460	
CASH FLOW GENERATED:			
Net cash flows from operating activities	7,288,596	9,071,032	
Net cash flows used in investing activities	(2,901,538)	(6,173,603)	
Net cash flows (used in) from financing activities	(5,723,843)	13,108,169	
Net (decrease) increase in cash & cash equivalents	(1,336,785)	16,005,598	
Cash & cash equivalents, beginning	47,094,741	51,098,269	
Cash & cash equivalents, end	45,738,582	67,039,999	
CURRENT RATIO	1.71		2.25
DEBT-TO-EQUITY RATIO	2.38		2.18

Share in net earnings of associates and joint ventures increased by 50% or by P445 million (mn). The increase is mainly a result of higher income contributions from SN Aboitiz Power – Magat, Inc. (SN AboitizPower-Magat) and SN Aboitiz Power – Benguet, Inc. (SN AboitizPower-Benguet) due to higher volumes sold and higher ancillary revenues.

Consolidated EBITDA grew by 16% year-on-year (YoY) as fresh EBITDA contributions are recognized from the acquisition of GNPowr Mariveles Coal Plant Ltd. Co. (GMCP), as well as stronger operating results from various subsidiaries, in particular, the hydroelectric power plants and the distribution utilities.

Cash was used to fund ongoing projects, timely payments of financial obligations, and working capital requirements of subsidiaries.

Current ratio decreased from 2.25x at the end of 2016 to 1.71 x at the end of the first quarter of 2017, as trade and other payables caused an increase in total current liabilities. This is due to the recognition of dividends payable after the Company’s Board of Directors approved the declaration of cash dividends in March 2017.

The 4% increase in total liabilities accounts for the movement of debt-to-equity ratio from 2.18 as of December 31, 2016 to 2.38 as of March 31, 2017.

Results of Operations

AboitizPower recorded an increase of 16% YoY in consolidated earnings before interest, tax, depreciation and amortization (EBITDA) for the quarter ending March 31, 2017, from P9.24 billion (bn) ending March 31, 2016 to P10.72 bn. Increased interest expense and depreciation narrows the growth at the core net income level to 4% YoY, from P4.77 bn in the first quarter of 2016 to P 4.98 bn in the first quarter of 2017. The Company recognized non-recurring losses of P577 mn

(versus last year's gain of P242 mn) from foreign exchange (forex) losses on the revaluation of its dollar-denominated liabilities and mark-to-market of derivatives. These one-off losses bring AboitizPower's net income for the first quarter of 2017 to P4.37 bn, which is 13% lower YoY.

Business Segments

Power Generation

For the quarter ending March 31, 2017, the power generation business recorded an EBITDA increase of 18% YoY coming from strong performance of the hydroelectric power plants and fresh contribution from GMCP. Increased interest expense and depreciation from the initial take up of GMCP's costs narrows the growth at the core net income level to 5% YoY. Non-recurring losses of P577 mn (versus last year's gain of P242 mn) from forex losses on the revaluation of dollar-denominated liabilities and mark-to-market of derivatives brings the net income of the Group to P3.56 bn, 15% lower as compared to the same period last year.

For the period, AboitizPower's attributable net energy sold remained flat YoY, from 3,451 gigawatt-hours (GWh) to 3,448 GWh, as the contribution of GMCP and the increase in the hydropower plants' output are offset by the outages of Therma South, Inc. (TSI), the lower dispatch of the oil-fired power plants, and lower steam supply affecting the Tiwi plant output as it continues to recover from the effects of typhoon Nina.

Power Distribution

On the back of higher margins, EBITDA for the power distribution business increased by 9% YoY. Net income contribution increased 7% YoY for the first quarter of 2017, from P851 mn to P908 mn.

The power distribution group's gross margin on a per kilowatt-hours basis for the period increased to P1.59 from P1.46 in the first quarter of 2017. The increase came from improved margins as operating costs decreased due to lower dispatch of Davao Light & Power Company, Inc.'s (Davao Light) Bajada power plant versus the same period last year. Further, better recoveries on purchased power costs contributed to improving margins.

AboitizPower's attributable sales for the period was at 1,208 GWh, remaining close to flat compared to the same period last year.

Material Changes in Line Items of Registrant's Statements of Income and Comprehensive Income

Consolidated Statements of Income

The various movements in the revenue and expense line items leading to the Consolidated Net Income Attributable to Equity Holders of the Parent of P4.37 bn are shown below:

Consolidated Net Income Attributable to Equity Holders of the Parent (January – March 2017)	P 5,016,232
Increase in operating revenues	5,429,362
Increase in operating expenses	-4,633,900
Increase in interest income	93,280

Increase in interest expense	-808,529
Increase in share in net earnings of associates and joint ventures	444,684
Increase in other expenses	-1,114,240
Lower provision for taxes	1,057
Increase in income attributable to non-controlling interests	-54,673
Total	<u>-642,959</u>
Consolidated Net Income Attributable to Equity Holders of the Parent (January – March 2017)	<u>₱ 4,373,273</u>

Operating Revenues

(25% increase from ₱21.36 bn to ₱26.79 bn)

Operating revenues increased by ₱5.43 bn mainly from the full quarter consolidation of the operating revenues of GMCP. For the period, retail electricity supply companies of the Group also noted higher operating revenues versus the same quarter last year.

Operating Expenses

(31% increase from ₱14.90 bn to ₱19.54 bn)

Consolidated operating expenses increased by ₱4.63 bn as the Company recognized the operating expenses of GMCP. Higher cost of purchased power at the retail electricity supply companies also contributed to the increase.

Interest Income

(34% increase from ₱275 mn to ₱369 mn)

Increase is mainly due to the consolidation of interest income of the newly-acquired GMCP.

Interest Expense and Other Financing Costs

(39% increase from ₱2.08 bn to ₱2.89 bn)

The increase is mainly due to the consolidation of interest expense at newly-acquired GMCP, as well as interest expenses on: (i) a new loan of Therma Power, Inc. to partly fund the acquisition of partnership interests in GMCP and GNPowr Dinginin Ltd. Co., (ii) full quarter interest on AP Renewable Inc.'s loan, and (iii) Hedcor Sibulan, Inc.'s loan taken out in the last quarter of 2016.

Share in Net Earnings of Associates and Joint Ventures

(50% increase from ₱897 mn to ₱1.34 bn)

The increase is mainly due to better hydrology in the first quarter of the year, and increased capacities available at the two large hydroelectric power plants, SN AboitizPower-Magat and SN AboitizPower-Benguet. As a result, higher volumes sold and better ancillary revenues were recognized, which improved earnings contributions from the two large hydro plants.

Other Income (Expenses) - net

(144% decrease from ₱776 mn other income to ₱338 mn other expense)

The ₱1.11 bn change from an other income-net to other expense-net position is from the recognition of non-recurring forex losses (versus last year's gain) on the revaluation of dollar-denominated liabilities and mark-to-market of derivatives.

Net Income Attributable to Non-controlling Interests

(16% increase from P333 mn to P387 mn)

The initial recognition of Income Attributable to Non-controlling Interests of GMCP drove the increase to this account. This increase is also augmented by higher income at non wholly-owned subsidiaries, Visayan Electric Company, Inc. (VECO) and Cebu Private Power Corporation (CPPC).

Consolidated Statements of Comprehensive Income

Consolidated comprehensive income attributable to equity holders of the Parent decreased from P5.27 bn in the first three months of 2016 to P4.78 bn for the same period in 2017, in line with the decrease in consolidated net income.

Changes in Registrant's Resources, Liabilities and Shareholders' Equity

Assets

Total assets (as of March 31, 2017 of P358.05 bn versus December 31, 2016 of P354.78 bn) increased by P3.27 bn. The major line items accounting for the increase are as follows:

- a) Lower trade and other receivables at GMCP, Therma Marine, Inc. and the various distribution utilities led to the 5% decrease in this account (from P15.47 bn as of December 2016 to P14.70 bn as of March 2017).
- b) Inventories increased by 6% (from P4.45 bn in 2016 to P4.72 bn as of March 2017) due to higher coal inventory held at GMCP versus balances at year-end 2016.
- c) Other current assets increased by 30% (from P6.45 bn in 2016 to P8.39 bn as of March 2017). The increase is accounted for by various transactions, in particular, higher input value-added tax (VAT), higher prepaid taxes and insurance, as well as the recognition of restricted cash by TSI to comply with the covenants of its project debt financing.
- d) The increase in property, plant and equipment is only 1% versus prior year, although it is worth mentioning that the P2.74 bn increase is attributable to the on-going construction of the coal power plant in Cebu owned by Therma Visayas, Inc. and the hydro power plant by Hedcor Bukidnon, Inc.
- d) Derivative assets (current and noncurrent portions) declined by 14% mainly due to unrealized mark-to-market losses on a derivative instrument.

Liabilities

Consolidated liabilities increased by 4% from P243.15 bn as of December 31, 2016 to P252.15 bn as of March 31, 2017.

- a) Short term loans outstanding as of March 31, 2017 increased by 8% (from P4.16 bn as of December 2016 to P4.50 bn as of March 2017) mainly due to temporary advances availed by Davao Light net of payments made on short term loans by other subsidiaries.

- b) Trade and other payables increased by 51% (from P17.40 bn as of December 31, 2016 to P26.30 bn as of March 2017) mainly due to the recognition of dividends payable after the Company's Board of Directors approved the declaration of cash dividends in March 2017.
- c) During the period, both long-term debt and finance lease obligations (current and non-current) decreased by only 1%. The decrease amounts to P945 mn for long-term debt and P533 mn for finance lease obligations in absolute amounts, as various subsidiaries made timely payments on their financial obligations.
- d) Income tax payable increased by 131% (from P654 mn ending December 2016 to P1.51 bn as of March 2017) primarily due to higher tax payables of various subsidiaries, particularly Therma Luzon, Inc., GMCP, CPPC and VECO.
- e) Derivative liabilities decreased by 27% due to unrealized mark-to-market changes recognized on outstanding hedging instruments during the current period.
- f) Deferred income tax liabilities increased by 6% (P1.04 bn in 2016 to P1.10 bn as of March 2017) due to higher deferred tax liabilities recognized at Davao Light at the end of this quarter.
- g) Other noncurrent liabilities increased by 10% as retention payables to contractors are recognized during the period.

Equity

Equity attributable to equity shareholders of the Parent decreased by 5% (from P105.11 bn as of December 31, 2016 to P99.50 bn as of March 31, 2017) after the declaration of dividends in March 2017, net of income recognized during the period.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash generated from operations continue to be the main cash generating activity of the Group, as it brought in P7.29 bn year to date. The cash generated from operations for the first quarter of 2017 is approximately P1.78 bn less compared to the same period last year. This is, however, due to the increase in other assets as TSI recognizes restricted cash to comply with the covenants of its project loan financing.

The bulk of the Group's net cash used in investing activities, totaling P2.90 bn, continue to be spent on capital expenditure as the construction for various thermal plants and a hydro power plant are underway. However, as these projects reach the tail end of their construction activities, the cash outflows are expected to be lower than the levels spent in the same period last year.

For the first quarter of 2017, the cash flows used in financing activities was P5.72 bn, a marked contrast from the cash flows coming from financing activities at P13.11 bn for the same period last year. This is a result of timely payments made by the Group on its debt service obligations, both on interest and principal payments, in the current period versus debt-raising activities in the same period last year.

As of March 31, 2017, the Group's cash and cash equivalents decreased by 3%, from P47.09 bn as of year-end 2016 to P45.74 bn.

Financial Ratios

The increase in current liabilities, mainly as a result of the recognition of dividends payable, drove the change in current ratio from 2.25x to 1.71x as of the end of the first quarter 2017.

Consolidated debt to equity ratio was at 2.38x as of March 31, 2017 (versus year end 2016's 2.18x). The change is mainly due to the 4% increase in consolidated debt versus the 5% decrease in equity.

Aboitiz Power Corporation and Subsidiaries

Unaudited Consolidated Financial Statements

As of March 31, 2017 (with Comparative Figures as of December 31, 2016) and
For the Three-Month Period Ended March 31, 2017 and 2016

ABOITIZ POWER CORPORATION AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

(Amounts in Thousands)

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	₱45,738,582	₱47,094,741
Trade and other receivables	14,700,475	15,465,121
Derivative assets	99,935	188,417
Inventories	4,718,278	4,452,812
Other current assets	8,389,535	6,448,096
Total Current Assets	73,646,805	73,649,187
Noncurrent Assets		
Investments and advances	31,406,823	30,595,989
Property, plant and equipment	195,377,942	192,633,546
Intangible assets	43,621,526	43,642,533
Investment properties	3,300	3,300
Derivative assets - net of current portion	905,750	977,770
Available-for-sale (AFS) investments - net of allowance for impairment of ₱5,254	100,821	100,309
Net pension assets	45,667	45,667
Deferred income tax assets	2,207,806	2,115,951
Other noncurrent assets	10,730,458	11,011,983
Total Noncurrent Assets	284,400,093	281,127,048
TOTAL ASSETS	₱358,046,898	₱354,776,235
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans	₱4,500,500	₱4,155,600
Current portions of:		
Long-term debts	7,588,246	7,458,363
Finance lease obligation	2,968,491	2,968,491
Long-term obligation on power distribution system	40,000	40,000
Derivative liabilities	131,109	127,442
Trade and other payables	26,301,029	17,398,218
Income tax payable	1,510,381	654,392
Total Current Liabilities	43,039,756	32,802,506

(Forward)

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Noncurrent portions of:		
Long-term debts	₱149,188,316	₱150,263,301
Finance lease obligation	48,838,737	49,371,713
Long-term obligation on power distribution system	204,454	197,248
Derivative liabilities – net of current portion	171,529	233,435
Customers’ deposits	7,133,583	6,831,242
Asset retirement obligation	1,852,787	1,821,577
Net pension liabilities	245,879	247,387
Deferred income tax liabilities	1,103,563	1,043,996
Other noncurrent liabilities	367,011	334,398
Total Noncurrent Liabilities	209,105,859	210,344,297
Total Liabilities	252,145,615	243,146,803
Equity Attributable to Equity Holders of the Parent		
Paid-in capital	19,947,498	19,947,498
Net unrealized loss on AFS investments	(2,799)	(3,311)
Share in net unrealized valuation gains on AFS investments of an associate	114,920	114,920
Cumulative translation adjustments	(62,508)	(78,232)
Share in cumulative translation adjustments of associates and joint ventures	(128,203)	(128,203)
Actuarial losses on defined benefit plans	(607,880)	(607,913)
Share in actuarial losses on defined benefit plans of associates and joint ventures	(1,878)	(1,878)
Acquisition of non-controlling interests	(259,147)	(259,147)
Excess of cost over net assets of investments	(526,883)	(526,883)
Retained earnings		
Appropriated	34,060,000	34,060,000
Unappropriated	46,963,139	52,597,568
	99,496,259	105,114,419
Non-controlling Interests	6,405,024	6,515,013
Total Equity	105,901,283	111,629,432
TOTAL LIABILITIES AND EQUITY	₱358,046,898	₱354,776,235

ABOITIZ POWER CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands, Except Earnings Per Share Amounts)

(Unaudited)

	For the three months ended March 31	
	2017	2016
OPERATING REVENUES	₱26,791,590	₱21,362,228
OPERATING EXPENSES	19,536,025	14,902,125
FINANCIAL INCOME (EXPENSES)		
Interest income	368,539	275,259
Interest expense and other financing costs	(2,885,113)	(2,076,584)
	(2,516,574)	(1,801,325)
OTHER INCOME (EXPENSES)		
Share in net earnings of associates and joint ventures	1,342,004	897,320
Other income (expenses) - net	(338,065)	776,175
	1,003,939	1,673,495
INCOME BEFORE INCOME TAX	5,742,930	6,332,273
PROVISION FOR INCOME TAX	982,481	983,538
NET INCOME	₱4,760,449	₱5,348,735
Attributable to:		
Equity holders of the parent	₱4,373,273	₱5,016,232
Non-controlling interests	387,176	332,503
	₱4,760,449	₱5,348,735
EARNINGS PER COMMON SHARE		
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	₱0.59	₱0.68

See Note 1 for the computation of Earnings per Common Share.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Thousands)

(Unaudited)

For the three months ended March 31

	2017	2016
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	₱4,373,273	₱5,016,232
Non-controlling interests	387,176	332,503
	4,760,449	5,348,735
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Movement in unrealized valuation gain on AFS investments	512	–
Movement in cumulative translation adjustments	15,723	(117,898)
Share in movement in cumulative translation adjustment of associates and joint ventures	–	39,579
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	16,235	(78,319)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gains (losses) on defined benefit plans, net of tax	33	(77)
Total other comprehensive loss, net of tax	16,268	(78,396)
TOTAL COMPREHENSIVE INCOME	₱4,776,717	₱5,270,339
Attributable to:		
Equity holders of the parent	₱4,389,541	₱4,937,836
Non-controlling interests	387,176	332,503
	₱4,776,717	₱5,270,339

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2017, DECEMBER 31, 2016 AND MARCH 31, 2016
(Amounts in Thousands, Except Dividends Per Share Amounts)

(Unaudited)

	Attributable to Equity Holders of the Parent												
	Paid-in Capital	Net Unrealized Loss on AFS Investments	Share in Net Unrealized Valuation Gains on AFS Investments of an Associate	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates and Joint Ventures	Share in Actuarial Gains (Losses) on Defined Benefit Plans	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures	Acquisition of Non-controlling Interests	Excess of cost over net assets of investment	Retained Earnings		Non-controlling Interests	Total
										Appropriated	Unappropriated		
Balances at January 1, 2017	₱19,947,498	(3,311)	₱114,920	(₱78,232)	(₱128,203)	(₱607,913)	(₱1,878)	(₱259,147)	(₱526,883)	₱34,060,000	₱52,597,568	₱6,515,013	₱111,629,432
Net income	-	-	-	-	-	-	-	-	-	-	4,373,273	387,176	4,760,449
Other comprehensive income	-	512	-	15,723	-	33	-	-	-	-	-	-	16,268
Total comprehensive income (loss)	-	512	-	15,723	-	33	-	-	-	-	4,373,273	387,176	4,776,717
Cash dividends - ₱1.66 a share	-	-	-	-	-	-	-	-	-	-	(10,007,702)	-	(10,007,702)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(446,437)	(446,437)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(50,727)	(50,727)
Balances at March 31, 2017	₱19,947,498	(₱2,799)	₱114,920	(₱62,509)	(₱128,203)	(₱607,880)	(₱1,878)	(₱259,147)	(₱526,883)	₱34,060,000	₱46,963,139	₱6,405,025	₱105,901,283
Balances at January 1, 2016	₱19,947,498	-	₱114,920	₱185,431	(₱256,376)	(₱609,066)	(₱3,748)	(₱259,147)	(₱421,260)	₱20,900,000	₱57,970,269	₱4,045,046	₱101,613,567
Net income	-	-	-	-	-	-	-	-	-	-	5,016,232	332,503	5,348,735
Other comprehensive income	-	-	-	(117,898)	39,579	(77)	-	-	-	-	-	-	(78,396)
Total comprehensive income (loss)	-	-	-	(117,898)	39,579	(77)	-	-	-	-	5,016,232	332,503	5,270,339
Cash dividends - ₱1.66 a share	-	-	-	-	-	-	-	-	-	-	(12,215,283)	-	(12,215,283)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(423,432)	(423,432)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5)	(5)
Balances at March 31, 2016	₱19,947,498	₱-	₱114,920	₱67,533	(₱216,797)	(₱609,143)	(₱3,748)	(₱259,147)	(₱421,260)	₱20,900,000	₱50,771,218	₱3,954,112	₱94,245,186

(Forward)

Attributable to Equity Holders of the Parent

	Paid-in Capital	Net Unrealized Loss on AFS Investments	Share in Net Unrealized Valuation Gains on AFS Investments of an Associate	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates and Joint Ventures	Actuarial Gains (Losses) on Defined Benefit Plans	Share in Actuarial Gains (Losses) on Defined Benefit Plans of Associates and Joint Ventures	Acquisition of Non-controlling Interests	Excess of cost over net assets of investment	Retained Earnings		Non-controlling Interests	Total
										Appropriated	Unappropriated		
Balances at January 1, 2016	₱19,947,498	₱-	₱114,920	₱185,431	(₱256,376)	(₱609,066)	(₱3,748)	(₱259,147)	(₱421,260)	₱20,900,000	₱57,970,269	₱4,045,046	₱101,613,567
Net income for the year	-	-	-	-	-	-	-	-	-	-	20,002,582	1,501,524	21,504,106
Other comprehensive income	-	(3,311)	-	(5,697)	128,173	2,527	496	-	-	-	-	(50,966)	71,222
Total comprehensive income (loss) for the year	-	(3,311)	-	(5,697)	128,173	2,527	496	-	-	-	20,002,582	1,450,558	21,575,328
Acquisition of subsidiaries	-	-	-	(257,966)	-	(1,374)	1,374	-	(105,623)	-	-	2,584,442	2,220,853
Cash dividends - ₱1.66 a share	-	-	-	-	-	-	-	-	-	-	(12,215,283)	-	(12,215,283)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,614,684)	(1,614,684)
Appropriation during the year	-	-	-	-	-	-	-	-	-	13,160,000	(13,160,000)	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	49,651	49,651
Balances at December 31, 2016	₱19,947,498	(₱3,311)	₱114,920	(₱78,232)	(₱128,203)	(₱607,913)	(₱1,878)	(₱259,147)	(₱526,883)	₱34,060,000	52,597,568	₱6,515,013	₱111,629,432

ABOITIZ POWER CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

(Unaudited)

For the three months ended March 31

2017

2016

CASH FLOWS FROM OPERATING ACTIVITIES

Income before income tax	₱5,742,930	₱6,332,273
Adjustments for:		
Interest expense and other financing costs	2,885,113	2,076,584
Depreciation and amortization	1,808,348	1,410,338
Net unrealized foreign exchange losses (gains)	537,136	(510,386)
Unrealized fair valuation loss on derivatives	171,095	264,769
Gain on disposal of property, plant and equipment	(585)	(321)
Interest income	(368,539)	(275,259)
Share in net earnings of associates and joint ventures	(1,342,004)	(897,320)
Operating income before working capital changes	9,433,494	8,400,678
Increase in operating assets	(1,495,684)	(1,647,049)
Increase (decrease) in operating liabilities	(542,848)	2,585,003
Cash provided by operations	7,394,962	9,338,632
Income and final taxes paid	(106,366)	(267,600)
Net cash flows from operating activities	7,288,596	9,071,032

CASH FLOWS FROM INVESTING ACTIVITIES

Cash dividends received	781,263	516,000
Interest received	325,305	192,137
Additions to property, plant and equipment	(4,115,790)	(6,320,521)
Additions to intangible assets – service concession rights	(10,921)	(16,861)
Additional investments	(250,093)	(426,422)
Decrease (increase) in other noncurrent assets	368,698	(117,936)
Net cash flows used in investing activities	(2,901,538)	(6,173,603)

CASH FLOWS FROM FINANCING ACTIVITIES

Net availments (payments) of short-term loans	344,900	(204,000)
Net proceeds from (payments of) long-term debt	(1,887,882)	16,390,322
Payments of finance lease obligation	(2,146,679)	(2,139,488)
Changes in non-controlling interests	(446,437)	(423,432)
Interest paid	(1,587,745)	(515,233)
Net cash flows from (used in) financing activities	(5,723,843)	13,108,169

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (1,336,785) 16,005,598**EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** (19,374) (63,868)**CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** 47,094,741 51,098,269**CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** **₱45,738,582** **₱67,039,999**

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS SCHEDULES AND DISCLOSURES

(Amounts in Thousands, Except Earnings per Share and Exchange Rate Data and When Otherwise Indicated)

A. Components of Other Comprehensive Income

	Jan-Mar 2017	Jan-Mar 2016
Movement in cumulative translation adjustments	P15,723	(P117,898)
Movement in unrealized loss on AFS investments	512	-
Actuarial gains (losses) on defined benefit plans	33	(77)
Share in movement in cumulative translation adjustments of associates and joint ventures	-	39,579
Other comprehensive income (loss) for the period – net of tax	P16,268	(P78,396)

B. Tax Effects Relating to Each Component of Other Comprehensive Income

	Jan-Mar 2017		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Movement in cumulative translation adjustments	P15,723	P-	P15,723
Movement in unrealized loss on AFS investments	512	-	512
Actuarial gains on defined benefit plans	33	-	33
Other comprehensive income for the period	P16,268	P-	P16,268

	Jan-Mar 2016		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Share in movement in cumulative translation adjustments of associates and joint ventures	P39,579	P-	P39,579
Movement in cumulative translation adjustments	(117,898)	-	(117,898)
Actuarial losses on defined benefit plans	(77)	-	(77)
Other comprehensive loss for the period	(P78,396)	P-	(P78,396)

C. Investments and Advances

The Group's associates and joint ventures and the corresponding equity ownership are as follows:

	Nature of Business	% Ownership
		March 31, 2017
Manila-Oslo Renewable Enterprise, Inc. (MORE) ¹	Holding company	83.33
Maaraw Holdings San Carlos, Inc. (MHSCI) ¹	Holding company	60.00
GNPower Dinginin Ltd. Co. (GNPD)	Power generation	50.00
Hijos de F. Escaño, Inc.	Holding company	46.73
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	43.78
Pampanga Energy Ventures, Inc.	Holding company	42.84
La Filipina Elektrika, Inc.	Power generation	40.00
San Carlos Sun Power, Inc. (SACASUN) ¹	Power generation	35.00
STEAG State Power, Inc. (STEAG)	Power generation	34.00
AEV Aviation, Inc. (AAI)	Service	26.69
Cebu Energy Development Corporation (CEDC)	Power generation	26.40
Redondo Peninsula Energy, Inc. (RPEI)	Power generation	25.00
Southern Philippines Power Corporation (SPPC)	Power generation	20.00
Western Mindanao Power Corporation (WMPC)	Power generation	20.00

¹ Joint ventures.

	March 31, 2017	December 31, 2016
Acquisition cost:		
Balance at beginning of the year	₱27,528,339	₱15,892,748
Additions during the year	250,093	11,821,307
Step acquisition to subsidiary	-	(144,691)
Redemptions during the year	-	(41,025)
Balance at end of period	27,778,432	27,528,339
Accumulated equity in net earnings:		
Balance at beginning of the year	3,618,877	7,340,367
Share in net earnings	1,342,004	3,641,210
Step acquisition to subsidiary	-	(87,437)
Dividends received or receivable	(781,263)	(7,275,263)
Balance at end of period	4,179,618	3,618,877
Share in net unrealized valuation gains on AFS investment of an associate	114,920	114,920
Share in actuarial losses on defined benefit plans of associates and joint ventures	(1,878)	(1,878)
Share in cumulative translation adjustments of associates and joint ventures	(128,203)	(128,203)
	31,942,889	31,132,055
Less allowance for impairment losses	568,125	568,125
Investments at equity	31,374,764	30,563,930
Advances	32,059	32,059
	₱31,406,823	₱30,595,989

D. Joint Operations

Name of Joint Operation	Nature of Business	Percentage of Ownership
		March 31, 2017
Pagbilao Energy Corporation (PEC)	Power generation	50.00

* PEC's principal place of business and country of incorporation is the Philippines;
No commercial operations as of March 31, 2017.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis.

E. Trade and Other Payables

	March 31, 2017	December 31, 2016
Trade payables	₱7,453,393	₱7,591,617
Dividends payable	10,007,702	143,608
Others	8,839,934	9,662,993
	₱26,301,029	₱17,398,218

Trade payables are non-interest bearing and generally on 30-day terms.

Others include nontrade payables, output VAT, amounts due to contractors, accrued taxes and fees, withholding taxes and other accrued expenses and are generally payable within 12 months from the balance sheet date.

F. Short-term Loans

	Interest Rate	March 31, 2017	December 31, 2016
Peso loans – financial institutions - unsecured	2.50% - 2.60%	₱1,422,500	₱1,596,100
Temporary advances	2.50%	3,078,000	2,559,500
		₱4,500,500	₱4,115,600

G. Long-term Debts

	Interest Rate	March 31, 2017	December 31, 2016
Company			
Bonds due 2021	6.10%	₱6,600,000	₱6,600,000
Bonds due 2026	5.21%	3,400,000	3,400,000
Subsidiaries:			
TPI			
Financial institutions - unsecured	LIBOR + 1.10%	31,274,760	31,000,420
TVI			
Financial institutions - secured	6.02% - 6.23%	27,570,000	27,570,000
GMCP			
Financial institutions - secured	LIBOR + 2.5% - 7.65%	25,808,831	27,116,752
TSI			
Financial institutions - secured	4.50% - 5.14%	23,970,380	23,970,380
APRI			
Financial institutions - secured	4.53% - 6.00%	11,249,760	11,874,880
Hedcor Bukidnon			
Financial institutions - secured	5.28% - 6.00%	5,684,476	5,684,476
Hedcor Sibulan			
Fixed rate corporate notes	4.11% - 5.32%	4,100,000	4,100,000
Aseagas			
Financial institutions - secured	4.66% - 5.06%	2,434,209	2,434,209
VECO			
Financial institution - unsecured	3.50% - 4.81%	1,379,000	1,379,000
LHC			
Financial institutions - secured	2.00% - 2.75%	1,386,924	1,374,759
DLP			
Financial institution - unsecured	3.50% - 4.81%	1,034,250	1,034,250
HI			
Financial institution - secured	5.25%	603,000	630,000
SEZ			
Financial institution - unsecured	5.61% - 6.06%	282,500	282,500
CLP			
Financial institution - unsecured	3.50% - 4.81%	206,850	206,850
Joint operation (see Note D)			
Financial institutions - secured	4.70% - 6.68%	12,834,910	12,234,910
		159,819,850	160,893,386
Less deferred financing costs		3,043,288	3,171,722
		156,776,562	157,721,664
Less current portion - net of deferred financing costs		7,588,246	7,458,363
		₱149,188,316	₱150,263,301

H. Debt Securities

The Company registered and issued ₱10 billion worth of peso denominated fixed rate retail bonds on September 10, 2014 under the following terms:

MATURITY	INTEREST RATE	AMOUNT
12-year bonds to mature on September 10, 2026	6.10%/p.a.	₱3,400,000
10-year bonds to mature on September 10, 2021	5.21%/p.a.	₱6,600,000

I. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

	Jan-Mar 2017	Jan-Mar 2016
a. Net income attributable to equity holders of the parent	₱4,373,273	₱5,016,232
b. Weighted average number of common shares issued and outstanding	7,358,604,307	7,358,604,307
Earnings per common share (a/b)	₱0.59	₱0.68

There are no dilutive potential common shares as of March 31, 2017 and 2016.

J. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the Board of Directors (BOD), which is the Group's CODM, are as follows:

- "Power Generation" segment, which is engaged in the generation and supply of power to various customers under power supply contracts, ancillary service procurement agreements and for trading in WESM;
- "Power Distribution" segment, which is engaged in the distribution and sale of electricity to the end-users; and
- "Parent Company and Others", which includes the operations of the Company, retail electricity sales to various off takers that are considered to be eligible contestable customers and electricity related services of the Group such as installation of electrical equipment.

The Group has only one geographical segment as all of its assets are located in the Philippines.

The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statement of income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

The Group has inter-segment revenues in the form of management fees as well as inter-segment sales of electricity which are eliminated in consolidation. The transfers are accounted for at competitive market prices on an arm's-length transaction basis.

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Financial information on the operations of the various business segments are summarized as follows:

March 31, 2017

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱13,162,064	₱10,298,446	₱3,464,665	₱ (133,585)	₱26,791,590
Inter-segment	4,165,694	–	656,824	(4,822,518)	–
Total Revenue	₱17,327,758	₱10,298,446	₱4,121,489	(4,956,103)	₱26,791,590
Segment Results	₱5,834,749	₱1,254,360	₱ 166,456	₱–	₱7,255,565
Unallocated corporate income - net	(572,167)	228,612	5,490	–	(338,065)
INCOME FROM OPERATIONS					
Interest expense	5,262,582	1,482,972	171,946	–	6,917,500
Interest income	(2,673,164)	(63,989)	(147,960)	–	(2,885,113)
Share in net earnings of associates and joint ventures	337,596	7,396	23,547	–	368,539
Provision for income tax	1,315,754	25,819	4,524,839	(4,524,408)	1,342,004
	(532,902)	(386,801)	(62,778)	–	(982,481)
NET INCOME	₱3,709,866	₱1,065,397	₱4,509,594	(₱4,524,408)	₱4,760,449
OTHER INFORMATION					
Investments	₱30,102,515	₱834,245	₱110,559,626	(₱110,121,622)	₱31,374,764
Segment Assets	₱272,616,930	₱24,057,794	₱123,175,639	(₱61,803,465)	₱358,046,898
Segment Liabilities	₱213,480,689	₱18,622,163	₱23,196,127	(₱3,153,364)	₱252,145,615
Depreciation and Amortization	₱1,550,155	₱213,717	₱5,360	₱39,116	₱1,808,348

March 31, 2016

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱8,798,715	₱10,308,219	₱2,255,294	₱-	₱21,362,228
Inter-segment	3,383,895	-	717,944	(4,101,839)	-
Total Revenue	₱12,182,610	₱10,308,219	₱2,973,238	(4,101,839)	₱21,362,228
Segment Results					
Unallocated corporate income - net	₱5,130,986	₱1,158,099	₱171,018	₱-	₱6,460,103
	571,026	219,972	(14,823)	-	776,175
INCOME FROM OPERATIONS					
Interest expense	5,702,012	1,378,071	156,195	-	7,236,278
Interest income	(1,869,273)	(52,694)	(154,617)	-	(2,076,584)
Share in net earnings of associates and joint ventures	169,608	6,372	99,279	-	275,259
Provision for income tax	869,422	27,152	5,042,977	(5,042,231)	897,320
	(584,717)	(345,122)	(53,699)	-	(983,538)
NET INCOME	₱4,287,052	₱1,013,779	₱5,090,135	(₱5,042,231)	₱5,348,735
OTHER INFORMATION					
Investments	₱21,228,428	₱918,940	₱109,479,315	(₱109,159,576)	₱22,467,107
Segment Assets	₱226,690,387	₱23,130,309	₱127,453,097	(₱111,549,110)	₱265,724,683
Segment Liabilities	₱130,147,939	₱15,496,820	₱36,713,494	(₱10,878,756)	₱171,479,497
Depreciation and Amortization	₱1,194,674	₱184,247	₱5,138	₱ 26,279	₱1,410,338

K. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents and long-term debts. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial instruments such as trade and other receivables, AFS investments, short-term loans, trade and other payables, finance lease obligation, long-term obligation on power distribution system and customers' deposits, which generally arise directly from its operations.

The Group also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases.

Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

Financial risk committee

The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Treasury service group

The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits.

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debt; credit risk

involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

Liquidity risk

Liquidity risk is the risk of not meeting obligations as they become due because of the inability to liquidate assets or obtain adequate funding. The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay any dividend declarations.

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. 4.89% of the Group's debt will mature in less than one year as of March 31, 2017 (December 31, 2016: 4.81%). For its short-term funding, the Group's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

The financial assets that will be principally used to settle the financial liabilities presented in the following table are from cash and cash equivalents and trade and other receivables. Cash and cash equivalents can be withdrawn anytime while trade and other receivables are expected to be collected/realized within one year.

The following tables summarize the maturity profile of the Group's financial liabilities as of March 31, 2017 based on contractual undiscounted principal payments:

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Trade and other payables	₱13,480,144	₱13,480,144	₱ 7,932	₱13,472,212	₱-	₱-
Customers' deposits	7,133,583	7,133,583	-	-	32,922	7,100,661
Short-term loans	4,500,500	4,500,500	3,078,000	1,422,500	-	-
Finance lease obligation	51,807,228	80,294,880	-	8,098,200	38,429,640	33,767,040
Long-term obligation on power distribution system	244,454	440,000	-	40,000	200,000	200,000
Long-term debts	156,776,562	159,792,700	-	7,588,246	67,392,958	84,811,496
Derivative liabilities	302,638	302,638	-	131,109	171,529	-
	₱234,245,109	₱265,944,445	₱3,085,932	₱30,752,267	₱106,227,049	₱125,879,197

Market Risk

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of March 31 2017, 25% of the

Group's long-term debt had annual floating interest rates ranging from 2.00% to 2.75%, and 75% have annual fixed interest rates ranging from 4.28% to 7.65%. As of December 31, 2016, 25% of the Group's long-term debt had annual floating interest rates ranging from 1.88% to 3.00%, and 75% have annual fixed interest rates ranging from 4.28% to 6.68%.

The following tables set out the carrying amounts, by maturity, of the Group's financial instruments that are exposed to cash flow interest rate risk:

As of March 31, 2017

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱1,306,070	₱38,124,211	₱-	₱39,430,281

As of December 31, 2016

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱1,608,637	₱38,308,317	₱-	₱39,916,954

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest-bearing and are therefore not subject to interest rate risk. The Group's derivative assets and liabilities are subject to fair value interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before tax (through the impact on floating rate borrowings):

	Increase (decrease) in basis points	Effect on income before tax
March 31, 2017	200	(₱788,606)
	(100)	394,303
March 31, 2016	200	(₱30,420)
	(100)	15,210

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

The interest expense and other finance charges recognized according to source are as follows:

	Jan-Mar 2017	Jan-Mar 2016
Finance lease obligation	₱1,394,279	₱1,466,055
Short-term loans and long-term debt	1,482,743	578,624
Customers' deposits	885	227
Other long-term obligations	7,206	31,678
	₱2,885,113	₱2,076,584

Foreign exchange risk

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated obligations. To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Group enters into foreign currency forward contracts aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flows. Foreign currency denominated borrowings account for 40% of total consolidated borrowings as of March 31, 2017 and December 31, 2016.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of March 31, 2017 and December 31, 2016, translated to Philippine Peso:

	March 31, 2017		December 31, 2016	
	US Dollar	Philippine Peso equivalent ¹	US Dollar	Philippine Peso equivalent ²
Loans and receivables:				
Cash and cash equivalents	\$42,786	₱2,146,146	\$14,990	₱745,303
Trade and other receivables	457	22,917	266	13,231
Derivative assets	3,185	159,747	1,098	54,595
Total financial assets	46,428	2,328,810	16,354	813,129
Other financial liabilities:				
Trade and other payables	3,335	167,282	26,578	1,321,455
Long-term debt	623,500	31,274,760	623,500	31,000,420
Finance lease obligation	546,763	27,425,632	555,448	27,616,875
Total financial liabilities	1,173,598	58,867,674	1,205,526	59,938,750
Total net financial liabilities	(\$1,127,170)	(₱56,538,864)	(\$1,189,172)	(₱59,125,621)

¹\$1 = ₱50.16

²\$1 = ₱49.72

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's income before tax as of March 31, 2017:

	Increase/ (decrease) in US Dollar	Effect on income before tax
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱2,826,943)
US Dollar denominated accounts	US Dollar weakens by 5%	2,826,943

The increase in US Dollar rate represents the depreciation of the Philippine Peso while the decrease in US Dollar rate represents appreciation of the Philippine Peso.

There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Credit risk

For its cash investments (including restricted portion), AFS investments and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these investments. With respect to cash investments and AFS investments, the risk is mitigated by the short-term and/or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities

of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to only enter into transactions with credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and it has internal mechanisms to monitor the granting of credit and management of credit exposures.

Concentration Risk

Credit risk concentration of the Group's receivables according to the customer category as of March 31, 2017 and December 31, 2016 is summarized in the following table:

	March 31, 2017	December 31, 2016
Power distribution:		
Industrial	₱3,764,205	₱3,589,973
Residential	1,305,767	1,324,289
Commercial	505,997	545,173
City street lighting	104,699	31,196
Power generation:		
Power supply contracts	6,902,518	6,945,891
Spot market	1,388,015	1,480,162
	₱13,971,201	₱13,916,684

Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 70% or below. The Group determines net debt as the sum of interest-bearing short-term and long-term loans (comprising long-term debt and finance lease obligation) less cash and short-term deposits (including restricted cash).

Gearing ratios of the Group as of March 31, 2017 and December 31, 2016 are as follows:

	March 31, 2017	December 31, 2016
Short-term loans	₱4,500,500	₱4,155,600
Long-term debt	208,583,790	210,061,868
Cash and cash equivalents	(45,738,582)	(47,094,741)
Restricted cash	(2,619,527)	(2,100,611)
Net debt (a)	164,726,181	165,022,116
Equity	105,901,283	111,629,432
Equity and net debt (b)	₱270,627,464	₱276,651,548
Gearing ratio (a/b)	60.9%	59.6%

No changes were made in the objectives, policies or processes during the period ended March 31, 2017 and December 31, 2016.

L. Financial Instruments

Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	March 31, 2017		December 31, 2016	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Liabilities				
Finance lease obligation	₱51,807,228	₱48,101,587	₱52,340,204	₱49,699,074
Long-term debt - fixed rate	117,346,281	116,074,471	117,804,710	117,710,942
Long-term obligation on power distribution system	244,454	357,297	237,248	414,135
	₱169,397,963	₱164,533,355	₱170,382,162	₱167,824,151

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables, short-term loans and trade and other payables. The carrying amounts of cash and cash equivalents, trade and other receivables, short-term loans and trade and other payables approximate fair value due to the relatively short-term maturity of these financial instruments.

Fixed-rate borrowings. The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans.

Floating-rate borrowings. Since repricing of the variable-rate interest bearing loan is done on a quarterly basis, the carrying value approximates the fair value.

Finance lease obligation. The fair value of the finance lease obligation was calculated by discounting future cash flows using applicable interest rates.

Long-term obligation on PDS. The fair value of the long-term obligations on power distribution system is calculated by discounting expected future cash flows at prevailing market rates.

Customers' deposits. The fair value of bill deposits approximates the carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformer and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

AFS investments. These are carried at cost less impairment because fair value cannot be determined reliably due to the unpredictable nature of cash flows and lack of suitable methods of arriving at reliable fair value.

Derivative financial instruments. The fair value of forward contracts is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The fair value of the embedded prepayment options is determined using Binomial Option Pricing Model which allows for the specification of points in time until option expiry date. This valuation incorporates inputs such as interest rates and volatility. The fair value of the interest rate swap and interest rate cap are determined by generally accepted valuation techniques with reference to observable market data such as interest rates.

The movements in fair value changes of all derivative instruments for the period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

	March 31, 2017	December 31, 2016
At beginning of year	₱805,310	₱563,366
Additions due to business combinations	-	523,752
Net changes in fair value of derivatives designated as accounting hedges	157,882	36,859
Net changes in fair value of derivatives not designated as accounting hedges	(171,095)	(127,039)
Fair value of settled instruments	(89,050)	(191,628)
At end of period	₱703,047	₱805,310

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of March 31, 2017, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Derivative asset	₱1,005,865	₱–	₱1,005,865	₱–
Derivative liability	302,638	–	302,638	–
Disclosed at fair value:				
Finance lease obligation	48,101,587	–	–	48,101,587
Long-term debt - fixed rate	116,074,471	–	–	116,074,471
Long-term obligation on PDS	357,297	–	–	357,297

During the period ended March 31, 2017, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

M. Disclosures

1. Corporate Information

Aboitiz Power Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission on February 13, 1998. The Company is a publicly-listed holding company of the entities engaged in power generation and power distribution in the Aboitiz Group. As of March 31, 2017, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 76.88% of the Company. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32nd street, Bonifacio Global City, Taguig City, Metro Manila.

2. Group Information

The consolidated financial statements comprise the financial statements of the Company, subsidiaries controlled by the Company and joint operation that are subject to joint control (collectively referred to as “the Group”). The following are the subsidiaries as of March 31, 2017 and December 31, 2016:

	Nature of Business	Percentage Ownership			
		March 31, 2017		December 31, 2016	
		Direct	Indirect	Direct	Indirect
Aboitiz Renewables, Inc. (ARI) and Subsidiaries	Power generation	100.00	–	100.00	–
AP Renewables, Inc. (APRI)	Power generation	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power generation	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power generation	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power generation	–	100.00	–	100.00
Luzon Hydro Corporation (LHC)	Power generation	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power generation	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power generation	–	100.00	–	100.00
Bakun Power Line Corporation*	Power generation	–	100.00	–	100.00
Cleanergy, Inc.*	Power generation	–	100.00	–	100.00
Cordillera Hydro Corporation*	Power generation	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)*	Power generation	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Ifugao, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Kalinga, Inc.*	Power generation	–	100.00	–	100.00

	Nature of Business	Percentage Ownership			
		March 31, 2017		December 31, 2016	
		Direct	Indirect	Direct	Indirect
Hedcor Itogon Inc.*	Power generation	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power generation	–	100.00	–	100.00
Hedcor Tamugan, Inc.*	Power generation	–	100.00	–	100.00
Kookaburra Equity Ventures, Inc.	Holding company	–	100.00	–	100.00
Mt. Apo Geopower, Inc.*	Power generation	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc. (NCGI)*	Power generation	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power generation	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power generation	–	100.00	–	100.00
Hydro Electric Development Corporation*	Power generation	–	99.97	–	99.97
Therma Power, Inc. (TPI) and Subsidiaries	Power generation	100.00	–	100.00	–
Therma Luzon, Inc. (TLI)	Power generation	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power generation	–	100.00	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power generation	–	100.00	–	100.00
Therma South, Inc. (TSI)	Power generation	–	100.00	–	100.00
Therma Power-Visayas, Inc.*	Power generation	–	100.00	–	100.00
Therma Central Visayas, Inc.*	Power generation	–	100.00	–	100.00
Therma Subic, Inc.*	Power generation	–	100.00	–	100.00
Therma Mariveles Holdings L.P.	Holding company	–	100.00	–	100.00
Therma Mariveles, LLC	Holding company	–	100.00	–	100.00
Therma Mariveles Consulting Services, LLC	Holding company	–	100.00	–	100.00
Therma Mariveles Holding Cooperatief U.A.	Holding company	–	100.00	–	100.00
Therma Mariveles Camaya B.V.	Holding company	–	100.00	–	100.00
Therma Mariveles Holdings, Inc.	Holding company	–	100.00	–	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP)	Power generation	–	82.82	–	82.82
Therma Dinginin L.P.	Holding company	–	100.00	–	100.00
Therma Dinginin, LLC	Holding company	–	100.00	–	100.00
Therma Dinginin Offshore Services Inc.	Holding company	–	100.00	–	100.00
Therma Dinginin Holding Cooperatief U.A.	Holding company	–	100.00	–	100.00
Therma Dinginin B.V.	Holding company	–	100.00	–	100.00
Therma Dinginin Holdings, Inc.	Holding company	–	100.00	–	100.00
AboitizPower International Pte. Ltd.	Holding company	100.00	–	100.00	–
Aboitiz Energy Solutions, Inc. (AESI)	Retail electricity supplier	100.00	–	100.00	–
Adventenergy, Inc. (AI)	Retail electricity supplier	100.00	–	100.00	–
Balamban Enerzone Corporation (BEZ)	Power distribution	100.00	–	100.00	–
Lima Enerzone Corporation (LEZ)	Power distribution	100.00	–	100.00	–
Mactan Enerzone Corporation (MEZ)	Power distribution	100.00	–	100.00	–
East Asia Utilities Corporation (EAUC)	Power generation	50.00	50.00	50.00	50.00
Cotabato Light and Power Company (CLP)	Power distribution	99.94	–	99.94	–
Cotabato Ice Plant, Inc.	Manufacturing	–	100.00	–	100.00
Davao Light & Power Company, Inc. (DLP)	Power distribution	99.93	–	99.93	–
Subic Enerzone Corporation (SEZ)	Power distribution	65.00	34.98	65.00	34.98
Cebu Private Power Corporation (CPPC)	Power generation	60.00	–	60.00	–
Prism Energy, Inc. (PEI)*	Retail electricity supplier	60.00	–	60.00	–
Visayan Electric Company (VECO)	Power distribution	55.26	–	55.26	–

* No commercial operations as of March 31, 2017.

3. Basis of Financial Statement Preparation and Changes in Accounting Policies

Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2016 annual audited consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements as of and for the year ended December 31, 2016.

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited condensed consolidated financial

statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited condensed consolidated financial statements. Actual results could differ from such estimates.

The unaudited condensed consolidated financial statements of the Group are presented in Philippine peso, the Group's functional currency, and rounded to the nearest thousands except for earnings per share and exchange rates and when otherwise indicated.

On May 2, 2017, the Audit Committee of the Board of Directors approved and authorized the release of the accompanying unaudited condensed consolidated financial statements of the Group.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the new and revised PFRS and Philippine Interpretations which the Group has adopted starting January 1, 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Except as otherwise indicated, adoption of these new and revised standards and interpretations did not have any significant impact on the Group's financial statements:

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014-2016 cycle)*

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

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

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods.

The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended December 31, 2017.

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

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

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

4. Seasonality of Interim Operations

Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well-distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This precipitation seasonality greatly affects subsidiary companies HI, HSI, Hedcor Tudaya, Hedcor Sabangan and LHC, which operate 'run-of-river' hydropower plants since these plants do not have any means to impound water.

Any unexpected change in the seasonal aspects will have no material effect on the Group's financial condition or results of operations.

5. Property, Plant and Equipment

During the three months ended March 31, 2017, the Group's additions to property, plant and equipment amounted to ₱4.12 billion, including acquisition of distribution assets amounting to ₱432.7 million, and costs relating to the construction of power plant facilities.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction in progress" as of March 31, 2017, as shown below:

Project Company	Estimated cost to complete (in millions)	% of completion
TVI	₱15,464	60%
PEC (see Note D)	8,273	63%
Hedcor Bukidnon	5,622	50%

For the period, construction costs for the various projects amounted to ₱3.67 billion, which includes capitalized borrowing costs amounting to ₱677.0 million.

6. Material Events and Changes

a) Dividend declaration

On March 7, 2017, the BOD approved the declaration of regular cash dividends of ₱1.36 a share (₱10.01 billion) to all stockholders of record as of March 21, 2017. The cash dividends are payable on April 10, 2017.

Except for the above developments and as disclosed in some other portions of this report, no other significant event occurred that would have a material impact on the registrant and its subsidiaries, and no other known trend, event or uncertainty came about that had or were reasonably expected to have a material favorable or unfavorable impact on revenues or income from continuing operations, since the end of the most recently completed fiscal year. There were also no significant elements of income or loss that did not arise from the continuing operations of the registrant and its subsidiaries.

Other than those disclosed above, no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons entities or other persons were created during the interim period. There were also no events that would trigger substantial direct or contingent financial obligations or cause any default or acceleration of an existing obligation.

Likewise, there were no other material changes made in such items as: accounting principles and practices, estimates inherent in the preparation of financial statements, status of long-term contracts, changes in the composition of the issuer, and reporting entity resulting from business combinations or dispositions.

Lastly, there were no changes in estimates of amounts reported in prior interim period and financial year that would have a material effect in the current interim period.

7. Material Adjustments

There were no material, non-recurring adjustments made during period that would require appropriate disclosures. All other adjustments are of a normal recurring nature.

8. Contingencies

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the likely outcome of these proceedings and legal cases will not have a material adverse effect on the Group's financial position and operating results. It is possible, however, that the future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings and legal cases.

The Company obtained Standby Letters of Credit and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations.

N. Schedule of Relevant Financial Ratios

	Formula	March 31, 2017	December 31, 2016
LIQUIDITY RATIOS			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.7	2.2
Acid test ratio	$\frac{\text{Cash + Marketable securities} + \text{Accounts receivable} + \text{Other liquid assets}}{\text{Current liabilities}}$	1.4	1.9
SOLVENCY RATIOS			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	2.4	2.2
Asset to equity ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	3.4	3.2
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total Equity}}$	1.6	1.5
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total Equity} + (\text{Debt - Cash \& cash equivalents})}$	60.9%	59.6%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	n.a	4.8
PROFITABILITY RATIOS			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	n.a	29.5%
Return on equity *	$\frac{\text{Net income after tax}}{\text{Total equity}}$	n.a	22.6%

*Ratio marked * is deemed not applicable (n.a.) for the interim reporting period since this would not be comparable to the ratio reported in the previous period.*

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
**1) AGING OF RECEIVABLES
AS OF MARCH 31, 2017**

	30 Days	60 Days	90 Days	Over 90 Days	Total
A/R - Trade:					
Power Distribution Customers	2,459,350	365,798	78,847	777,084	3,681,079
Power Generation Customers	4,879,470	703,661	155,634	2,551,768	8,290,533
Management & Other Services Customers	1,995,604	-	-	3,985	1,999,589
Sub-total - A/R - Trade	9,334,424	1,069,459	234,481	3,332,837	13,971,201
Less : Allowance for Doubtful Accounts					1,949,088
Net Trade Receivables					12,022,113
A/R - Non Trade	2,490,567	9,584	66,300	111,911	2,678,362
Grand Total	11,824,991	1,079,043	300,781	3,444,748	14,700,475

2) ACCOUNTS RECEIVABLE DESCRIPTION

Type of Receivable	Nature / Description	Collection Period
Trade	uncollected billings to customers for sale of power, goods and services	30 - 60 days
Non-Trade	claims, operating cash advances and advances to suppliers & employees	30 - 120 days

3) NORMAL OPERATING CYCLE

Power Subsidiaries

- Distribution - 60 days
- Generation - 65 days