COVER SHEET

SEC Registration Number

P	W	-	9	3	7						

Company Name

EEI CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

No. 12 Manggahan Street, Bagumbayan, Quezon City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
eeicenter@eei.com.ph	635-0843 to 49	N/A

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
3,183	Every Third Friday of June	March 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. George Ryan T. Hipolito	grthipolito@eei.com.ph	635-0851 to 56	N/A

Contact Person's Address

No. 12 Manggahan St., Bagumbayan, Quezon City, Metro Manila, Philippines

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2017**

2. Commission identification number **937**

3. BIR tax identification number **000-391-438-000**

4. Exact name of issuer as specified in its charter - **EEI Corporation**

5. Province, country or other jurisdiction of incorporation or organization
Quezon City, Philippines

6. Industry Classification Code (SEC use only)

7. Address of issuer's principal office/Postal code
No. 12 Manggahan St., Bagumbayan, Quezon City 1110

8. Issuer's telephone number, including area code
(02) 635-08-43

9. Former name, former address and former fiscal year, if changed since last report
Not Applicable

10. Securities Registered pursuant to Sections 8 and 12 of the code, or Sections 4 and 8 of the RSA

Title of each Class	Number of Shares of Common Stock Outstanding	
Common shares - ₱1 par value	No. of shares	Amount
Authorized	2,000,000,000	2,000,000,000
Issued and Outstanding	1,036,281,485	1,036,281,485

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

Yes [x] No [ ]

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

Philippine Stock Exchange, Inc. Common Shares

12. Indicate by check mark whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The interim Consolidated Financial Statements - EEI Corporation and Subsidiaries – March 31, 2017 with comparative figures for the period ended December 31, 2016 and March 31, 2016. Cash Flows and Schedule of Aging of Accounts Receivable is incorporated by reference as Exhibit 1.

Item 2. Management's Discussion and Analysis

EEI and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of March 31, 2017

Results of Operations

EEI Corporation's consolidated revenue amounted to ₱3.84 billion during the first quarter ending March 2017. This revenue was 6% higher than that earned during the same quarter of 2016.

Revenue from domestic construction activities accounted for ₱3.43 billion, slightly lower than in the same period of 2016. The Company's increasing shift to slower-paced but longer-duration infrastructure projects decelerated the Company's revenue recognition. Revenue from services increased by 27% to ₱223.3 million as a result of improved activities in a number of its subsidiaries. Petrowind and Petro Solar, both under EEI Power's investments, generated substantial volume of electricity during the quarter. Gulf Asia International Corporation, a subsidiary supplying manpower services, benefited from higher market demand. Meanwhile, real estate sales contributed ₱11.9 million in revenue as the corporation's subsidiary, EEI Realty, sold a number of residential properties during the quarter. On the other hand, revenue from merchandize sales declined by 75% to ₱11.6 million due to lower sales of EEI Corporation's trading subsidiary, Equipment Engineers, Inc.

EEI Corporation's Saudi Arabia operations, through a 49% stake in Al Rushaid Construction Company Ltd. (ARCC), contributed ₱29.5 million in income for the Company. In the first quarter of 2016, EEI Corporation made a loss provision of ₱141.2 million due to dispute with the EPC in one if its projects in Saudi Arabia.

Notwithstanding an increase in the Company's overall revenue, the Company's direct costs and expenses remained flat at ₱3.46 billion. Direct construction cost was at par with that for 2016 at ₱3.0 billion. While the cost of services increased by 34% to ₱189.4 million, owing to the higher cost of fuel, the cost associated with merchandize sales declined by 73% to ₱10.7 million.

EEI Corporation ended the quarter with a consolidated net income of ₱290.8 million, 197% higher than the ₱98.1 million earned for the same period in 2016. As a result, the Company's earnings per share increased from ₱0.09 per share in March 2016 to ₱0.28 per share in March 2017.

	For the three months ended March 31	
(In Thousand Pesos)	**2017**	**2016**
Income from Philippine Operations	354,401	286,655
Equity Net Income (Loss) of Al Rushaid Construction Co. Ltd.	29,499	(141,177)
Pretax Income	383,900	145,478
Provision for Income Tax	93,093	47,413
Net Income	290,807	98,065
Earnings Per Share	0.2806	0.0946

Financial Position

As of March 31, 2017, EEI's total assets slightly declined by 1% to ₱20.05 billion, largely as a result of the settlement of loans with banks. The drop was partly reflected in the decline in the value of cash and cash equivalents from ₱1.03 billion at the end of 2016 to ₱523.4 million at the end of March 2017.

Investments in associates and joint ventures increased by 8% from ₱1.27 billion at the end of 2016 to ₱1.37 billion in March 2017, primarily due to income from equity shares in ARCC, PetroWind Energy, Inc., and in PetroSolar Corporation.

EEI's total liabilities stood at ₱13.88 billion, 3% lower than the liabilities at December 2016. During the quarter, bank loans decreased by 12% to ₱3.9 billion.

EEI's total equity increased by 5%, from ₱5.84 billion to ₱6.14 billion, mainly because of the 7% increase in retained earnings. The Company's book value per share increased from ₱5.64 at the end of 2016 to ₱5.93 by March 31, 2017.

Operating Highlights

PROJECTS OBTAINED:
In the first three months of 2017, EEI won the contracts for a general construction works for Malayan Colleges Mindanao, and a solar power project for Nari Solar Technology Co., Ltd.

In the Kingdom of Saudi Arabia, ARCC won the *SAMREF Heater Safety* System for Saudi Aramco Mobile Refinery; and the *Pressure Vessel Replacement Project in South Gawar* for Saudi Aramco.

ON-GOING PROJECTS:
The building projects that the Company was still working on as 2016 ended were four projects for Megaworld Corporation namely, the *One Eastwood Avenue Tower 1 and Tower 2* in Eastwood City, Quezon City, the *Noble Place* in Binondo, Manila, and the *Bayshore 6 Cluster* in Pasay City; four projects for SM Development Corporation, namely the *Green Residences* in Manila City, *Air Residences* in Makati City, *Fame Residences 1 in* Mandaluyong City, and *Coast Residences* in Pasay City; the *SM 4eCom Center* in Pasay City for SM Prime Holdings, Inc.; *Beacon Tower 3* of New Pacific Resources Management, Inc. in Makati City; Monte de Tesoro's *Ore Central* in Bonifacio Global City in Taguig; the *Corporate Center and Skysuites* of Double Dragon Properties Corp. in Quezon City; the *Filinvest Festival Supermall Expansion* of Filinvest Land, Inc. in Alabang, Muntinlupa City; *Finance Center* of Daiichi Properties, Inc. in Bonifacio Global City,Taguig; the *GGLC Aeropark Quad 1 (Phase 1)* of Global Gateway Development Corporation in Clark, Angeles, Pampanga; the *ETY Building* of Enrique T. Yuchengco, Inc. in Binondo, Manila; and, the *bored-piling works* in preparation for the construction of the Malayan Colleges Mindanao in Davao.

Infrastructure projects in progress were the design and construction the *MRT 7 Civil Works Package and for the Interfacing and Integration of Civil Works with the Systems Contractor based on High Level Interfaces Delineation* for Universal LRT Corporation; the expansion of the *Bocaue. Balintawak, Meycauayan, and Mindanao Toll Plaza Barriers* for Manila North Tollways Corporation; the *Runway Extension of Caticlan Airport* of Transaire Development Holdings Corporation in Malay, Aklan; the *Communication, Navigation and Surveillance/Air Traffic Management Systems Development* of the Department of Transportation and Communication under Sumitomo Corporation; *Sections 3 & 4 of the Skyway Stage 3* of San Miguel Corporation/Citra Central Expressway Partnership; and the *New Bohol (Panglao) Airport* of the Chiyoda-Mitsubishi Corporation joint venture in Bohol.

Electromechanical projects that were still in-progress were the *3x135 MW Coal-fired Power Plant* for FDC Utilities in the Phividec Industrial Estate in Misamis Oriental; the *Therma Visayas Energy Project* for Galing Power and Energy Construction Co., Ltd. in Cebu; the *Pagbilao Power Plant Unit 3- Mechanical Package 1* for Daelim Philippines, Inc. in Pagbilao, Quezon Province; the *improvement of the power distribution system* for Petron Corporation in Limay, Bataan; and, the *Insulation works for the Therma Visayas Energy Project* for Galing Power and Energy Construction Co., Ltd. in Toledo, Cebu.

ARCC continues to work on the *Jazan Refinery and Terminal* of Saudi Aramco under Daewoo; the *Safanivah Works* for Saudi Aramco; the *Yanpet U10 Convection Upgrade Works* for Yanpet Saudi-Yanbu Petrochemical Company under e-TEC Arabia Limited Co.; the *Mechanical Works for the Naphtha and Aromatic Package* of the Rabigh II Refining and Petrochemical project of the Saudi Aramco and Sumitomo Chemical Co. joint venture under SAIPEM; the *SAFCO IV Reliability Improvement Project* under e-TEC Arabia Limited Co.; the erection of *Saudi Kayan's Furnace No. 10* under CTCI; the *Ras Tanura Piping Takeover* under Saudi Aramco; the *Saudi Kayan EO/EG DBN Project* under Wison; and, pipe spool fabrication for *Saipem Taqa Al Rushaid Fabricators Co. Ltd.* In addition, ARCC still services the maintenance contract of the *Saudi Aramco Total Refining and Petrochemical Company's Refinery* in a joint venture with Sankyu of Japan.

Outlook

The growth trend of the four quarters of 2016 suggests a momentum that will likely follow through into 2017. From the Company's perspective, private construction has remained steady, while acceleration in public construction activity has been observed in the increase in its infrastructure projects. Growth in the overall construction sector appears to be strong, which could be an indication of the thrust of the government in implementing critical infrastructure projects. The government has mentioned a target of over ₱8 trillion to be spent on infrastructure during the current administration's 6-year term. The Company sees this as a good growth opportunity since it is confident in its capabilities of undertaking such work.

In the Kingdom of Saudi Arabia (KSA), the prices of crude oil are seen to continue at low levels in the short to medium term. The Saudi government has cut back on spending as initiatives towards growing the non-oil sectors and implementing tax reforms continue.

In light of the falling oil prices which could result in a slowdown of construction activity in the petrochemical industry in the KSA, the Company is intensifying its pursuit of large infrastructure, power, and industrial projects in other industries in other countries and most especially, in the domestic market.

As of March 31, 2017, the Company's unworked portion of existing contracts amounted to ₱54.7 billion including ARCC's unworked portion of ₱10.7 billion. This backlog of projects is healthy, and overall, EEI expects a robust performance in its domestic operations driven by buildings, large infrastructure, and heavy industrial projects in its pipeline. It foresees more projects from high-win probability prospects currently being pursued.

There is optimism in the prospects and projects being carried out by the Company's subsidiaries. With all these on-going initiatives against the opportunity canvass, the Company remains optimistic of its ability to achieve sustained growth in the medium term.

PART II – OTHER INFORMATION

None

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant – **EEI CORPORATION**

ATTY. GEORGE RYAN T. HIPOLITO Assistant Vice President, Corporate Secretary and Compliance Officer	**REBECCA R. TONGSON** Vice President and Controller

Date: May 15, 2017

Exhibit 1

EEI CORPORATION AND SUBSIDIARIES

Interim Condensed
Consolidated Financial Statements

March 31, 2017 & 2016 (Unaudited)
and
December 31, 2016 (Audited)

EEI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
At March 31, 2017 and December 31, 2016
(In Thousand Pesos)

	March 31,2017 (Unaudited)	Dec. 31, 2016 (Audited)
ASSETS		
Cash and cash equivalents	**523,437**	1,029,018
Receivables	**6,633,409**	6,727,540
Costs and estimated earnings in excess of billings on uncompleted contracts	**4,272,034**	4,192,251
Due from related parties	**81,910**	79,415
Inventories	**504,239**	558,737
Other current assets	**1,088,418**	981,229
Total Current Assets	**13,103,447**	13,568,190
Noncurrent Assets		
Investments in associates and joint ventures	**1,365,303**	1,269,936
Available-for-sale (AFS) financial assets	**388,807**	368,031
Investment properties	**202,209**	203,480
Property and equipment	**4,462,399**	4,481,549
Retirement assets	**10,277**	9,940
Deferred tax assets - net	**78,850**	84,000
Other noncurrent assets	**434,229**	217,968
Total Noncurrent Assets	**6,942,074**	6,634,904
TOTAL ASSETS	**20,045,521**	20,203,094
LIABILITIES AND EQUITY		
Bank loans	**2,495,000**	2,950,000
Accounts payable and other current liabilities	**5,227,243**	5,003,295
Due to related parties	**155,255**	164,538
Current portion of long-term debt	**285,714**	285,714
Billings in excess of costs and estimated earnings on uncompleted contracts	**4,511,277**	4,669,544
Total Current Liabilities	**12,674,489**	13,073,091
Noncurrent Liabilities		
Long-term debt - net of current portion	**1,142,857**	1,214,286
Retirement liabilities	**66,712**	71,993
Total Noncurrent Liabilities	**1,209,569**	1,286,279
Total Liabilities	**13,884,058**	14,359,370
Minority interest	**19,647**	-
Equity		
Capital Stock - ₱1 par value		
Authorized - 2,000,000,000 shares		
Issued - 1,036,401,386 shares	**1,036,401**	1,036,401
Additional paid-in capital	**477,037**	477,037
Treasury stock	**(3,721)**	(3,721)
Other comprehensive income - net	**194,715**	187,430
Retained earnings	**4,437,384**	4,146,577
Total Equity	**6,141,816**	5,843,724
TOTAL LIABILITIES AND EQUITY	**20,045,521**	20,203,094

EEI CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the periods ended March 31, 2017 and 2016
(In Thousand Pesos Except Earnings Per Share)

	JANUARY TO MARCH	
	2017	2016
REVENUE		
Construction contracts	**3,433,239**	3,468,244
Services	**223,312**	175,881
Merchandise sales	**11,620**	47,300
Real estate sales	**11,886**	-
	3,680,057	3,691,425
Equity in net earnings (losses) of associates and joint ventures	**90,745**	(104,893)
Interest Income	**20,371**	7,823
Other Income - net	**52,469**	16,305
	3,843,642	3,610,660
COSTS AND EXPENSES		
Construction contracts	**2,975,878**	2,999,646
Services	**189,411**	141,244
Merchandise sales	**10,697**	39,541
Real estate sales	**7,520**	-
	3,183,506	3,180,431
Selling and administrative expenses	**239,837**	242,741
Interest expense	**36,752**	42,010
	3,460,095	3,465,182
INCOME BEFORE INCOME TAX & MINORITY INTEREST	**383,547**	145,478
PROVISION FOR INCOME TAX	**93,093**	47,413
NET INCOME AFTER TAX	**290,454**	98,065
MINORITY INTEREST	**353**	-
NET INCOME	**290,807**	98,065
Earnings Per Share – Basic and Diluted	**0.2806**	0.0946

EEI CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the periods ended March 31, 2017 and 2016
(In Thousand Pesos)

	JANUARY TO MARCH	
	2017	2016
NET INCOME	**290,807**	98,065
OTHER COMPREHENSIVE INCOME		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Cumulative translation adjustments	**6,074**	(44,408)
Net unrealized gains (losses) on available-for-sale securities	**1,211**	(481)
TOTAL COMPREHENSIVE INCOME	**298,092**	53,176

EEI CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the periods ended March 31, 2017 and 2016
(In Thousand Pesos)

	March 31, 2017	March 31,2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**383,547**	₱145,478
Adjustments for:		
Interest expense	**36,752**	42,010
Depreciation and amortization	**154,828**	158,941
Gain on sale of investment properties	**(842)**	(8,111)
Gain on sale of property and equipment	**(983)**	(594)
Effect of exchange rates (income) loss	**1,648**	(26,786)
Equity in net (earnings) losses of associates	**(90,745)**	104,893
Interest income	**(20,371)**	(7,823)
Dividend income	**(952)**	-
Operating income before changes in working capital	**462,882**	408,008
Decrease (increase) in:		
Receivables	**91,557**	(2,802,951)
Costs and estimated earnings in excess of billings on uncompleted contracts	**(79,783)**	623,524
Inventories	**54,498**	1,672
Other current assets	**(107,189)**	(71,991)
Increase (decrease) in:		
Accounts payable and other current liabilities	**202,660**	67,402
Billings in excess of costs and estimated earnings on uncompleted contracts	**(158,267)**	1,212,661
Net cash flows from (used in) operations	**466,358**	(561,675)
Interest received	**20,450**	7,966
Interest paid	**(36,624)**	(41,210)
Income taxes paid	**(86,497)**	(8,984)
Net cash provided by (used in) operating activities	**363,687**	(603,903)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of:		
Investment properties	**1,684**	27,937
Property and equipment	**984**	1,210
Net reduction in (additions to):		
AFS financial assets	**(19,565)**	-
Investments in associates and joint ventures	**19,804**	(234,348)
Property and equipment	**(135,678)**	(275,772)
Investment properties	**429**	2,031
Other noncurrent assets	**(211,449)**	(70,629)
Dividends received	**952**	-
Net cash flows used in investing activities	**(342,839)**	(549,571)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Bank loans	**2,245,000**	4,730,000
Payments of:		
Bank loans	**(2,700,000)**	(3,215,000)
Long-term debt	**(71,429)**	(71,429)
Cash dividends	**-**	(207,256)
Net cash flows provided by (used in) financing activities	**(526,429)**	1,236,315
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(505,581)**	82,841
CASH AND CASH EQUIVALENTS - BEGINNING	**1,029,018**	1,270,242
CASH AND CASH EQUIVALENTS AT - END	**523,437**	₱1,353,083

EEI CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the periods ended March 31, 2017 and 2016
(In Thousand Pesos)

				Other Comprehensive Income – Net of Deferred Tax Effect					
	Capital stock	Additional paid-in capital	Treasury stock	Remeasurement losses on retirement liability	Cumulative translation adjustments	Net unrealized gains (losses) on AFS financial assets	Subtotal	Retained earnings	Total
				For the Period Ended March 31, 2017					
Balances at beginning of year	**1,036,401**	**477,037**	**(3,721)**	**(104,942)**	**288,318**	**4,054**	**187,430**	**4,146,577**	**5,843,724**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**290,807**	**290,807**
Other comprehensive income	**–**	**–**	**–**	**–**	**6,074**	**1,211**	**7,285**	**–**	**7,285**
Total comprehensive income	**–**	**–**	**–**		**6,074**	**1,211**	**7,285**	**290,807**	**298,092**
Balances at end of period	**1,036,401**	**477,037**	**(3,721)**	**(104,942)**	**294,392**	**5,265**	**194,715**	**4,437,384**	**6,141,816**
				For the Period Ended March 31, 2016					
Balances at beginning of year	1,036,401	477,037	(3,721)	(114,786)	178,298	6,479	69,991	5,201,534	6,781,242
Net income	–	–	–	–	–	–	–	98,065	98,065
Other comprehensive loss	–	–	–	–	(44,408)	(481)	(44,889)	–	(44,889)
Total comprehensive loss	–	–	–	–	(44,408)	(481)	(44,889)	98,065	53,176
Dividends declared	–	–	–	–	–	–	–	(207,256)	(207,256)
Balances at end of period	1,036,401	477,037	(3,721)	(114,786)	133,890	5,998	25,102	5,092,343	6,627,162

EEI CORPORATION AND SUBSIDIARIES

AGING OF TRADE AND RETENTION RECEIVABLES
As at March 31, 2017
(In Thousand Pesos)

	Current	30 Days	60 Days	90 Days	120 Days/ Over	Total
EEI Corporation	**4,244,469**	**405,700**	**91,451**	**38,739**	**609,589**	**5,389,948**
Gulf Asia International Corporation	**17,988**	**21,336**	**3,024**	**1,531**	**9,229**	**53,108**
EEI Construction and Marine, Inc.	**3,037**	**43,452**	**-**	**13,097**	**-**	**59,586**
Equipment Engineers, Inc.	**16,319**	**3,751**	**9,194**	**7,838**	**32,869**	**69,971**
EEI Power Corporation	**-**	**(13)**	**-**	**-**	**18,921**	**18,908**
EEI Realty Corporation	**40,103**	**136**	**69**	**1,316**	**2,327**	**43,951**
Others	**-**	**-**	**-**	**-**	**9,578**	**9,578**
Total	**4,321,916**	**474,362**	**103,738**	**62,521**	**682,513**	**5,645,050**

EEI CORPORATION AND SUBSIDIARIES
SEGMENT INFORMATION (UNAUDITED)
For the periods ended March 31, 2017 and 2016
(In Thousand Pesos)

	2017				
	Domestic	**Foreign**	**Combined**	**Elimination**	**Consolidated**
Assets					
Current assets	**13,428,125**	**5,709,173**	**19,137,298**	**(6,033,852)**	**13,103,446**
Noncurrent assets	**8,255,266**	**1,955,526**	**10,210,792**	**(3,268,717)**	**6,942,075**
Total Assets	**21,683,391**	**7,664,699**	**29,348,090**	**(9,302,569)**	**20,045,521**
Liabilities					
Current liabilities	**13,319,316**	**5,738,188**	**19,057,504**	**(6,383,015)**	**12,674,489**
Noncurrent liabilities	**1,209,569**	**902,161**	**2,111,730**	**(902,161)**	**1,209,569**
Total Liabilities	**14,528,885**	**6,640,349**	**21,169,234**	**(7,285,176)**	**13,884,058**
Revenue	**3,775,072**	**2,073,549**	**5,848,621**	**(2,168,564)**	**3,680,057**
Direct cost	**(3,278,521)**	**(1,852,372)**	**(5,130,893)**	**1,947,387**	**(3,183,506)**
Operating expenses	**(238,396)**	**(125,870)**	**(364,266)**	**124,429**	**(239,837)**
Interest expense	**(37,103)**	**–**	**(37,103)**	**351**	**(36,752)**
Share in net income of associates and joint ventures	**61,246**		**61,246**	**29,499**	**90,745**
Other income (charges)	**74,329**	**(37,684)**	**30,645**	**36,195**	**72,840**
Share of ARCC's net income	**-**	**(30,703)**	**(30,703)**	**30,703**	**-**
Income before tax	**356,627**	**26,920**	**383,547**	**-**	**383,547**
Provision for income tax	**(87,193)**	**(5,900)**	**(93,093)**	**-**	**(93,093)**
Net income after tax	**269,434**	**21,020**	**290,454**	**-**	**290,454**
Minority interest	**353**	**-**	**353**	**-**	**353**
Net income	**269,787**	**21,020**	**290,807**	**-**	**290,807**
Cash flows arising from:					
Operating activities	**365,505**	**(3,790,460)**	**(3,424,955)**	**3,788,642**	**363,687**
Investing activities	**(342,575)**	**3,663,052**	**3,320,477**	**(3,663,316)**	**(342,839)**
Financing activities	**(526,429)**	**213,357**	**(313,072)**	**(213,357)**	**(526,429)**

	2016				
	Domestic	Foreign	Combined	Elimination	Consolidated
Assets					
Current assets	17,423,034	8,351,937	25,774,971	(8,642,141)	17,132,830
Noncurrent assets	8,092,547	2,671,213	10,763,760	(2,823,354)	7,940,406
Total Assets	25,515,581	11,023,150	36,538,731	(11,465,495)	25,073,236
Liabilities					
Current liabilities	17,516,414	6,471,250	23,987,664	(7,083,904)	16,903,760
Noncurrent liabilities	1,542,314	915,922	2,458,236	(915,922)	1,542,314
Total Liabilities	19,058,728	7,387,172	26,445,900	(7,999,826)	18,446,074
Revenue	3,809,699	2,225,536	6,035,235	(2,343,810)	3,691,425
Direct cost	(3,298,705)	(2,339,923)	(5,638,628)	2,458,197	(3,180,431)
Operating expenses	(241,310)	(146,982)	(388,292)	145,551	(242,741)
Interest expense	(42,587)	–	(42,587)	577	(42,010)
Share in net income of associates and joint ventures	36,284	–	36,284	(141,177)	(104,893)
Other income (charges)	25,871	(29,345)	(3,474)	27,602	24,128
Share of ARCC's net loss	–	146,940	146,940	(146,940)	–
Income before tax	289,252	(143,774)	145,478	–	145,478
Benefits from (Provision for) income tax	(75,648)	28,235	(47,413)	–	(47,413)
Net income	213,604	(115,539)	98,065	–	98,065

Cash flows arising from:					
Operating activities	(857,912)	(913,665)	(1,771,577)	1,167,674	(603,903)
Investing activities	(293,114)	107,614	(185,500)	(364,071)	(549,571)
Financing activities	1,236,315	(16,752)	1,219,563	16,752	1,236,315

Key Performance Indicators

The most significant key indicators of future performance of the Company are the following:

1. **Construction contracts and orders** – denote the value of construction projects won by the Company. Work to be done on these projects determines its revenue potential. In our domestic market, contracts and orders increase during an expansionary period when private business is on an investment mode, with significant capital expenditures allotted for new capacity and expansion and upgrading, and when government is spending for physical infrastructure.

   In our overseas markets, orders tend to rise when investors (quasi private/government entities) and corporations invest on new upstream and downstream petroleum facilities and new power and mining facilities. This usually happens during a period of prolonged high price of oil or basic metals/minerals which encourages capacity expansion projects and spurs new infrastructure projects in the host countries. The regime of high petroleum and metal prices in the past has spurred increased construction activities in the Middle East, East Asia and Africa. But when the price of oil and precious metals go down, projects for expansion are sometimes put on hold.

2. **Production** – represents the value of construction work accomplished by the Company during the period in review. It is synonymous to sales revenue since these are recognized at the value corresponding to the percentage of completion of the projects and orders. Production is determined by capacity in terms of manpower, equipment and management resources, and higher productivity of the factors of production. These translate to better financial performance.

3. **Orders backlog** – corresponds to the value of unfinished portions of projects; thus providing a measure of the near-term future source of production and revenues of the Company. Backlog has a tendency to increase during times when private companies (both local and foreign) are on an expansionary cycle, as they undertake capital expansion and/or modernization of their respective factories and plants. It also occurs when national and local government is on a pump priming mode of investing on infrastructure. Bigger backlog means a probability of higher profit in the future.

4. **Liquidity –** refers to existing cash and cash resources and the capability of the Company to quickly draw financial resources (such as working capital and other credit lines) to fund operations and construction activities. This ability to deploy financial resources is critical in fulfilling its contract obligations and ensuring the operational and financial viability of the Company.

Corporate Information

EEI Corporation (the Parent Company) is a stock corporation incorporated on April 17, 1931 under the laws of the Philippines. The Parent Company is a subsidiary of House of Investments, Inc., which is also incorporated in the Philippines. The ultimate parent company of EEI Corporation and its subsidiaries (collectively referred to as the Group) is Pan Malayan Management and Investment Corporation (PMMIC).

As amended on July 15, 1980, the term of the Corporation was extended for another fifty (50) years from and after April 17, 1981.

On July 4, 2014, the Board of Directors (BOD) approved the change of principal office address of the Parent Company to No. 12 Manggahan Street, Bagumbayan, Quezon City, Metro Manila, Philippines.

The Parent Company's shares of stock are listed and are currently trading at the Philippine Stock Exchange (PSE).

The Parent Company is engaged in general contracting and construction equipment rental. The Parent Company's subsidiaries, associates and joint ventures are mainly involved in the provision of manpower services, construction, trading of construction equipment and parts, power generation, steel fabrication and real estate.

The accompanying interim consolidated financial statements of the Group were approved and authorized for issue by its Board of Directors (BOD) on May 11, 2017.

Item 1. Financial Statements Required Under SRC Rule 68.1

5. **Earnings Per Share**

The following table presents information necessary to calculate basic earnings per share:

(In Thousand Pesos)	**As at 03.31.17**	As at 03.31.16
Net Income	**290,807**	98,065
Issued and subscribed shares	**1,036,401**	1,036,401
Earnings per share	**₱0.2806**	₱0.0946

6. The accompanying interim consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

7.a. **Basis of Preparation**

The interim consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets which have been measured at fair value. The accompanying consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. Except as indicated, all amounts are rounded off to the nearest Peso.

Statement of Compliance
The interim consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation
The interim consolidated financial statements include the Parent Company and the following companies that it controls:

				Percentage of Ownership			
	Place of		Functional	March 2017		Dec. 2016	
	Incorporation	Nature of Business	Currency	Direct	Indirect	Direct	Indirect
EEI Limited (formerly EEI BVI Ltd.)	British Virgin Islands	Holding company	US Dollar	100	–	100	–
Clear Jewel Investments, Ltd. (CJIL)	British Virgin Islands	Holding company	US Dollar	–	100	–	100
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	–	100	–	100
EEI (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	–	100	–	100
EEI Corporation (Guam), Inc.	United States of America	Construction	US Dollar	100	–	100	–
EEI Construction and Marine, Inc.	Philippines	Construction	Philippine peso	100	–	100	–
EEI Realty Corporation (EEI Realty)	Philippines	Real estate	Philippine peso	100	–	100	–
EEI Subic Corporation	Philippines	Construction	Philippine peso	100	–	100	–
Equipment Engineers, Inc. (EE)	Philippines	Construction	Philippine Peso	100	–	100	–
JP Systems Asia Inc. (JPSAI)**	Philippines	Rental of scaffolding and formworks	Philippine Peso	–	60	–	60
EEI Power Corporation (EPC)	Philippines	Power generation	Philippine Peso	84	16	84	16
Gulf Asia International Corporation (GAIC)	Philippines	Manpower services	Philippine peso	100	–	100	–
GAIC Professional Services, Inc. (GAPSI)	Philippines	Manpower services	Philippine peso	–	100	–	100
GAIC Manpower Services, Inc. (GAMSI)	Philippines	Manpower services	Philippine peso	–	100	–	100
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine peso	100	–	100	–
Philmark, Inc.	Philippines	Construction	Philippine peso	100	–	100	–
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine peso	100	–	100	–

***Incorporated in December 2016*

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a.) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b.) exposure, or rights, to variable returns from its involvement with the investee; and
c.) the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a.) the contractual arrangement with the other vote holders of the investee
b.) rights arising from other contractual arrangements
c.) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and consolidated statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Subsidiaries are entities over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The consolidated interim financial statements are prepared with the same financial reporting period as the Parent Company using the consistent accounting policies. All significant intercompany balances and transactions, intercompany profits and expenses and gains and losses are eliminated during consolidation.

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

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2017. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

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

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

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

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

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

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

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

  The Group is currently assessing the impact of PFRS 15.

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

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

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

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

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

Summary of Significant Accounting Policies

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. In arrangements where the Group is acting as principal to its customers, revenue is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue. The following specific recognition criteria must also be met before revenue is recognized:

Construction contracts

Revenue from construction contracts are recognized using the percentage-of-completion method of accounting. Under this method, revenues are generally measured on the basis of estimated completion of the physical proportion of the contract work. Revenue from labor supply contracts with project management and supervision are recognized on the basis of man-hours spent.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset “Costs and estimated earnings in excess of billings on uncompleted contracts” represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability “Billings in excess of costs and estimated earnings on uncompleted contracts” represents billings in excess of total costs incurred and estimated earnings recognized. Contract retentions are presented as part of “Trade receivables” under the “Receivables” account in the consolidated statement of financial position.

Services
Revenue is recognized as the related services are rendered. Revenue derived from the generation and/or supply of electricity is recognized based on the actual delivery of electricity as agreed upon between parties.

Merchandise sales
Revenue from merchandise sales is normally recognized when the buyer accepts delivery and when installation and inspection are complete. However, revenue is recognized immediately upon the buyer's acceptance of delivery when the installation process is simple in nature. Cost of merchandise sold is recognized as an expense when the related goods are sold.

Equipment rental
Revenue from equipment rental arises from the Group's equipment that are being held for rentals. Revenue is recognized as it accrues.

Real estate sales
Revenue on sale of raw parcels of land with no future obligation to develop the property is recognized using the full accrual method.

Sale of developed lots and residential units is accounted for using the full accrual method of accounting. Under this method, the revenue is recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and (c) the seller does not have a substantial continuing involvement with the subject properties. The collectibility of the sales price is considered reasonably assured when: (a) the buyers have actually confirmed their acceptance of the related loan applications after the same have been delivered to and approved by either the banks or other financing institutions for externally financed accounts; and (b) the down payment comprising a substantial portion of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

If any of the criteria under the full accrual method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is recognized as deposit from customers presented under the "Customers' deposits" account in the liabilities section of the consolidated statement of financial position.

Cost of real estate sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property and an allocation of any non-specific cost based on the relative size of the property sold.

Interest income
Revenue is recognized as interest accrues using the effective interest method.

Expenses
Expenses are recognized in the consolidated statement of income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Selling and administrative expenses
Selling expenses are costs incurred to sell goods and services. They include advertising among others. Administrative expenses constitute costs of administering the business. Selling and administrative expenses are expensed as incurred.

Current versus Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve (12) months after the reporting period or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve (12) months after the financial reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period

The Group classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less and that are subject to an insignificant risk of change in value.

Financial Assets and Financial Liabilities
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. The Group follows the settlement date accounting where an asset to be received and liability to be paid are recognized on the settlement date and derecognition of an asset that is sold and the recognition of a receivable from the buyer are recognized on the settlement date.

Initial recognition and measurement
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were

acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the interim consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting period.

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

‘Day 1’ difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a

valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statements of income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the EIR method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and include fees that are an integral part of the EIR and transaction costs. Long-term receivables are valued using the discounted cash flow methodology. Gains and losses are recognized in the consolidated statements of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables which are expected to be realized within twelve months from the reporting date are classified under current assets. Otherwise, these are classified as noncurrent assets.

As at March 31, 2017 and December 31, 2016, the Group's loans and receivables include trade receivables, consultancy fees, due from related parties, miscellaneous deposits, receivable from sale of investment properties, receivable from EEI Retirement Fund, Inc., receivable from a customer and other receivables.

AFS financial assets
AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as a separate component of the equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in the equity is included in the consolidated statements of income. AFS financial assets which are expected to be sold within twelve (12) months from the reporting date are classified under current assets. Otherwise, these are classified as noncurrent assets.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, except for investments in unquoted AFS financial assets, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and option pricing models. In the absence of a reliable basis of determining fair value, investments in unquoted AFS financial assets are carried at cost less allowance for impairment losses, if any.

The Group's AFS financial assets represent investments in quoted and unquoted equity shares.

Other financial liabilities
Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Financial liabilities are classified under this category if they are not held for trading or not designated as FVPL upon the inception of the liability.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the interim consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As at March 31, 2017 and December 31, 2016, the Group's other financial liabilities include accounts payable and other current liabilities, bank loans, long-term debt and due to related parties.

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

Assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (that is, the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

If, in a subsequent period, the amount of the impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

Derecognition of Financial Assets and Liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: (a) the rights to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories are stated at the lower of cost and net realizable value (NRV). Cost includes purchase price and other costs directly attributable to its acquisition such as non-refundable taxes, handling and transportation cost. The cost of real estate inventories includes (a) land cost; (b) freehold and leasehold rights for land; (c) amounts paid to contractors for construction; (d) borrowing costs, planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs that are directly attributable in bringing the real estate inventories to its intended condition.

Cost of inventories is generally determined using the moving-average method, except for land inventory of EEI Realty and cost of equipment inventories of Equipment Engineers, which is accounted for using the specific identification method.

NRV is the current replacement cost.

Nonrefundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Value-Added Tax (VAT)
Input VAT is recognized when the Group purchases goods or services from a VAT registered supplier or vendor. This account is offset against any output VAT previously recognized.

Output VAT pertains to the 12% tax due on the Group's sales of goods and services.

The outstanding balance of output VAT is included under accounts payable and other current liabilities while the input VAT is included under other current assets.

Prepaid Expenses
These are recorded as asset before they are utilized and apportioned over the period covered by the payment and charged to the appropriate account in the interim consolidated statement of income when incurred.

Other Current Assets
Other current assets pertain to other resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group within the financial reporting period.

Investments in Associates and Joint Ventures
The Group has 49% investment in Al-Rushaid Construction Company Limited (ARCC) which is incorporated and based in the Kingdom of Saudi Arabia and is currently accounted for as an associate.

In 2013, the Group acquired 20% stake in Petro Wind Energy, Inc. (PWEI) and was accounted for as an associate. In 2014, investment in PWEI is accounted as joint venture due to change in equity ownership in PWEI after the Shareholders Agreement became in effect.

In 2015, the Group acquired 44% stake in PetroSolar Corporation (PSoC) and was accounted for as an associate.

On December 19, 2016, JP Systems Asia, Inc. (JPSAI) was incorporated to primarily engage in the business of scaffolding, formworks and allied products rental. Equipment Engineers, Inc. owns 60% or ₱30 million in the total shareholdings and exercises control over JPSAI.

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An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in associate and joint venture which are jointly controlled entities are accounted for under the equity method of accounting. Under this method, the cost of investment is increased or decreased by the equity in the associate and joint venture's net earnings or losses since the date of acquisition and reduced by dividends received. Unrealized intercompany profits are eliminated up to the extent of the proportionate share thereof.

The reporting dates and the accounting policies of the associate and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

Property and Equipment

Property and equipment, except for land, are stated at cost, less accumulated depreciation and amortization and impairment loss, if any. Land is carried at cost less any impairment in value. The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to operation in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation or amortization of an item of property equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Number of years
Machinery, tools and construction equipment	1 - 20
Buildings and improvements	10 - 20
Transportation and service equipment	5
Furniture, fixtures and office equipment	3 - 5

Amortization of improvements is computed over the estimated useful life of the improvement or term of the lease, whichever is shorter.

Construction in progress represents property and equipment under construction and is stated at cost. This includes cost of construction and equipment and other direct costs. Construction-in-progress are reclassified to the appropriate class of property and equipment when construction of the asset is completed.

Property and equipment are written off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefits expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

When assets are retired or otherwise disposed of, the cost and their related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Investment Properties

Investment properties, except for land, are stated at cost less accumulated depreciation and impairment loss, if any, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Land is carried at cost less any impairment in value.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventory, the deemed cost for subsequent accounting is the carrying value of the investment property transferred at the date of change in use. If owner-occupied property or inventory becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment or inventory, respectively, up to the date of change in use.

Depreciation is computed using the straight-line method over the estimated useful life of fifteen (15) to twenty (20) years.

Software Costs

Software costs are stated at cost less accumulated amortization and any impairment in value. Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of three (3) years.

Costs associated with developing and maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

Impairment of Nonfinancial Assets

For property, plant and equipment, software costs, investments in associate and joint venture and investment properties, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Borrowing Costs

Interest and other related financing charges on borrowed funds used to finance property development are capitalized as part of development costs (included under "Inventories" account) and the acquisition and construction of a qualifying asset (included under "Construction in progress" account in property and equipment) are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress. It is suspended during extended periods in which active development is interrupted and ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. The capitalization for inventories account is based on the weighted average borrowing cost and specific borrowing for property and equipment.

The borrowing costs capitalized as part of property and equipment are amortized using the straight-line method over the estimated useful lives of the assets. If after capitalization of the borrowing costs, the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded in the consolidated statement of income.

All other borrowing costs are expensed in the period in which they occur.

Foreign Currency-denominated Transactions and Translation

The interim consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are retranslated using the applicable rate of exchange at the end of reporting period. Foreign exchange gains or losses are recognized in the Group's statements of income. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of EEI Limited and Subsidiaries, the Group's subsidiaries, are United States Dollar, Singaporean Dollar and Saudi Arabia Riyal. As at reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Group (the Philippine Peso) at the closing rate as at the reporting date, and the interim consolidated statements of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation of foreign subsidiaries are taken directly to a separate component of equity under cumulative translation adjustments account while the exchange differences arising from translation of financial statements of its associate is included as part of investments in associate under the caption equity in cumulative translation adjustments account.

Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statements of income.

Retirement Benefits

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

The cost of providing benefits under the pension plans is actuarially determined using the projected unit credit method.

Pension expenses comprise the following:
a) Service cost
b) Net interest on the net defined benefit liability or asset
c) Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

These amounts are calculated periodically by independent qualified actuaries.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group.

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

Income Tax

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current tax relating to items recognized directly in equity is recognized in equity and not in the interim consolidated statements of income.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused MCIT and NOLCO can be utilized.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the financial reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized in correlation to the underlying transactions either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

Operating Leases

Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remain with the lessors. Lease receipts (payments) under operating lease agreements are recognized as income (expense) on a straight-line basis over the term of the lease.

Provisions

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

Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The expense relating to any provision is recognized in profit or loss, net of any reimbursement.

Contingencies

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

Stock Option Plan

No benefit expense is recognized relative to the shares issued under the stock options plan. When the shares related to the stock options plan are subscribed, these are treated as capital stock issuances. The stock option plan is exempt from PFRS 2, *Share-based Payment.*

Basic and Diluted Earnings per Share

Basic earnings per share is computed by dividing net income applicable to common shares by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any subsequent stock dividends. Diluted earnings per share, if applicable, is computed by dividing net income applicable to common shares by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed exercise of stock options and retroactive effect of stock dividends declared.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented on page 15 of the interim consolidated financial statements.

Capital Stock
The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When the Group purchases its own shares of capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled or reissued of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, prior period adjustments, effect of changes in accounting policy and other capital adjustments. The individual accumulated retained earnings of the subsidiaries are available for dividends when they are declared by the subsidiaries as approved by their respective BOD. Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares.

Events after the Financial Reporting Date
Any post year-end events up to the date of auditor's report that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material, in notes the interim consolidated financial statements.

Significant Accounting Judgments and Estimates

The preparation of the Group's interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following presents a summary of these significant accounting judgments and estimates:

<u>Judgments</u>

Contingencies

The Group is involved in various claims in the ordinary course of business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel is based upon an analysis of potential results. The Group's management believes that the outcome of these claims will not have a material adverse effect on the Group's financial position or operating results. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these claims.

<u>Estimates and Assumptions</u>

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Recognition of revenue and cost from construction contracts

Revenues and costs from construction projects are determined using the percentage of completion based on the physical progress of the construction projects. Apart from involving significant estimates, this process is complex and requires the technical expertise of the Group's engineers, particularly with respect to the calculation of estimated costs to completion.

As at March 31, 2017 and December 31, 2016, the costs and estimated earnings in excess of billings on uncompleted contracts amounted to ₱4,272 million and ₱4,192.3 million, respectively. Billings in excess of costs and estimated earnings on uncompleted contracts amounted to ₱4,511.3 million and ₱4,669.5 million as at March 31, 2017 and December 31, 2016, respectively.

Estimation of allowance for doubtful accounts

The Group maintains allowances for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customer, the customer's payment behavior and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowances on a continuous basis or those with existing allowances needing reversals.

Estimation of retirement obligations

The determination of the obligation and retirement cost are dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

Retirement assets amounted to ₱10.3 million and ₱9.9 million as at March 31, 2017 and December 31, 2016, respectively whereas retirement liabilities amounted to ₱66.7 million and ₱72.0 million as at March 31, 2017 and December 31, 2016, respectively.

Realizability of deferred tax assets
The Group reviews the carrying amounts of deferred taxes of each entity in the Group at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

7.b. We have nothing to disclose in notes to interim financial statements regarding seasonality or cyclicality as it has no material effect on our interim operations.

7.c Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents:

Cash and Cash Equivalents

(In Thousand Pesos)	**03.31.17**	12.31.16
Cash on hand	**1,924**	1,902
Cash in banks	**520,390**	1,025,999
Cash equivalents	**1,123**	1,117
	523,437	1,029,018

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods up to three (3) months depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term investment rates.

Receivables

(In Thousand Pesos)	**03.31.17**	12.31.16
Trade receivables	**3,289,150**	2,532,112
Retention receivables	**2,355,901**	3,283,514
Advances to suppliers and subcontractors	**646,418**	568,640
Consultancy fees	**308,286**	305,946
Receivable from sale of investment properties	**22,259**	30,114
Advances to officers and employees	**16,230**	14,795
Other receivables	**61,138**	60,541
	6,699,382	6,795,662
Less: allowance for doubtful accounts	**65,973**	68,122
	6,633,409	6,727,540

Trade receivables mainly pertain to amounts arising from domestic and foreign construction contracts. These receivables are based on the monthly progress billings provided to customers over the period of the construction. These trade receivables are generally on a 30-day credit term.

Inventories

(In Thousand Pesos)	**03.31.17**	12.31.16
At cost :		
Land and land development	**218,789**	219,021
Subdivision lots and condominium units for sale	**95,305**	98,456
Raw lands	**45,229**	45,229
	359,323	362,706
At cost and at NRV :		
Construction materials	**12,077**	81,539
Merchandise	**91,485**	79,521
Spare parts and supplies	**41,354**	34,971
	144,916	196,031
	504,239	558,737

Other Current Assets

(In Thousand Pesos)	**03.31.17**	12.31.15
Receivable from a customer	**392,269**	380,297
Current portion of receivable from EEI-RFI – net	**45,262**	45,266
Creditable withholding taxes	**174,496**	177,888
Input value-added taxes (VAT)	**368,121**	285,948
Prepaid expenses	**43,057**	36,576
Miscellaneous deposits	**56,909**	49,071
Others	**12,066**	9,945
	1,092,180	984,991
Less: allowance for impairment	**3,762**	3,762
	1,088,418	981,229

Investments in Associates and Joint Ventures

(In Thousand Pesos)	**03.31.17**	12.31.16
Acquisition cost:		
Balance at beginning of year	**1,455,289**	651,674
Reclassification	**-**	518,826
Additions	**-**	294,869
Write-off	**-**	(10,080)
Balance at end of period	**1,455,289**	1,455,289
Accumulated equity in net earnings:		
Balance at beginning of year	**(302,383)**	1,013,747
Prior year adjustment	**196**	-
Equity in net earnings (losses)	**90,745**	(1,316,130)
Balance at end of period	**(211,442)**	(302,383)
Subtotal	**1,243,847**	1,152,906
Equity in cumulative translation adjustments	**121,456**	117,030
	1,365,303	1,269,936

AFS Financial Assets

(In Thousand Pesos)	**03.31.17**	12.31.16
Quoted shares - at fair value	**18,712**	17,501
Unquoted shares - at cost	**370,095**	350,530
	388,807	368,031

Rollforward analysis of this account follows:

	03.31.17	12.31.16
Balance at beginning of year	**368,031**	370,456
Additions	**19,565**	-
Reclassification	**-**	-
Reduction	**-**	-
Fair value	**1,211**	(2,425)
	388,807	368,031

Property and Equipment

(In Thousand Pesos)	**03.31.17**	12.31.16
Cost		
Machinery, tools and construction equipment	4,656,442	4,580,494
Land, buildings and improvements	994,019	990,849
Transportation and service equipment	995,895	940,130
Furniture, fixtures and office equipment	677,458	680,548
Construction in progress	9,654	9,065
	7,333,468	7,201,086
Accumulated depreciation and amortization	2,871,069	2,719,537
	4,462,399	4,481,549

Investment Properties

(In Thousand Pesos)	**03.31.17**	12.31.16
Cost		
Balance at beginning of year	**219,499**	254,813
Disposals	**(972)**	(35,314)
	218,527	219,499
Accumulated depreciation		
Balance at beginning of year	**16,019**	23,585
Depreciation	**299**	1,337
Disposals	**-**	(8,903)
	16,318	16,019
Net book value	**202,209**	203,480

Other Noncurrent Assets

(In Thousand Pesos)	**03.31.17**	12.31.16
Receivable from EEI-RFI - net of current portion	**178,000**	178,000
Receivable from a customer	**246,726**	-
Software cost	**1,606**	2,073
Others	**7,897**	37,895
	434,229	217,968

Bank Loans

(In Thousand Pesos)	**03.31.17**	12.31.16
Unsecured bank loans	**2,495,000**	2,950,000

Bank loans consist of unsecured peso-denominated short term loans from local banks with annual interest rates of 2.5% and 2.50% to 2.65% as at March 31, 2017 and December 31, 2016, respectively.

Accounts Payable and Other Current Liabilities

(In Thousand Pesos)	**03.31.17**	12.31.16
Accounts payable	**3,402,287**	3,371,587
Deferred output taxes	**602,096**	590,644
Retention payable	**551,891**	588,450
Accrued expenses	**294,695**	117,305
Output tax payable	**174,329**	133,291
Business tax payable	**81,615**	90,341
Advances from joint venture partners	**32,382**	32,382
Withholding taxes	**32,256**	27,764
SSS and other contributions	**23,135**	21,601
Subscription payable	**14,357**	14,357
Income tax payable	**10,267**	3,673
Others	**7,933**	11,900
	5,227,243	5,003,295

Long-term Debt

(In Thousand Pesos)	**03.31.17**	12.31.16
Fixed-rate corporate promissory notes	**1,035,714**	1,089,286
Fixed-rate term loan	**392,857**	410,714
	1,428,571	1,500,000
Less current portion	**285,714**	285,714
	1,142,857	1,214,286

7.d There was no change in amount reported in prior financial year that have material effect in the current interim period.

7.e As at March 31, 2017, availment of loans amounted to ₱2.2 billion while repayment is ₱2.8 billion.

7.f Future dividends will depend on the earnings, cash flow, and financial condition of the Company and other factors and subject to the availability of retained earnings not earmarked for capital expenditures.

7.g Segment Information - Please refer to page 15.

7.h There was no material event subsequent to the end of the interim financial period that has not been reflected in the interim consolidated financial statements.

7.i There was no material change in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

7.j There was no material change in contingent liabilities or contingent assets since the last annual statement of financial position.

7.k Commitments and Contingencies

a.) Surety Arrangement and Guarantees

The Company is contingently liable for guarantees arising in the ordinary course of business, including performance, surety and warranty bonds for various construction projects amounting to ₱5.05 billion and ₱5.32 billion as at March 31, 2017 and December 31, 2016, respectively.

Also, the Company issued a Parent Company Guarantee for the repayment of a 7-year long-term loan granted to its subsidiary by a local bank with an outstanding balance of ₱393 million and ₱411 million as at March 31, 2017 and December 31, 2016, respectively.

b.) Standby Letters of Credit

The Company has outstanding irrevocable domestic standby letters of credit amounting to ₱11.39 billion and ₱11.30 billion as at March 31, 2017 and December 31, 2016, respectively, from local banks which are used for bidding, guarantees for the down payments received and performance security from its ongoing construction projects, also has outstanding irrevocable foreign standby letters of credit amounting to USD104 thousand and JPY13.4 million as at March 31, 2017 and JPY 13.4 million as at December 31, 2016.

c.) Contingencies

There are pending legal cases against the Group that are being contested by the Group and its legal counsels. The information required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed until final settlement, on the ground that it might prejudice the Group's position. Management and its legal counsels believe that the final resolutions of these cases will not have a material effect on the consolidated financial position and operating results of the Group.

7.l Market Information

Quarterly high, low and closing prices of the Company:

2017	**High**	**Low**	**Close**
January – March	8.50	6.00	8.27
2016	**High**	**Low**	**Close**
January – March	7.75	5.20	7.60
April – June	8.02	7.08	7.69
July – September	10.16	7.35	7.75
October - December	7.90	5.86	6.12

As at May 12, 2017, EEI shares were traded at its highest for the price of Php10.20, lowest for Php9.86 and closed at Php9.91.

Related Party Transactions

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into various significant transactions with related parties. Significant transactions with related parties consist mainly of advances and reimbursement of expenses, administrative service agreements and sales and purchases of construction materials and services at market prices.

The outstanding balances and transactions with related parties as at March 31, 2017 and December 31, 2016 consist of the following:

		March 31, 2017			
(In Thousand Pesos) **Related party**	**Transaction**	**Amount / Volume**	**Outstanding Balance**	**Terms**	**Conditions**
Parent company	Due from related parties	–	**6,881**	**Non-interest bearing**	**Unsecured, no impairment**
	Rendering janitorial services	**1,069**	–	–	–
	Due to related parties	–	**(17,144)**	**Non-interest bearing**	**Unsecured**
	Purchase of management services	**(914)**	–	–	–
Associate	Due to related parties	–	**(124,177)**	**Non-interest bearing**	**Unsecured**
Entities under the common control	Due from related parties	–	**77,674**	**Non-interest bearing**	**Unsecured, no impairment**
	Rendering janitorial services	**85,194**	–	–	–
	Sale of supplies	**27**	–	–	–
	Interest income on cash advances	**343**	–	–	–
	Due to related parties	–	**(12,771)**	**Non-interest bearing**	–
	Cash & cash equivalents	–	**470,933**	**Interest bearing, .20% per annum**	–
	Interest income on bank deposits	**568**	–	–	–
	Trade receivables		**149,472**	**Non-interest bearing**	**Unsecured**
	Revenue from construction contracts	**208,955**	–	–	–
Other Affiliates	Other noncurrent assets	**-**	**246,726**	**Interest bearing, 5% per annum**	**Unsecured**
	Interest income on receivables	**9,587**	–	–	–
	Receivable from EEI-RFI	–	**223,262**	**Interest bearing, 5% per annum**	**Unsecured**
	Lease of property	**(13,674)**	–	**Non-interest bearing**	**Unsecured**
	Interest earned	**2,489**	–	–	–

In Thousand Pesos)		December 31, 2016			
Related party	Transaction	Amount / Volume	Outstanding Balance	Terms	Conditions
Parent company	Due from related parties	–	6,881	Non-interest bearing	Unsecured, no impairment
	Rendering janitorial services	11,123	–	–	–
	Due to related parties	–	(23,967)	Non-interest bearing	Unsecured
	Purchase of management services	(3,025)	–	–	–
Associate	Due to related parties	–	(123,235)	Non-interest bearing	Unsecured
Entities under the common Control	Due from related parties	–	72,534	Non-interest bearing	Unsecured, no impairment
	Rendering janitorial services	329,457	–	–	–
	Sale of supplies	355	–	–	–
	Interest income on cash advances	1,736	–	–	–
	Due to related parties	–	(17,337)	Non-interest bearing	–
	Cash & cash equivalents	–	967,482	Interest bearing, .20% per annum	–
	Interest income on bank deposits	5,085	-	-	-
	Trade receivables		69,577	Non-interest bearing	Unsecured
	Revenue from construction contracts	595,554	–	–	–
Other Affiliates	Trade receivables	-	303,770	Interest bearing, 5% per annum	Unsecured
	Interest income on receivables	10,161	–	–	–
	Receivable from EEI-RFI	–	223,266	Interest bearing, 5% per annum	Unsecured
	Lease of property	(52,093)	–	Non-interest bearing	Unsecured
	Interest earned	11,928	–	–	–

a. In 2016, the Parent Company was engaged by Malayan Colleges Mindanao for the bored piling works located in Talomo, Ma-a, Davao City. Contract price amounted to ₱171.8 million. The project was completed on December 16, 2016. The outstanding receivables as at March 31, 2017 amounted to ₱17.4 million.

b. In 2015, the Parent Company was contracted by Enrique T. Yuchengco, Inc. for the general construction of ETY Building in Binondo, Manila for ₱663.4 million. Outstanding receivables as at March 31, 2017 and December 31, 2016 amounted to ₱132.0 million and nil, respectively. The construction is still on-going as at March 31, 2017 at 99% progress. The estimated completion date is May 15, 2017.

c. In 2013, the Parent Company was contracted by PWEI for the construction of 18 units WTG foundations, roadways and temporary landing pad intended for the 36MW Nabas Wind Power Project (NWPP) in Nabas, Aklan for ₱1,100.0 million. The project was completed in April 30, 2015. The outstanding receivables amounted to ₱246.7 million and ₱303.8 million as at March 31, 2017 and December 31, 2016, respectively.

d. In 2006, the Parent Company sold parcels of land to EEI-RFI, a trustee of the Parent Company employees retirement fund (the Fund). The Fund is managed by RCBC Trust and Investment Division. The parcels of land sold are located in Manggahan, Quezon City and Bauan, Batangas The receivables bear interest of 5% per annum in 2017, 2016 and 2015.

Starting January 2007, the Parent Company and EEI-RFI entered into operating lease agreements for the said land and improvements. The terms are for one year and renewable at the option of the Parent Company provided that for each and every renewal, the monthly rentals shall be increased upon mutual agreement of both parties. Rental expense for the property located in Manggahan, Quezon City amounted to ₱13.7 million and ₱52.1 million in March 31, 2017 and December 31, 2016, respectively.

On December 12, 2012, the Parent Company acquired certain parcels of land including land improvements located in Bauan, Batangas from EEI-RFI, amounting to ₱581.8 million, inclusive of 12% VAT. The operating lease agreement of the said properties between the Parent Company and EEI-RFI was terminated on the same date.

In 2013, the receivable from the EEI-RFI amounting to ₱390.0 million was restructured and reclassified to other noncurrent assets with fixed 5% interest rate per annum. In 2016, the Parent Company and the Fund agreed to extend the term of the payment until April 30, 2021.

Balance of the receivable as at March 31, 2017 and December 31, 2016 amounted to ₱223.3 million, of which ₱45.3 million is due in 2017.

Item 2 **Management's Discussion and Analysis (MDA) of Financial Position and Results of Operations.**

2.e. Material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements.

Statements of Financial Position				
(In Thousand Pesos)	**03.31.17 (Unaudited)**	12.31.16 (Audited)	Increase (Decrease)	
			Amount	%
Cash and cash equivalents	**523,437**	1,029,018	(505,581)	-49%
Inventories	**504,239**	558,737	(54,498)	-10%
Other current assets	**1,088,418**	981,229	107,189	11%
Investments in associates and joint ventures	**1,365,303**	1,269,936	95,367	8%
Available-for-sale (AFS) financial assets	**388,807**	368,031	20,776	6%
Deferred tax assets - net	**78,850**	83,999	(5,149)	-6%
Other noncurrent assets	**434,229**	217,968	216,261	99%
Bank loans	**2,495,000**	2,950,000	(455,000)	-15%
Long-term-debt- net of current portion	**1,142,857**	1,214,286	(71,429)	-6%
Retirement liabilities	**66,712**	71,993	(5,281)	-7%
Retained earnings	**4,437,384**	4,146,577	290,807	7%

Statements of Income	For the period ending		Increase (Decrease)	
(In Thousand Pesos)	**03.31.17 (Unaudited)**	03.31.16 (Unaudited)	Amount	%
Revenue on services	**223,212**	**175,881**	47,430	27%
Revenue on merchandise sales	**11,620**	**47,300**	(35,680)	-75%
Cost of services	**189,411**	**141,244**	48,167	34%
Revenue on real estate sales	**11,886**	**-**	11,886	100%
Cost of merchandise sales	**10,697**	**39,541**	(28,844)	-73%
Equity in net earnings (losses) of associates and joint ventures	**90,745**	**(104,893)**	195,638	-187%
Cost of real estate sold	**7,520**	**-**	7,520	100%
Interest income	**20,371**	**7,823**	12,548	160%
Other income	**52,469**	**16,305**	36,164	222%
Interest expense	**36,752**	**42,010**	(5,258)	-13%
Provision for income tax	**93,093**	**47,413**	45,680	96%
Minority interest	**19,647**	**-**	19,647	100%

EEI CORPORATION AND SUBSIDIARIES
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March 31, 2017

<u>Consolidated Statement of Financial Position Accounts</u>

Cash and cash equivalents

The decrease of ₱505.6 million or 49% was mainly due to settlement of maturing short term loans with various local banks.

Inventories

The net decrease of ₱54.5 million or 10% was mainly due to construction materials used for on-going local projects by the Parent Company.

Other current assets

The net increase of ₱107.2 million or 11% pertains mainly to increase in input value-added tax (VAT) amounting to ₱82.2 million.

Investments in associates and joint ventures

The net increase of ₱95.4 million or 8% was attributed to the following:

- 49% equity share in net earnings of Al Rushaid Construction Company, Ltd. (ARCC) an associate of EEI Limited, a foreign subsidiary of EEI Corporation, amounting to ₱29.5 million;
- 20% equity share in net earnings of PetroWind Energy, Inc. amounting to ₱33.4 million;
- 44% equity share in net earnings of PetroSolar Corporation of ₱27.8 million.

Available-for-sale (AFS) financial assets

The net increase of ₱20.8 million or 6% pertains to the additional investment of EEI Power Corporation amounting to ₱19.6 million to PetroGreen Energy Corporation.

Deferred tax assets - net

The net decrease of ₱5.1 million or 6% is due to the tax effect on unamortized past service cost under the retirement benefit plan.

Other noncurrent assets

This account grew by ₱216.3 million or 99% due to the receivable from a client of the Parent Company amounting to ₱246.7 million.

Bank loans

The net decrease of ₱455 million or 15% was mainly due to payment of maturing loans during the period.

Long-term debt – net of current portion

The decrease of ₱71.4 million or 6% was due to payment of amortization on the seven (7) year long-term debt of ₱1.5 billion of the Parent Company with a local bank.

Retirement liabilities

The decrease of ₱5.3 million or 7% was the net effect of the contribution made to the retirement plan amounting to ₱25.3 million against accrued retirement obligation amounting to ₱19.9 million.

Retained Earnings

The increase of ₱290.8 million or 7% pertains to net income registered during the first quarter of 2017.

Consolidated Statement of Income Accounts

Revenue and costs of services

The increase in revenue from services amounting to ₱47.4 million or 27% and its related costs of ₱48.2 million or 34% of EEI Power Corporation were due to the restored operation of the three (3) generator sets which led to the higher kilowatt hour production; and higher fuel cost in 2017 of ₱22.81/liter compared to ₱14.39/liter in 2016. Additionally, increased manpower requirements from various existing and new clients of Gulf Asia International Corporation, another local subsidiary of EEI Corporation, contributed to the spike in revenue.

Revenue and costs of merchandise sales

The decline in revenue from merchandise sales amounting ₱35.7 million or 75% and its corresponding costs of ₱28.8 million or 73% of Equipment Engineers, Inc., were attributable to lower sales volume of various product lines.

Revenue and costs of real estate sales

The revenue from real estate sales amounting to ₱11.9 million and its related costs of ₱7.5 million were due to sale of fourteen (14) low-cost housing units in Tanza Cavite and one (1) house and lot at Suburbia East in Marikina City.

Equity in net earnings (losses) of associates and joint ventures

This account grew by 187% primarily due to net income of ARCC for the first quarter, where the 49% share of the Parent Company amounted to ₱29.5 million, compared to the net loss of ₱141.2 million for the same period in 2016.

Interest income

Interest income grew by ₱12.5 million or 160% from short term investments and from Company's receivable from a client.

Other income

The net increase of ₱36.2 million or 222% pertains mainly to write-off of various trade payables that are outstanding for more than five (5) years.

Interest expense

Net interest expense went down by ₱5.2 million or 13% due to lower loan level as at March 2017 amounting to ₱3.9 billion compared to ₱4.5 billion for the same period in 2016.

Provision for income tax

The increase of ₱45.7 million or 96% is on account of higher taxable income posted by the Parent Company for the period.

Minority Interest

This account pertains to the 40% non-controlling interest in JP Systems Asia, Inc. a local subsidiary of Equipment Engineers, Inc. which was incorporated in December 2016.

Financial Risk Management Objectives and Policies

The main purpose of the Group's financial instruments is to raise finances for the Group's operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The policies for managing these risks are summarized as follows:

Credit Risk

The exposure to credit risk on its receivables relates primarily to the inability of project owners to fully settle the unpaid balance of contract receivables and other claims owed to the Group. Credit risk is managed in accordance with the Group's credit risk policy which requires the evaluation of the creditworthiness of the project owners by engaging the service of an accredited third party credit analyst.

The Group does not have any significant concentration of credit risk. Its gross maximum exposure to credit risk is equivalent to the carrying value of its financial assets as presented in the consolidated statements of financial position.

Credit risk is managed since the titles of the properties sold by the Group from its real estate operations are retained until receivables are fully collected and the fair values of these properties held as collateral are sufficient to cover the carrying values of the receivables.

There can be some credit exposures on project commitments and contingencies as at March 31, 2017 and December 31, 2016 represented by work accomplishments on backlog of projects which are not yet invoiced. These exposures are, however, limited to a few months work accomplishment as work are frozen as soon as the Group is able to determine that the risk of non-collection materializes. This risk is, however, mitigated by the Group's contractor's lien on the project. A contractor's lien is the legal right of a contractor to takeover the project in-progress and has priority in the settlement of contractor's receivables and claims on the project in the event of insolvency of the project owner. The Group assesses that the value of projects in-progress is usually higher than receivables from and future commitments with the project owners.

The analyses of loans and receivables follow:

	March 31, 2017						
	Neither	**Past Due but Not Impaired**				**Impaired**	
(In Thousand Pesos)	**Past Due nor Impaired**	**<30 days**	**30 to <60 days**	**60 to <90 days**	**>90 days**	**Financial Assets**	**Total**
Trade receivables	**₱4,321,916**	**₱474,363**	**₱103,738**	**₱62,521**	**₱650,318**	**₱32,195**	**₱5,645,050**
Consultancy fees	**–**	**–**	**–**	**–**	**308,286**	**–**	**308,286**
Receivable from sale of investment properties	**22,259**	**–**	**–**	**–**	**–**	**–**	**22,259**
Other receivables	**39,579**	**2,231**	**1,327**	**2,193**	**10,629**	**5,179**	**61,138**
Due from related parties	**81,910**	**–**	**–**	**–**	**–**	**–**	**81,910**
Receivable from a customer	**392,269**	**–**	**–**	**–**	**–**	**–**	**392,269**
Miscellaneous deposits	**4,801**	**–**	**5,068**	**1,869**	**41,409**	**3,762**	**56,909**
Receivable from EEI Retirement Fund, Inc.	**223,000**	**–**	**–**	**–**	**262**	**–**	**223,262**
	₱5,085,735	**₱476,594**	**₱110,133**	**₱66,583**	**₱1,010,903**	**₱41,136**	**₱6,791,084**

	December 31, 2016						
	Neither	Past Due but Not Impaired				Impaired	
(In Thousand Pesos)	Past Due nor Impaired	<30 days	30 to <60 days	60 to <90 days	>90 days	Financial Assets	Total
Trade receivables	₱3,831,588	₱614,643	₱264,431	₱93,344	₱976,272	₱35,348	₱5,815,626
Consultancy fees	–	–	–	–	305,946	–	305,946
Receivable from sale of investment properties	30,114	–	–	–	–	–	30,114
Other receivables	47,459	468	696	401	3,149	9,052	60,541
Due from related parties	79,415		–	–	–	–	79,415
Receivable from a customer	380,297	–	–	–	–	–	380,297
Miscellaneous deposits	409	1,901	520	130	42,348	3,762	49,071
Receivable from EEI Retirement Fund, Inc.	223,000	–	–	–	267	–	223,266
	₱4,592,281	₱617,013	₱265,647	₱93,875	₱1,327,983	₱48,163	₱6,944,276

The risk that past due receivables from project owners will not be collected is mitigated by the fact that the Group can resort to carry out its contractor's lien over the project with varying degrees of effectiveness depending on the jurisprudence applicable on or country location of the project. Trade and retention receivables from project owners are normally high standard because of the creditworthiness of project owners and the collection remedy of contractor's lien accorded contractor in certain cases.

The tables below summarize the credit quality of the Group's neither past due nor impaired loans and receivables.

	March 31, 2017		
	Neither Past Due nor Impaired		
(In Thousand Pesos)	**High Grade**	**Standard Grade**	**Total**
Trade receivables	**₱2,315,503**	**2,006,413**	**₱4,321,916**
Receivable from sale of investment properties	**22,259**	**–**	**22,259**
Other receivables	**39,017**	**563**	**39,580**
Due from related parties	**81,910**	–	**81,910**
Receivable from customer	**392,269**	–	**392,269**
Miscellaneous deposits	**4,801**	–	**4,801**
Receivable from EEI-RFI	**223,000**	**–**	**223,000**
	₱3,078,759	**₱2,006,976**	**₱5,085,735**

	December 31, 2016		
	Neither Past Due nor Impaired		
(In Thousand Pesos)	High Grade	Standard Grade	Total
Trade receivables	₱1,151,690	2,679,898	₱3,831,588
Receivable from sale of investment properties	30,114	–	30,114
Other receivables	44,402	2,371	46,774
Due from related parties	79,415	–	79,415
Receivable from customer	380,297	–	380,297
Miscellaneous deposits	380	29	409
Receivable from EEI-RFI	223,000	–	223,000
	₱1,909,298	₱2,682,298	₱4,591,596

Neither past due nor impaired trade receivables, consultancy fees, other receivables and miscellaneous deposits are classified into 'high grade' and 'standard grade'. Neither past due nor impaired cash and cash equivalents, due from related parties and receivables from EEI-RFI are normally 'high grade' in nature. The Group sets financial assets as 'high grade' based on the Group's positive collection experience. On the other hand, 'standard grade' are those which have credit history of default in payments.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecasts approved by BOD.

The tables below summarize the maturity profile of the Group's financial assets. The maturity groupings are based on the remaining period from the end of the reporting period to the contractual maturity date.

	March 31, 2017				
(In Thousand Pesos)	**On demand**	**< 1 year**	**1 to < 2 years**	**> 2 years**	**Total**
Financial Liabilities					
Accounts payable and accrued expenses*	**₱2,823,992**	**₱751,599**	**₱526,740**	**₱168,832**	**₱4,271,162**
Bank loans					
Peso loan	–	**2,495,000**	–	–	**2,495,000**
Interest	–	**20,908**	–	–	**20,908**
Long-term debt					
Peso loan	–	**285,714**	**357,143**	**785,714**	**1,428,571**
Interest	–	**31,524**	**69,627**	**127,018**	**228,170**
Due to related parties	**155,255**	–	–	–	**155,255**
	2,979,247	**3,584,745**	**953,510**	**1,081,564**	**8,599,066**
Financial Assets					
Cash					
Cash on hand and in banks	**523,437**	–	–	–	**523,437**
Short-term investments	**1,116**	–	–	–	**1,116**
Receivables					
Trade receivables	**2,886,533**	**2,684,506**	**37,775**	**4,041**	**5,612,855**
Consultancy fees	–	**308,286**	–	–	**308,286**
Other receivables	**43,575**	**8,046**	**2,458**	**1,881**	**55,961**
Due from related parties	**81,910**	–	–	–	**81,910**
	3,536,572	**3,000,838**	**40,233**	**5,922**	**6,583,565**
Liquidity gap (position)	**(₱ 557,325)**	**₱ 583,907**	**₱913,277**	**₱1,075,642**	**₱2,015,501**

**Excludes statutory liabilities*

	December 31, 2016				
(In Thousand Pesos)	On demand	< 1 year	1 to < 2 years	> 2 years	Total
Financial Liabilities					
Accounts payable and accrued expenses*	₱2,733,272	₱683,598	₱685,736	₱992	₱4,103,598
Bank loans					
Peso loan	–	2,950,000	–	–	2,950,000
Interest	–	12,760	–	–	12,760
Long-term debt					
Peso loan	–	285,714	285,714	928,571	1,500,000
Interest	–	67,288	53,491	81,004	201,783
Due to related parties	164,538	–	–	–	164,538
	2,897,810	3,999,360	1,024,941	1,010,568	8,932,680
Financial Assets					
Cash					
Cash on hand and in banks	1,027,902	–	–	–	1,027,902
Short-term investments	1,116	–	–	–	1,116
Receivables					
Trade receivables	2,033,246	3,731,210	8,467	7,355	5,780,278
Consultancy fees	–	305,946	–	–	305,946
Other receivables	39,962	10,478	874	859	52,174
Due from related parties	79,415	–	–	–	79,415
	3,181,641	4,047,634	9,341	8,215	7,246,831
Liquidity gap (position)	(₱283,831)	(₱48,274)	₱1,015,600	₱1,002,353	₱1,685,849

**Excludes statutory liabilities*

Foreign currency risk

Currency risk is the potential decline in the value of the financial instruments due to exchange rate fluctuations. The Group's currency arise mainly from cash and receivables which are denominated in a currency other than the Group's functional currency or will be denominated in such a currency.

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar (USD), Singapore dollar (SGD), Euro (EUR) and Japan yen (YEN) currency rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities):

	March 31, 2017		December 31, 2016	
	Percentage increase/decrease in foreign currency	**Effect on profit before tax (in PHP)**	Percentage increase/ decrease in foreign currency	Effect on profit before tax (in PHP)
USD	**+ 4.0%**	**₱1,234,605**	+ 2.1%	₱1,316,205
SGD	**+ 0.5%**	**64,207**	+ 4.1%	495,498
EUR	**+ 0.2%**	**1,821**	+ 1.9%	15,917
YEN	**+0.2 %**	**56**	+ 3.9%	948
GBP	**+ 0.1%**	**5**	+ 1.8%	214
USD	**- 4.0%**	**(₱1,234,605)**	- 2.1%	(₱1,316,205)
SGD	**- 0.5%**	**(64,207)**	- 4.1%	(495,498)
EUR	**- 0.2%**	**(1,821)**	- 1.9%	(15,917)
YEN	**- 0.2%**	**(56)**	- 3.9%	(948)
GBP	**- 0.1%**	**(5)**	- 1.8%	(214)

The forecasted movements in percentages used were sourced by management from an affiliated bank.

The foreign currency denominated financial assets and financial liabilities in original currencies and equivalents to the functional and presentation currency are as follows:

	March 31, 2017					
(In Thousand Pesos)	**USD[1]**	**SGD[2]**	**EUR[3]**	**YEN[4]**	**GBP[5]**	**Equivalents in PHP**
Financial assets						
Cash and cash equivalents	**\$391,026**	**S\$347,022**	**€16,743**	**¥57,920**	**£−**	**₱32,512**
Receivables	**329,141**	**−**	**8,550**	**−**	**−**	**16,979**
	720,167	**347,022**	**25,293**	**57,920**	**−**	**49,491**
Financial liabilities						
Accounts payable and accrued expenses	**99,762**	**−**	**10,412**	**−**	**200**	**5,578**
	\$620,404	**S\$347,022**	**€14,881**	**¥57,920**	**(£200)**	**₱43,913**

	December 31, 2016					
(In Thousand Pesos)	USD[1]	SGD[2]	EUR[3]	YEN[4]	GBP[5]	Equivalents in PHP
Financial assets						
Cash and cash equivalents	\$1,212,826	S\$353,997	€16,740	¥57,919	£−	₱73,354
Receivables	196,780	−	−	−	−	9,784
	1,409,606	353,997	16,740	57,919	−	83,138
Financial liabilities						
Accounts payable and accrued expenses	156,078	−	−	−	200	7,772
	\$1,253,528	S\$353,997	€16,740	¥57,919	(£200)	₱75,366

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains 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 or issue new shares. No changes were made in the objectives, policies or processes as at March 31, 2017 and December 31, 2016.

The Group considers total equity as its capital.

The Group monitors capital using a debt-to-equity ratio, which is total liabilities divided by total equity. The Group's policy is to maintain a debt-to-equity ratio lower than 3:1.

(In Thousand Pesos)	**March 31, 2017**	December 31, 2016
Current liabilities	**₱12,674,489**	₱ 13,073,091
Noncurrent liabilities	**1,209,569**	1,286,279
Total liabilities (a)	**13,884,058**	14,359,370
Equity (b)	**6,141,816**	5,843,724
Debt to Equity Ratio (a/b)	**2.26:1**	2.46:1

Signed:

REBECCA R. TONGSON
VP & CONTROLLER

EEI CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AS AMENDED

MARCH 31, 2017

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68, as Amended (2011) that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

The Group is not required to disclose the financial assets in equity securities as the total available-for-sale (AFS) financial assets amounting ₱388.8 million do not constitute 5% or more of the total current assets of the Group as at March 31, 2017.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Below is the schedule of advances to officers and employees of the Group with balances above ₱100,000 as at March 31, 2017:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of period
Macapagal, Norman K. (Senior Vice President)	₱1,532,053	₱3,285	(₱3,285)	₱1,532,053
Alonzo, Antonina J. (Group Supervisor)	121,292	–	–	121,292
Canero, Raul C. (Supervisor)	117,460	–	–	117,460
Burgos, Manuel B. (Construction Manager)	108,150	–	–	108,150
Albarda, Joh Christian (Junior Cost Engineer)	166,866	–	(19,097)	147,769
Largosta, Christopher M. (Accounting Supervisor)	149,670	–	(6,000)	143,670
Sunga, Renato Z. (HRD Training Supervisor)	204,704	–	(204,704)	–
Matibag, Jun E. (Rigger A)	131,582	–	(9,000)	122,582
Bernal, Edgardo A. (Group Supervisor)	125,549	–	–	125,549
Alcaraz, Jimmy S. (Supervisor, MEPF)	172,643	–	(9,798)	162,845
Bundalian, Rolando S. (Manager, Equipment)	101,760	–	–	101,760
Lalisan, Bernabe O. (Foreman, Scaffolding)	120,778	–	(12,500)	108,278
Tampos Jr. Eduardo C. (Foreman, Equipt./Tools Ctrl)	113,445	190,000	(14,500)	228,945
Abrangan, Edmundo F. (Foreman, Warehousing)	129,268	36,400	–	165,668
Alon, Ronaldo M. (Supervisor, Logistic)	100,000	–	–	100,000
Puyat, Gil S. (Construction Manager)	167,526	699,000	(586,525)	280,001
Agtoto, Jerry O. (Project Manager)	–	100,000	–	100,000
Lascona, Bonifacio U. (Optr., MDE – Crane)	–	109,508	–	109,508
Menchero, Fortunato S. (Supervisor, HRD Field Admin)	–	250,080	(15,000)	235,080
Nicol, Franklyn N. (Welder-Pipe)	–	184,574	(6,000)	178,574
Padrique, Danilo N. (Foreman, Gen Eqpt. SVc /Prv. M)	–	100,000	–	100,000
Penas, Abrilleno F. (Supervisor, Safety)	–	208,920	(40,800)	168,120
Saludadez, Juanito T. (Foreman, Facilities)	–	119,515	–	119,515
Satur, Salustiano O. (Superintendent, Construction)	–	106,947	–	106,947
Lachica, Ryan H. (Staff Compensation II)	–	198,922	(60,318)	138,604
Cruz F. Garizaldy (AVP – Sales & Marketing)	535,152	-	–	535,152
Realin H. Marco Dindo (Product Manager III)	668,405	-	–	668,405
Reyes, B. Roberto Jr. (Support Group Head)	116,330	-	(15,000)	101,330
	₱4,882,633	**₱2,307,151**	**(₱1,002,527)**	**₱6,187,256**

The amounts of advances to employees as shown above are classified under current assets. There were no amounts written off during the year.

Schedule C. Amounts Receivable from/Payable to Related Parties which are Eliminated during the Consolidation of Interim Financial Statements

The following is the schedule of receivables from related parties, which are eliminated in the interim consolidated financial statements as at March 31, 2017:

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts Collected	Balance at end of year
EEI Realty Corp	₱55,565,959	₱178,027	(₱4,420,064)	51,323,922
EEI Power Corp.	33,459,874	90,415,237	(6,973,362)	116,901,749
Gulf Asia International Corp.	12,089,941	689,888	–	12,779,829
GAIC Manpower Services Inc.	897	35,688	(24,413)	12,172
Philrock Construction & Services, Inc.	42,117,353	–	–	42,117,353
Philmark, Inc.	33,704,596	–	–	33,704,596
Equipment Engineers, Inc.	67,501,882	2,362,383	(2,210,702)	67,653,563
EEI Construction & Marine, Inc.	9,745,955	1,796,924	(3,732,839)	7,810,040
EEI Corporation (GUAM) Inc.	2,438,444	–	–	2,438,444
Bagumbayan Equipment Industrial Products, Inc.	–	–	–	–
EEI Limited	–	–	–	–
	₱256,624,901	**₱95,478,147**	**(₱17,361,380)**	**₱334,741,668**

The following is the schedule of payable to related parties, which are eliminated in the interim consolidated financial statements as at March 31, 2017:

Name and Designation of Creditor	Balance at beginning of year	Additions	Amounts Paid	Balance at end of year
EEI Limited (formerly EEI BVI Ltd.)	₱30,102,784	₱241,664	–	30,344,448
EEI Construction & Marine, Inc.	86,687,517	99,389,397	(44,954,638)	141,122,276
Equipment Engineers, Inc.	64,867,779	53,706,646	(46,017,723)	72,556,702
EEI Subic Corporation	89,079,662	–	–	89,079,662
Gulf Asia International Corp.	448,663	5,141,177	(5,567,206)	22,634
GAIC Manpower Services Inc.	969,930	1,351,495	(1,450,738)	870,687
Bagumbayan Equipment Industrial Products, Inc.	1,480,605	5,750	(8,625)	1,477,730
EEI Realty Corp	221,216	213,688	(193,488)	241,416
EEI Power Corp.	–	–	–	–
EEI Nouvelle Caledonie	–	–	–	–
	₱273,858,156	**₱160,049,817**	**(₱98,192,418)**	**₱335,715,555**

Schedule D. Intangible Asset

The Group has intangible asset amounting ₱1.6 million as at March 31, 2017.

Description	Beginning balance	Additions of cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Software Cost (included in "Other Noncurrent Assets" account in the statement of financial position	₱2,073,257	₱ –	₱466,822	₱ –	₱ –	₱1,606,435

Schedule E. Long-term Debt

Below is the schedule of long-term debt of the Group as at March 31, 2017:

Type of Obligation	Amount	Current	Noncurrent	Collateral
Parent Company				
Fixed-rate corporate promissory notes with effective annual interest of 5.1875% on first draw down and 5.1667% on second draw down in February 2014, and 4.8% on subsequent drawdowns starting May 2015 for seven (7) years.	₱1,035,714,286	₱214,285,715	₱821,428,571	Clean/No Collateral
EEI Power				
Peso-denominated seven (7) year term loan, payable quarterly starting November 2015 with annual interest of 4.8%	392,857,142	71,428,571	321,428,571	With Corporate Guarantee
	₱1,428,571,428	**₱285,714,286**	**₱1,142,857,142**	

Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)

The Group has no long term indebtedness to related parties as at March 31, 2017.

Schedule G. Guarantees of Securities of Other Issuers

There are no guarantees of securities of other issuing entities by the Group as at March 31, 2017.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,036,281,485	35,000,000	605,521,599	3,571,740	427,188,146
Preferred Shares	400,000,000	–	–	–	–	–

EEI CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT MARCH 31, 2017 and DECEMBER 31, 2016

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the period ended March 31, 2017 and December 2016:

Financial ratios		**03.31.17**	12.31.16
Current ratio	Current assets / Current liabilities	**1.03:1**	1.04:1
Solvency ratio	Net income (loss) plus depreciation / Total liabilities	**0.01:1**	(0.10):1
Debt to equity ratio	Total liabilities / Total equity	**2.26:1**	2.46:1
Asset-to-equity ratio	Total assets / Total equity	**3.26:1**	3.46:1
Interest rate coverage ratio	EBIT* / Interest expense	**10.89:1**	(3.20):1
Return on assets	Net income (loss) / Average total assets	**1%**	(4%)
Return on equity	Net income (loss) / Average total equity	**5%**	(13%)

**Earnings before interest and taxes (EBIT)*

EEI CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated retained earnings, January 1, 2017	₱3,010,568,122
Less: Deferred tax asset	-
Unappropriated retained earnings, January 1, 2017, as adjusted	3,010,568,122
Net income during the period closed to retained earnings	184,940,554
Add: Unrealized foreign exchange loss, after tax	-
Less: Dividend declarations during the year	-
Treasury stock	(3,720,790)
Unappropriated retained earnings available for dividend distribution, March 31, 2017	₱3,191,787,886

EEI CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS AS AT MARCH 31, 2017

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as at March 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2017		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Hedge Accounting			✓
PFRS 8	Operating Segments	✓		
PFRS 9 (final version)	Financial Instruments		✓*	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		

**Not early adopted*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 10	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓**	
	Amendments to PFRS 10: Investment Entities - Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities - Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓*	
	Amendments to PFRS 15, Clarifications to PFRS 15		✓*	
PFRS 16	Leases		✓*	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1, Disclosure Initiative	✓		
PAS 2	Inventories	✓		

**Not early adopted*
***Effectivity was deferred by the Financial Reporting Standards Council*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative		✓*	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓*	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Agriculture - Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		

**Not early adopted*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 28 (Amended)	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓**	
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		

*****Effectivity was deferred by the Financial Reporting Standards Council*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 39	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property		✓*	
PAS 41	Agriculture			✓
	Amendments to PAS 41: Agriculture - Bearer Plants			✓
Annual Improvements to PFRSs				
Improvements to PFRSs (2008)		✓		
Improvements to PFRSs (2009)		✓		
Improvements to PFRSs (2010)		✓		
Annual Improvements to PFRSs (2009-2011 Cycle)		✓		
Annual Improvements to PFRSs (2010-2012 Cycle)		✓		

**Not early adopted*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2017		Adopted	Not Adopted	Not Applicable
Annual Improvements to PFRSs (2011-2013 Cycle)		✓		
Annual Improvements to PFRSs (2012-2014 Cycle)		✓		
Annual Improvements to PFRSs (2014-2016 Cycle)			✓*	
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓

**Not early adopted*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓*	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Not early adopted*

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the period ended March 31, 2017.

Standards tagged as “Not adopted” are standards issued but not yet effective as at March 31, 2017. The Group will adopt the Standards and Interpretations when these become effective.

EEI CORPORATION AND SUBSIDIARIES

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as at March 31, 2017: