COVER SHEET

CS200801099
S. E. C. Registration Number

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Company's Full Name)

5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave. Bo. Ugong, Pasig City 1604 Metro Manila
(Business Address: No. Street City/Town/Province)

Atty. Julie Ann B. Domino-Pablo
Contact Person

+632-53171000
Company Telephone Number

1 2	3 1	SEC Form 17-Q (1st Quarter ended 31 March 2023)	0 6	1st Tues.
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION
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, 2023**

2. Commission identification number **CS2008-01099**

3. BIR Tax Identification No **006-960-000-000**

4. Exact name of issuer as specified in its charter
   SAN MIGUEL GLOBAL POWER HOLDINGS CORP.

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

6. Industry Classification Code: (SEC Use Only)

7. **5th Floor, C5 Office Building Complex,**
   #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong
   Pasig City 1604, Metro Manila **1604**
   Address of issuer's principal office Postal Code

8. **(632) 5317-1000**
   Issuer's telephone number, including area code

9. **SMC GLOBAL POWER HOLDINGS CORP.**
   Former name, former address and former fiscal year, if changed since last report

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

    P15 billion worth of Fixed Rate Bonds issued in July 2016
    P20 billion worth of Fixed Rate Bonds issued in December 2017
    P15 billion worth of Fixed Rate Bonds issued in August 2018
    P30 billion worth of Fixed Rate Bonds issued in April 2019
    P40 billion worth of Fixed Rate Bonds issued in July 2022

	Number of shares of stock and debt outstanding (as of March 31, 2023)
Common Shares	**1,250,004,000**
Consolidated Total Liabilities (in Thousands)	**P436,642,097**

11. Are any or all of the securities listed on a Stock Exchange?
    Yes [ ] No [√]

    If yes, state name of such Stock Exchange and the class/es of securities listed herein. N/A

12. Indicate by check mark whether the registrant:

(a) has filed all 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.
Yes [√] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [√] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Global Power Holdings Corp. ("San Miguel Global Power" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2023 (with comparative figures as of December 31, 2022 and for the period ended March 31, 2022) and Selected Notes to the Consolidated Financial Statements are hereto attached as **Annex "A"**.

Item 2. Management's Discussion and Analysis of Financial Position and Financial Performance.

The information required by Part III, Paragraph (A)(2)(b) of "Annex C" is attached hereto as **Annex "B"**.

PART II - OTHER INFORMATION

There are no other information to be disclosed under this Part II which has not been previously reported by SMC Global Power in a report under SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer	**SAN MIGUEL GLOBAL POWER HOLDINGS CORP.**
Signature and Title	**PAUL BERNARD D. CAUSON** Chief Finance Officer/ Authorized Signatory
Date	May 15, 2023
Signature and Title	**RAMON U. AGAY** Comptroller/ Authorized Signatory
Date	May 15, 2023

ANNEX "A"

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
(A Wholly-owned Subsidiary of San Miguel Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2023 AND DECEMBER 31, 2022
(In Thousands)

	Note	**2023 (Unaudited)**	2022 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 16, 17*	**P17,657,967**	P22,726,236
Trade and other receivables - net	*7, 10, 16, 17*	**107,025,931**	105,939,341
Inventories		**12,864,500**	16,822,159
Prepaid expenses and other current assets	*16, 17*	**36,694,264**	43,292,852
Total Current Assets		**174,242,662**	188,780,588
Noncurrent Assets			
Investments and advances - net		**8,823,274**	7,854,591
Property, plant and equipment - net	*8*	**316,212,152**	304,412,525
Right-of-use assets - net	*5*	**107,826,353**	106,609,844
Goodwill and other intangible assets - net		**71,738,752**	71,764,559
Deferred tax assets		**2,054,740**	2,280,281
Other noncurrent assets	*16, 17*	**39,572,630**	35,812,345
Total Noncurrent Assets		**546,227,901**	528,734,145
		P720,470,563	P717,514,733
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*16, 17*	**P21,000,000**	P21,000,000
Accounts payable and accrued expenses	*10, 16, 17*	**84,029,785**	84,447,174
Lease liabilities - current portion	*5, 16, 17*	**19,274,927**	19,185,386
Income tax payable		**372,638**	326,144
Current maturities of long-term debt - net of debt issue costs	*9, 16, 17*	**28,740,617**	63,721,744
Total Current Liabilities		**153,417,967**	188,680,448
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*9, 16, 17*	**217,931,898**	208,430,880
Deferred tax liabilities		**20,438,801**	19,364,348
Lease liabilities - net of current portion	*5, 16, 17*	**37,538,494**	40,772,724
Other noncurrent liabilities	*16, 17*	**7,314,937**	7,949,774
Total Noncurrent Liabilities		**283,224,130**	276,517,726
Total Liabilities		**436,642,097**	465,198,174

Forward

	Note	2023 (Unaudited)	2022 (Audited)
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**P1,250,004**	P1,250,004
Additional paid-in capital		**2,490,000**	2,490,000
Senior perpetual capital securities		**161,767,709**	161,767,709
Redeemable perpetual securities	*11*	**79,312,182**	51,934,069
Equity reserves		**(1,537,893)**	(1,558,950)
Retained earnings		**39,617,753**	35,526,185
		282,899,755	251,409,017
Non-controlling Interests		**928,711**	907,542
Total Equity		**283,828,466**	252,316,559
		P720,470,563	P717,514,733

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
(A Wholly-owned Subsidiary of San Miguel Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022
(In Thousands, Except Per Share Data)

	Note	**2023 (Unaudited)**	2022 (Unaudited)
REVENUES	*4, 10, 12*	**P41,123,900**	P43,036,057
COST OF POWER SOLD	*10, 13*	**32,093,981**	35,138,980
GROSS PROFIT		**9,029,919**	7,897,077
SELLING AND ADMINISTRATIVE EXPENSES	*7, 8*	**(1,467,846)**	(1,158,134)
OTHER OPERATING INCOME		**12,460**	50,955
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*5, 9*	**(4,397,810)**	(4,092,076)
INTEREST INCOME	*6*	**366,533**	216,824
EQUITY IN NET EARNINGS OF AN ASSOCIATE AND JOINT VENTURES		**164,270**	60,373
OTHER INCOME - Net	*14*	**3,315,719**	365,958
INCOME BEFORE INCOME TAX		**7,023,245**	3,340,977
INCOME TAX EXPENSE		**1,678,776**	1,413,326
NET INCOME		**P5,344,469**	P1,927,651
Attributable to:			
Equity holders of the Parent Company		**P5,323,300**	P1,895,982
Non-controlling interests		**21,169**	31,669
		P5,344,469	P1,927,651
Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company			
Basic/diluted	*15*	**P0.43**	(P1.79)

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
(A Wholly-owned Subsidiary of San Miguel Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022
(In Thousands)

	Note	**2023 (Unaudited)**	2022 (Unaudited)
NET INCOME		**P5,344,469**	P1,927,651
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to profit or loss			
Gain (loss) on exchange differences on translation of foreign operations		**(10,172)**	5,566
Net gain on cash flow hedges	*17*	**31,229**	11,523
OTHER COMPREHENSIVE INCOME - Net of tax		**21,057**	17,089
TOTAL COMPREHENSIVE INCOME - Net of tax		**P5,365,526**	P1,944,740
Attributable to:			
Equity holders of the Parent Company		**P5,344,357**	P1,913,071
Non-controlling interests		**21,169**	31,669
		P5,365,526	P1,944,740

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
(A Wholly-owned Subsidiary of San Miguel Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022
(In Thousands)

		Equity Attributable to Equity Holders of the Parent Company											
						Equity Reserves							
	Note	Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Equity Reserves	Translation Reserves	Reserve for Retirement Plan	Hedging Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2023 (Audited)		**P1,250,004**	**P2,490,000**	**P161,767,709**	**P51,934,069**	**(P2,378,421)**	**P917,966**	**(P67,266)**	**(P31,229)**	**P35,526,185**	**P251,409,017**	**P907,542**	**P252,316,559**
Net income		-	-	-	-	-	-	-	-	5,323,300	5,323,300	21,169	5,344,469
Other comprehensive income (loss) - net of tax		-	-	-	-	-	(10,172)	-	31,229	-	21,057	-	21,057
Total comprehensive income		-	-	-	-	-	(10,172)	-	31,229	5,323,300	5,344,357	21,169	5,365,526
Issuance of redeemable perpetual securities	*11, 18*	-	-	-	27,378,113	-	-	-	-	-	27,378,113	-	27,378,113
Distributions:													
Senior perpetual capital securities	*11*	-	-	-	-	-	-	-	-	(1,231,732)	(1,231,732)	-	(1,231,732)
Transactions with owners		-	-	-	27,378,113	-	-	-	-	(1,231,732)	26,146,381	-	26,146,381
As at March 31, 2023 (Unaudited)		**P1,250,004**	**2,490,000**	**P161,767,709**	**P79,312,182**	**(P2,378,421)**	**P907,794**	**(P67,266)**	**P -**	**P39,617,753**	**P282,899,755**	**P928,711**	**P283,828,466**
As at January 1, 2022 (Audited)		P1,062,504	P2,490,000	P167,767,364	P32,751,570	(P2,379,442)	P880,548	(P46,195)	P8,809	P48,247,948	P250,783,106	P945,492	P251,728,598
Net income		-	-	-	-	-	-	-	-	1,895,982	1,895,982	31,669	1,927,651
Other comprehensive income - Net of tax		-	-	-	-	-	5,566	-	11,523	-	17,089	-	17,089
Total comprehensive income		-	-	-	-	-	5,566	-	11,523	1,895,982	1,913,071	31,669	1,944,740
Stock issuance cost		-	-	-	-	-	-	-	-	(26,838)	(26,838)	(2,339)	(29,177)
Distributions:													
Redeemable perpetual securities	*11*	-	-	-	-	-	-	-	-	(520,305)	(520,305)	-	(520,305)
Senior perpetual capital securities	*11*	-	-	-	-	-	-	-	-	(1,170,552)	(1,170,552)	-	(1,170,552)
Transactions with owners		-	-	-	-	-	-	-	-	(1,717,695)	(1,717,695)	(2,339)	(1,720,034)
As at March 31, 2022 (Unaudited)		P1,062,504	P2,490,000	P167,767,364	P32,751,570	(P2,379,442)	P886,114	(P46,195)	P20,332	P48,426,235	P250,978,482	P974,822	P251,953,304

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
(A Wholly-owned Subsidiary of San Miguel Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022
(In Thousands)

	Note	**2023 (Unaudited)**	2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P7,023,245**	P3,340,977
Adjustments for:			
Interest expense and other financing charges	*5, 9*	**4,397,810**	4,092,076
Depreciation and amortization	*8, 13*	**2,986,029**	2,940,135
Loss on retirement of fixed assets	*8, 14*	**63,435**	-
Retirement cost		**35,499**	12,519
Impairment loss on trade receivables	*7*	**15,146**	14,871
Reversal of allowance on trade and other receivables	*7, 14*	**(105,560)**	(11,462)
Equity in net earnings of an associate and joint ventures - net		**(164,270)**	(60,373)
Interest income	*6*	**(366,533)**	(216,824)
Unrealized foreign exchange losses (gains) - net		**(5,461,862)**	397,285
Operating income before working capital changes		**8,422,939**	10,509,204
Decrease (increase) in:			
Trade and other receivables - net		**(972,042)**	(11,139,044)
Inventories		**3,957,659**	339,058
Prepaid expenses and other current assets		**6,365,086**	(193,027)
Increase (decrease) in:			
Accounts payable and accrued expenses		**1,017,917**	5,267,671
Other noncurrent liabilities and others		**(725,825)**	196,663
Cash generated from operations		**18,065,734**	4,980,525
Interest income received		**189,793**	197,473
Income taxes paid		**(109,540)**	(68,484)
Interest expense and other financing charges paid		**(4,862,472)**	(3,900,690)
Net cash flows provided by operating activities		**13,283,515**	1,208,824
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible assets		**-**	(34,386)
Additions to investments and advances		**(804,413)**	(45,934)
Advances paid to suppliers and contractors		**(2,306,030)**	(2,856,366)
Increase in other noncurrent assets		**(3,662,486)**	(78,727)
Additions to property, plant and equipment	*8*	**(10,028,739)**	(7,604,345)
Net cash flows used in investing activities		**(16,801,668)**	(10,619,758)

Forward

	Note	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	*18*	**P28,000,000**	P782,100
Proceeds from the issuance of redeemable perpetual securities	*11, 18*	**27,378,113**	-
Proceeds from long-term debt	*9, 18*	**13,641,000**	10,274,000
Payments of stock issuance costs		**-**	(29,177)
Distributions paid to redeemable perpetual securities holder	*11*	**-**	(520,305)
Distributions paid to senior perpetual capital securities holders	*11*	**(1,231,732)**	(1,170,552)
Payments of lease liabilities	*5, 18*	**(4,652,729)**	(6,503,642)
Payments of short-term borrowings	*18*	**(28,000,000)**	(1,564,200)
Payments of long-term debts	*9, 18*	**(36,576,358)**	(926,686)
Net cash flows provided by (used in) financing activities		**(1,441,706)**	341,538
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(108,410)**	402,539
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,068,269)**	(8,666,857)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**22,726,236**	67,690,151
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*6*	**P17,657,967**	P59,023,294

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SAN MIGUEL GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
MARCH 31, 2023
(Amounts in Thousands)

	Total	Current	Past Due			
			1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days
Trade	₱ 88,777,209	₱ 45,514,712	₱ 4,268,089	₱ 4,230,883	₱ 4,675,967	₱ 30,087,558
Non-trade	10,936,132	5,383,356	227,678	267,079	13,392	5,044,627
Amounts owed by related parties	9,900,634	8,164,672	70,366	37,790	124,257	1,503,549
Total	109,613,975	₱ 59,062,740	₱ 4,566,133	₱ 4,535,752	₱ 4,813,616	₱ 36,635,734
Less allowance for impairment losses	2,588,044					
Net	**₱ 107,025,931**					

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
(A Wholly-owned Subsidiary of San Miguel Corporation)
AND SUBSIDIARIES

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Per Share Data and Number of Shares)

1. Reporting Entity

San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.) (the "Parent Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on January 23, 2008, and its primary purpose of business is to purchase, sell, assign, lease, develop, operate and dispose of all properties of every kind and description, and shares of stocks or other securities or obligations, created or issued by any corporation or other entity. The Parent Company has a perpetual corporate life in accordance with the Revised Corporation Code of the Philippines which took effect on February 23, 2019.

The accompanying interim consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries (collectively referred to as the Group) and the Group's interests in an associate and joint ventures.

The Parent Company is a wholly-owned subsidiary of San Miguel Corporation (SMC). The ultimate parent company of the Group is Top Frontier Investment Holdings, Inc. (Top Frontier). SMC and Top Frontier are public companies under Section 17.2 of the Securities Regulation Code and whose shares are listed on The Philippine Stock Exchange, Inc.

On December 21, 2022, the stockholders of the Parent Company approved by written assent the change in its corporate name from "SMC Global Power Holdings Corp." to "San Miguel Global Power Holdings Corp." after this was unanimously approved by the Board of Directors (BOD) during the meeting held on December 5, 2022. The change in corporate name was approved by the Philippine SEC on March 22, 2023.

2. Summary of Significant Accounting and Financial Reporting Policies

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting,* and do not include all the information required in the annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2022.

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the BOD on May 2, 2023.

The consolidated financial statements are presented in Philippine Peso and all financial information are rounded off to the nearest thousand (000), except when otherwise indicated.

The principal accounting policies adopted in the preparation of the interim consolidated financial statements of the Group are consistent with those followed in the most recent annual audited consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amended Standards
The Financial and Sustainability Reporting Standards Council (FSRSC) approved the adoption of a number of amended standards as part of Philippine Financial Reporting Standards (PFRS).

Amendments to Standards Adopted in 2023

The Group has adopted the following amendments to PFRS effective January 1, 2023 and accordingly, changed its accounting policies in the following areas:

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

The adoption of the amendments to standards did not have a material effect on the interim consolidated financial statements.

Amendments to Standards Not Yet Adopted

A number of amended standards are effective for annual periods beginning after January 1, 2023 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

The Group will adopt the following amended standards on the respective effective dates:

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:

    - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.

- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

  The amendments are effective for annual reporting periods beginning or after January 1, 2024, with earlier application permitted. Under PAS 8, the amendments apply retrospectively to sale and leaseback transactions entered into or after the date of initial adoption of PFRS 16.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;

  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and

  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

Deferral of the local implementation of Amendments to PFRS 10*, Consolidated Financial Statements,* and PAS 28, *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

- The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. However, on January 13, 2016, the FSRSC decided to postpone the effective date until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Financial Instruments
Recognition and Initial Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets
The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how employees of the business are compensated; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial assets acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, trade and other receivables, noncurrent receivables and restricted cash are included under this category (Notes 6, 7, 16 and 17).

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 and are subject to an insignificant risk of changes in value.

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in the consolidated statements of income. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are transferred to and recognized in the consolidated statements of income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to the consolidated statements of income.

The Group's derivative assets that are designated as cash flow hedge are classified under this category (Notes 16 and 17).

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. These include derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 16 and 17).

Financial Liabilities

The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities that are not classified as cash flow hedge are classified under this category (Notes 16 and 17).

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statements of income. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the consolidated statements of income.

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category (Notes 9, 16 and 17).

<u>Derecognition of Financial Assets and Financial Liabilities</u>

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

- 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: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

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 is required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When 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. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income.

Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3. Use of Judgments, Estimates and Assumptions

In preparing these interim consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied in the audited consolidated financial statements as at and for the year ended December 31, 2022.

4. Segment Information

Operating Segments

The Group's operations are segmented into four businesses: a) power generation, b) retail and other power-related services and c) others consistent with the reports prepared internally for use by the Group's chief operating decision maker in reviewing the business performance of the operating segments. The differing economic characteristics and activities of these operating segments make it more useful to users of the interim consolidated financial statements to have information about each component of the Group's profit or loss, assets and liabilities.

The coal mining companies, which were acquired in 2010, have not yet started commercial operations and remained in the preparatory stages of mining activities until they were sold in December 2022 and, hence, no longer an operating segment.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, right-of-use assets, net of allowances, accumulated depreciation and amortization, and impairment, and other noncurrent assets. Segment liabilities include all operating liabilities and consist primarily of loans payable, accounts payable and accrued expenses, lease liabilities, and other noncurrent liabilities. Segment assets and liabilities do not include deferred taxes. Capital expenditures consist of additions to property, plant and equipment of each reportable segment.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in consolidation.

The Group operates only in the Philippines which is treated as a single geographical segment.

Major Customers

The Group sells, retails and distributes power, through power supply agreements, retail supply contracts, concession agreement and other power-related service agreements, either directly to customers (other generators, distribution utilities, electric cooperatives and industrial customers) or through the Philippine Wholesale Electricity Spot Market (WESM). Sale of power to Manila Electric Company (Meralco) amounting to P14,843,962 and P16,944,085 for the periods ended March 31, 2023 and 2022, respectively, represents more than 10% of the Group's total revenues.

For management reporting purposes, the Group's operating segments are organized and managed separately as follows:

Operating Segments

Financial information about reportable segments follows:

	For the Periods Ended March 31									
	Power Generation		Retail and Other Power-related Services		Others		Eliminations		Consolidated	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Revenues										
External	P34,097,060	P36,003,982	P6,950,954	P6,989,926	P75,886	P42,149	P -	P -	P41,123,900	P43,036,057
Inter-segment	5,625,326	3,837,368	-	2,025	415,041	281,263	(6,040,367)	(4,120,656)	-	-
	39,722,386	39,841,350	6,950,954	6,991,951	490,927	323,412	(6,040,367)	(4,120,656)	41,123,900	43,036,057
Costs and Expenses										
Cost of power sold	32,233,824	32,020,662	5,414,473	6,923,566	280,634	189,060	(5,834,950)	(3,994,308)	32,093,981	35,138,980
Selling and administrative expenses	1,167,463	929,262	254,485	209,146	587,537	426,679	(541,639)	(406,953)	1,467,846	1,158,134
	33,401,287	32,949,924	5,668,958	7,132,712	868,171	615,739	(6,376,589)	(4,401,261)	33,561,827	36,297,114
Other operating income (loss) - net	14,754	11,874	(21,883)	19,847	213,849	378,336	(194,260)	(359,102)	12,460	50,955
Segment Result	P6,335,853	P6,903,300	P1,260,113	(P120,914)	(P163,395)	P86,009	P141,962	(P78,497)	P7,574,533	P6,789,898
Interest expense and other financing charges									(4,397,810)	(4,092,076)
Interest income									366,533	216,824
Equity in net earnings of an associate and joint ventures - net									164,270	60,373
Other income - net									3,315,719	365,958
Income tax expense									(1,678,776)	(1,413,326)
Consolidated Net Income									P5,344,469	P1,927,651

	As at and For the Periods Ended									
	Power Generation		Retail and Other Power-related Services		Others		Eliminations		Consolidated	
	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Other Information										
Segment assets	P563,997,144	P558,444,220	P55,289,060	P54,575,033	P173,289,281	P186,084,090	(P154,721,688)	(P163,488,041)	P637,853,797	P635,615,302
Investments and advances – net	7,142,718	6,966,614	253,510	241,714	313,763,552	321,673,220	(312,336,506)	(321,026,957)	8,823,274	7,854,591
Goodwill and other intangible assets – net									71,738,752	71,764,559
Deferred tax assets									2,054,740	2,280,281
Consolidated Total Assets									P720,470,563	P717,514,733
Segment liabilities	P322,201,297	P314,934,119	P25,688,148	P25,579,422	P48,965,446	P39,563,339	(P227,696,748)	(P206,721,822)	P169,158,143	P173,355,058
Long-term debt - net									246,672,515	272,152,624
Income tax payable									372,638	326,144
Deferred tax liabilities									20,438,801	19,364,348
Consolidated Total Liabilities									P436,642,097	P465,198,174
Capital expenditures	P9,873,240	P37,289,829	P183,909	P7,593,908	P63,634	P4,014,044	(P92,044)	(P421,883)	P10,028,739	P48,475,898
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	2,487,723	9,790,102	450,981	1,936,911	53,507	223,971	(6,182)	(29,293)	2,986,029	11,921,691
Noncash items other than depreciation and amortization	(3,560,929)	6,750,315	(191,134)	504,390	(1,865,549)	865,225	-	-	(5,617,612)	8,119,930

**Noncash items other than depreciation and amortization include unrealized foreign exchange losses (gains), retirement cost, equity in net earnings of an associate and joint ventures - net, impairment losses on trade and other receivables (net of reversals), property, plant and equipment, and others.*

5. Significant Agreements and Lease Commitments

Independent Power Producer (IPP) Administration (IPPA) Agreements

As a result of the biddings conducted by Power Sector Assets and Liabilities Management Corporation (PSALM) for the Appointment of the IPP Administrator for the capacity of the following power plants, the Group was declared the winning bidder to act as IPP Administrator through the following appointed subsidiaries:

Subsidiary	Power Plant	Location
Sual Power Inc. [(a)]	Sual Coal - Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
San Roque Hydropower Inc. [(b)]	San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province

[(a)] *SPI, formerly San Miguel Energy Corporation*
[(b)] *SRHI, formerly Strategic Power Devt. Corp.*

South Premiere Power Corp. (SPPC) also became the IPPA for the Ilijan Power Plant, a natural gas-fired combined cycle power plant located in Ilijan, Batangas, in June 2010 until the Ilijan Power Plant was turned over to SPPC in June 2022.

The IPPA Agreements are with the conformity of the National Power Corporation (NPC), a government-owned and controlled corporation created by virtue of Republic Act (RA) No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the IPPA Agreements and further confirms that for so long as it remains the counterparty of the IPP, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The IPPA Agreements include, among others, the following common salient rights and obligations:

i. the right and obligation to manage and control the capacity of the power plant for its own account and at its own cost and risks;

ii. the right to trade, sell or otherwise deal with the capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and at its own cost and risks. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;

iii. the right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the cooperation period or in case of buy-out;

iv. for SPI and SPPC, the right to receive an assignment of NPC’s interest in existing short-term bilateral power supply contracts;

v. the obligation to supply and deliver, at its own cost, fuel required by the IPP and necessary for the Sual Power Plant to generate the electricity required to be produced by the IPP;

vi. maintain the performance bond in full force and effect with a qualified bank; and

vii. the obligation to pay PSALM the monthly payments and energy fees in respect of all electricity generated from the capacity, net of outages.

Relative to the IPPA Agreements, SPI and SRHI have to pay PSALM monthly payments for 15 years until October 1, 2024 and 18 years until April 26, 2028, respectively, while SPPC had to pay for 12 years until June 26, 2022. Energy fees amounted to P362,472 and P5,621,171 for the periods ended March 31, 2023 and 2022, respectively (Note 13). SPI and SRHI renewed their performance bonds amounting to US$58,187 and US$20,305, which will expire on November 3, 2023 and January 25, 2024, respectively.

On June 16, 2015, SPPC renewed its performance bond amounting to US$60,000 with a validity period of one year. This performance bond was subsequently drawn by PSALM on September 4, 2015 which is subject to an ongoing case (Note 18).

The lease liabilities as at March 31, 2023 and December 31, 2022 are carried at amortized cost using the US dollar and Philippine peso discount rates as follows:

	US Dollar	Philippine Peso
SPI	3.89%	8.16%
SRHI	3.30%	7.90%

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreement and recognized as part of "Interest expense and other financing charges" account in the interim consolidated statements of income. Interest expense amounted to P701,294 and P974,654 for the periods ended March 31, 2023 and 2022, respectively.

The power plants under the IPPA lease agreements with PSALM, presented under "Right-of-use assets" account in the consolidated statements of financial position, amounted to P98,222,955 and P99,115,654 as at March 31, 2023 and December 31, 2022, respectively.

The total cash outflows amounted to P5,302,039 and P7,444,710 for the periods ended March 31, 2023 and 2022, respectively.

Maturity analysis of lease payments as at March 31, 2023 and December 31, 2022 are disclosed in Note 16.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**March 31, 2023 (Unaudited)**	December 31, 2022 (Audited)
Cash in banks and on hand		**P14,041,624**	P11,497,773
Short-term investments		**3,616,343**	11,228,463
	16, 17	**P17,657,967**	P22,726,236

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates.

Interest income from cash and cash equivalents amounted to P131,553 and P200,312 for the periods ended March 31, 2023 and 2022, respectively.

7. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**March 31, 2023 (Unaudited)**	December 31, 2022 (Audited)
Trade		**P88,777,209**	P87,921,106
Non-trade		**10,936,132**	10,604,518
Amounts owed by related parties	*10*	**9,900,634**	10,104,701
		109,613,975	108,630,325
Less allowance for impairment losses		**2,588,044**	2,690,984
	16, 17	**P107,025,931**	P105,939,341

Trade and other receivables are non-interest bearing, unsecured and are generally on a 30-day term or an agreed collection period. The balance of trade receivables is inclusive of value-added tax (VAT) on the sale of power collectible from customers.

The movements in the allowance for impairment losses are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**P2,690,984**	P2,672,082
Impairment losses	**15,146**	52,855
Revaluation	**(12,526)**	(11,029)
Reversal	**(105,560)**	(22,924)
Balance at end of period	**P2,588,044**	P2,690,984

Impairment losses recognized in the consolidated statements of income under “Selling and administrative expenses” account amounted to P15,146 and P14,871 for the periods ended March 31, 2023 and 2022, respectively.

In 2023 and 2022, certain trade and other receivables were collected and the related allowance for impairment losses recognized in prior years were reversed accordingly. Reversal of impairment losses on trade receivables recognized in the consolidated statements of income under “Selling and administrative expenses” account amounted to P105,560 and nil for the periods ended March 31, 2023 and 2022, respectively. While reversal of impairment losses on other receivables recognized in the consolidated statements of income under “Other income” account amounted to nil and P11,462 for the periods ended March 31, 2023 and 2022, respectively (Note 14).

8. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2023 and December 31, 2022

	Note	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	Capital Projects in Progress (CPIP)	Total
Cost							
January 1, 2022 (Audited)		P135,947,812	P14,245,698	P5,957,418	P4,057,910	P72,492,589	P232,701,427
Additions		1,008,559	321,728	544,917	5,724	46,594,970	48,475,898
Acquisition of a subsidiary			3,260,025	-	-	-	3,260,025
Reclassifications		48,689,175	440,385	770,310	561,200	3,462,755	53,923,825
Disposals		(465,260)	(4,665,023)	(518,510)	(48,713)	(286,618)	(5,984,124)
Currency translation adjustments			185	1,379	-	-	1,564
December 31, 2022 (Audited)		185,180,286	13,602,998	6,755,514	4,576,121	122,263,696	332,378,615
Additions		61,080	54,587	16,360	-	9,896,712	10,028,739
Reclassifications		969	738,218	318,972	4,774	2,804,048	3,866,981
Retirement/disposal	*14*	(76,428)	-	(1,386)	-	-	(77,814)
Currency translation adjustments		-	(57)	(403)	-	-	(460)
March 31, 2023 (Unaudited)		**185,165,907**	**14,395,746**	**7,089,057**	**4,580,895**	**134,964,456**	**346,196,061**
Accumulated Depreciation and Amortization							
January 1, 2022 (Audited)		18,488,760	642,217	1,214,097	322,847	-	20,667,921
Depreciation and amortization		6,581,518	217,409	405,891	131,108	-	7,335,926
Disposals		(133,171)	-	(86,612)	(29,456)	-	(249,239)
Currency translation adjustments		-	139	1,378	-	-	1,517
December 31, 2022 (Audited)		24,937,107	859,765	1,534,754	424,499	-	27,756,125
Depreciation and amortization		1,807,460	54,477	122,058	31,707	-	2,015,702
Reclassifications		-	-	16,719	-	-	16,719
Retirement/disposal	*14*	(12,993)	-	(1,155)			(14,148)
Currency translation adjustments		-	(49)	(405)	-	-	(454)
March 31, 2023 (Unaudited)		**26,731,574**	**914,193**	**1,671,971**	**456,206**	**-**	**29,773,944**
Accumulated Impairment Losses							
January 1, 2022 (Audited)		-	-	174,974	-	-	174,974
Impairment		-	-	34,991	-	-	34,991
December 31, 2022 (Audited) and March 31, 2023 (Unaudited)		**-**	**-**	**209,965**	**-**	**-**	**209,965**
Carrying Amount							
December 31, 2022 (Audited)		P160,243,179	P12,743,233	P5,010,795	P4,151,622	P122,263,696	P304,412,525
March 31, 2023 (Unaudited)		**P158,434,333**	**P13,481,553**	**P5,207,121**	**P4,124,689**	**P134,964,456**	**P316,212,152**

March 31, 2022

	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	CPIP	Total
Cost						
January 1, 2022 (Audited)	P135,947,812	P14,245,698	P5,957,418	P4,057,910	P72,492,589	P232,701,427
Additions	154,715	4,120	23,065	-	7,422,445	7,604,345
Reclassifications	560,361	-	78,772	92,435	2,475,695	3,207,263
Currency translation adjustments	-	29	214	-	-	243
March 31, 2022 (Unaudited)	136,662,888	14,249,847	6,059,469	4,150,345	82,390,729	243,513,278
Accumulated Depreciation and Amortization						
January 1, 2022 (Audited)	18,488,760	642,217	1,214,097	322,847	-	20,667,921
Depreciation and amortization	1,399,011	54,142	97,696	30,716	-	1,581,565
Reclassifications	-	-	13,544	-	-	13,544
Currency translation adjustments	-	21	213	-	-	234
March 31, 2022 (Unaudited)	19,887,771	696,380	1,325,550	353,563	-	22,263,264
Accumulated Impairment Losses						
January 1, 2022 (Audited) and March 31, 2022 (Unaudited)	-	-	174,974	-	-	174,974
Carrying Amount						
March 31, 2022 (Unaudited)	P116,775,117	P13,553,467	P4,558,945	P3,796,782	P82,390,729	P221,075,040

a. Other equipment includes machinery and equipment, transportation equipment, mining equipment, office equipment and furniture and fixtures.

b. CPIP pertains to the following:

   i. Expenditures of Mariveles Power Generation Corporation related to the construction of its power plant project in Mariveles, Bataan.

   ii. Expenditures of Excellent Energy Resources Inc. (EERI) related to the construction of its combined cycle power plant in Batangas.

   iii. Projects of Universal Power Solutions, Inc. for the construction of battery energy storage system (BESS) facilities and gas turbine generators situated in various locations in the Philippines.

   iv. Projects of Masinloc Power Partners Co. Ltd. (MPPCL) for the construction of the Masinloc Power Plant Units 4 and 5, 20 MW BESS and other related facilities.

   v. Projects of SMCGP Philippines Energy Storage Co. Ltd. for the construction of 10MW BESS Phase 2 facility in Kabankalan, Negros Occidental.

      Following the commercial operations of the 20 MW Kabankalan Phase 1 BESS on January 26, 2022, all related CPIP costs were reclassified to the appropriate property, plant and equipment account.

   vi. Various construction works relating to the respective power plant facilities of Limay Power Inc. (formerly SMC Consolidated Power Corporation) and Malita Power Inc. (formerly San Miguel Consolidated Power Corporation).

c. Depreciation and amortization related to property, plant and equipment are recognized in the consolidated statements of income as follows:

		March 31	
	Note	**2023 (Unaudited)**	2022 (Unaudited)
Cost of power sold	*13*	**P1,864,273**	P1,458,865
Selling and administrative expenses		**151,429**	122,700
		P2,015,702	P1,581,565

For the period ended March 31, 2023, reclassifications include transfers from capital projects in progress account to specific property, plant and equipment accounts and application of advances to contractors against progress billings for capital projects in progress.

In 2022, reclassifications mainly pertain to the Ilijan Power Plant, which was reclassified from the “Right-of-use assets” account following the expiration of its IPPA Agreement with PSALM and its turnover to SPPC, and application of advances to contractors against progress billings for capital projects in progress.

As at March 31, 2023 and December 31, 2022, certain property, plant and equipment amounting to P128,358,455 and P125,728,120, respectively, are pledged as security for syndicated project finance loans (Note 9).

Certain fully depreciated property, plant and equipment with aggregate costs amounting to P5,660,990 and P4,725,837 as at March 31, 2023 and December 31, 2022, respectively, are still being used in the Group’s operations.

9. Long-term Debt

Long-term debt consists of:

	Note	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Bonds			
Parent Company			
Peso-denominated:			
Fixed interest rate of 5.9077%, 7.1051% and 8.0288% maturing in 2025, 2028 and 2032, respectively		**P39,495,836**	P39,475,629
Fixed interest rate of 7.1783% and 7.6000% maturing in 2024 and 2026, respectively		**16,080,041**	16,070,346
Fixed interest rate of 6.7500% maturing in 2023		**14,982,858**	14,971,990
Fixed interest rate of 6.2500% and 6.6250% maturing in 2024 and 2027, respectively		**10,044,440**	10,040,725
Fixed interest rate of 4.7575% and 5.1792% maturing in 2023 and 2026, respectively		**8,823,898**	8,820,612
		89,427,073	89,379,302
Term Loans			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.9265%, with maturities up to 2024		**14,221,766**	14,215,532
Fixed interest rate of 5.0000%, with maturities up to 2025		**4,892,743**	4,889,250
Foreign currency-denominated:			
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, matured in 2023 (a)		**-**	27,858,560
Floating interest rate based on LIBOR plus margin, maturing in 2026		**16,056,234**	16,454,788
Floating interest rate based on LIBOR plus margin, maturing in 2023		**2,704,000**	2,767,364
Floating interest rate based on LIBOR plus margin, maturing in 2024		**10,703,915**	10,955,092
Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2025		**5,354,655**	5,485,079
Floating interest rate based on SOFR plus margin, maturing in 2027		**15,884,260**	16,281,792
Floating interest rate based on SOFR plus margin, maturing in 2027 (b)		**5,338,444**	-
Subsidiaries			
Peso-denominated:			
Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (c)		**34,536,344**	35,177,787
Fixed interest rate of 7.7521% and 6.5077% with maturities up to 2030 (d)		**15,578,511**	15,893,917
Floating rate based on BVAL* plus margin, maturing in 2030 (e)		**8,070,925**	-
Foreign currency-denominated:			
Fixed interest rate of 5.5959%, with maturities up to 2030, respectively (e)		**17,984,647**	24,653,982
Floating interest rate based on LIBOR plus margin, with maturities up to 2030 (e)		**5,918,998**	8,140,179
		157,245,442	182,773,322
	16, 17	**246,672,515**	272,152,624
Less current maturities		**28,740,617**	63,721,744
		P217,931,898	P208,430,880

**Bloomberg Valuation (BVAL) Reference Rates*

a. On March 13, 2023, the Parent Company paid the remaining balance of its US$700,000 term loan facility availed last March 16, 2018, amounting to US$500,000.

   The loan was paid using, in part, the proceeds from the redeemable perpetual securities issued by the Parent Company to SMC (Note 11). The rest was paid from the Parent Company's cashflows from operations.

b. On March 16, 2023, the Parent Company availed of a US$100,000 term loan from a facility agreement executed on March 10, 2023, with a foreign bank. The loan is subject to floating interest rate plus margin and will mature in September 2024.

   The proceeds of the loan, net of transaction-related fees and costs of such facility, were used for general corporate purposes, as well as for various capital expenditures and debt refinancing.

c. On March 28, 2023, LPI made partial payment amounting to P660,000 of its P44,000,000, 12 year term loan, pursuant to the terms and conditions of its Omnibus Loan and Security Agreement (OLSA) with a syndicate of local banks.

d. The loan includes amount payable to Bank of Commerce (BOC), an associate of entities under common control, amounting to P2,372,416 and P2,421,120 as at March 31, 2023 and December 31, 2022, respectively (Note 10).

   On February 17, 2023, MPI made partial payment amounting to P324,186 of its P21,300,000, 12 year term loan, pursuant to the terms and conditions of its OLSA with a syndicate of local banks.

e. On January 17, 2023, MPPCL agreed with local bank lenders to amend its Omnibus Refinancing Agreement (the "Amended ORA"), with an outstanding obligation amounting to US$148,550 as at the agreement date, into a Peso-denominated loan pegged at P8,155,000, subject to floating interest rate with maturities up to January 2030. MPPCL holds a one-time right to convert the loan into a fixed interest rate borrowing on the second anniversary as allowed under the terms of the agreement.

   On January 30, 2023, MPPCL made principal repayments amounting P3,262 pursuant to the terms and conditions of its Amended ORA.

Unamortized debt issue costs amounted to P2,692,227 and P2,713,968 as at March 31, 2023 and December 31, 2022, respectively. Accrued interest amounted to P1,898,292 and P1,554,353 as at March 31, 2023 and December 31, 2022, respectively. Interest expense amounted to P3,173,325 and P2,897,093 for the periods ended March 31, 2023 and 2022, respectively.

On April 28, 2023, MPPCL made principal repayments of loans from its Omnibus Expansion Facility Agreement (OEFA) amounting to US$14,910.

Valuation Technique for Peso-denominated Bonds
The market value was determined using the market comparison technique. The fair values are based on Philippine Dealing and Exchange Corp. (PDEx). The Bonds are traded in an active market and the quotes reflect the actual transactions in identical instruments.

The fair value of the Bonds, amounting to P92,830,580 and P91,771,717 as at March 31, 2023 and December 31, 2022, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 17).

The debt agreements of the Parent Company, LPI, MPI and MPPCL impose a number of covenants including, but not limited to, maintenance of certain financial ratios throughout the duration of the term of the debt agreements. The terms and conditions of the debt agreements also contain negative pledge provision with certain limitations on the ability of the Parent Company and its material subsidiaries, LPI, MPI and MPPCL to create or have outstanding any security interest upon or with respect to any of the present or future business, undertaking, assets or revenue (including any uncalled capital) of the Parent Company or any of its material subsidiaries, LPI, MPI and MPPCL to secure any indebtedness, subject to certain exceptions.

The loans of LPI and MPI are secured by real estate and chattel mortgages, on all present and future assets, amounting to P44,100,000 and P21,325,000, respectively, and reserves of LPI and MPI as well as a pledge by the Parent Company of all its outstanding shares of stock in LPI and MPI.

The loans of MPPCL obtained from its Amended ORA and OEFA are secured by real estate and chattel mortgages, on all present assets (purchased under its asset purchase agreement, and all its rights in a land lease agreement, with PSALM) and all future assets as defined in its loan agreements, amounting to P8,155,000 and US$525,000, respectively.

As at March 31, 2023 and December 31, 2022, the Group is in compliance with the covenants, including the required financial ratios, of the debt agreements.

The movements in debt issue costs are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**P2,713,968**	P2,062,866
Additions	**183,169**	1,742,024
Capitalized amount	**(87,022)**	(296,790)
Amortization	**(117,888)**	(794,132)
Balance at end of period	**P2,692,227**	P2,713,968

Repayment Schedule

The annual maturities of the long-term debts as at March 31, 2023 are as follows:

	Gross Amount				
Year	**US Dollar**	**Peso Equivalent of US Dollar**	**Peso**	**Debt Issue Costs**	**Net**
April 1, 2023 to March 31, 2024	US$80,502	P4,376,116	P24,606,218	P241,717	P28,740,617
April 1, 2024 to March 31, 2025	331,920	18,043,171	35,531,838	491,211	53,083,798
April 1, 2025 to March 31, 2026	433,390	23,559,081	15,726,778	539,457	38,746,402
April 1, 2026 to March 31, 2027	34,913	1,897,844	17,841,521	203,016	19,536,349
April 1, 2027 to March 31, 2028	336,488	18,291,461	10,092,131	569,823	27,813,769
April 1, 2028 and thereafter	277,410	15,080,008	64,318,575	647,003	78,751,580
	US$1,494,623	**P81,247,681**	**P168,117,061**	**P2,692,227**	**P246,672,515**

Contractual terms of the Group’s interest bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 16.

10. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders, associate and joint ventures, purchase products and services from one another in the normal course of business. Transactions with related parties are made at normal market prices and terms. The Group requires approval of the BOD for certain limits on the amount and extent of transactions with related parties.

Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at March 31, 2023 (Unaudited) and December 31, 2022 (Audited):

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
SMC	**2023**	**P209,271**	**P80,378**	**P154,531**	**P628,580**	On demand or 30 days;	Unsecured;
	2022	734,407	704,694	115,068	459,603	non-interest bearing	no impairment
	2023	**-**	**-**	**79,914**	**-**	1 year;	Unsecured;
	2022	-	-	44,456	-	non-interest bearing	no impairment
Entities under Common Control	**2023**	**3,240,865**	**382,992**	**2,015,673**	**10,113,522**	On demand or 30 days;	Unsecured;
	2022	8,008,622	4,506,372	2,215,440	7,799,276	non-interest bearing	no impairment
	2023	**-**	**-**	**15,442,060**	-	Installment basis up to	Unsecured;
	2022	10,694,445	-	15,442,060	-	2026; interest bearing	no impairment
Associate	**2023**	**442,259**	**-**	**713,499**	**28,101**	On demand or 30 days;	Unsecured;
	2022	1,372,626	10,653	742,687	28,101	non-interest bearing	no impairment
	2023	**1,202**	**-**	**81,421**	**-**	9 years;	Unsecured;
	2022	6,104	-	96,632	-	interest bearing	no impairment
Joint Venture	**2023**	**8,083**	**-**	**4,995**	**-**	30 days;	Unsecured;
	2022	32,191	214,455	4,916	-	non-interest bearing	no impairment
	2023	**1,405**	**-**	**158,111**	**-**	92 days;	Unsecured;
	2022	5,673	-	162,692	-	interest bearing	no impairment
	2023	**13,156**	**-**	**1,435,427**	**-**	10.5 years	Unsecured;
	2022	53,354	-	1,078,578	-	interest bearing	no impairment
Associate and Joint Ventures	**2023**	**9,378**	**-**	**-**	**1,157**	30 days;	Unsecured;
of Entities under Common Control	2022	112,889	-	12,016	1,155	non-interest bearing	no impairment
	2023	**-**	**46,139**	**-**	**2,372,416**	12 years;	Secured
	2022	-	196,543	-	2,421,120	interest bearing	
Others	**2023**	**-**	**-**	**-**	**-**	On demand or 30 days;	Unsecured;
	2022	5,096,988	-	-	-	non-interest bearing	no impairment
	2023	**P3,925,619**	**P509,509**	**P20,085,631**	**P13,143,776**		
	2022	P26,117,299	P5,632,717	P19,914,545	P10,709,255		

a. Amounts owed by related parties consist of trade and other receivables, receivables pertaining to the sale of certain parcels of land and investments in 2022, included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the consolidated statements of financial position, derivative assets, prepayments for rent and insurance, and security deposits (Note 7).

b. Amounts owed to related parties consist of trade and non-trade payables, management fees, purchases of fuel, reimbursement of expenses, rent, insurance, services rendered, customers' deposits and subscriptions payable to Olongapo Electricity Distribution Company, Inc. (OEDC).

c. Amounts owed by an associate mainly consist of interest bearing loan granted to OEDC included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the consolidated statements of financial position (Note 7).

d. Amounts owed by a joint venture consists of interest bearing loans granted and management fees charged to Angat Hydropower Corporation by PowerOne Ventures Energy Inc. included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the consolidated statements of financial position (Note 7).

e. Amounts owed to an associate and joint venture of entities under common control pertains to an interest-bearing long-term loan of MPI to BOC, included as part of "Long-term debt" account in the consolidated statements of financial position (Note 9). The loan is secured by certain property, plant and equipment as at March 31, 2023 and December 31, 2022 (Note 8).

f. The compensation of key management personnel of the Group, by benefit type, are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Short-term employee benefits	**P44,482**	P139,090
Retirement cost	**2,720**	10,181
	P47,202	P149,271

There were no known transactions with parties that fall outside the definition "related parties" under PAS 24, *Related Party Disclosures*, but with whom the Group or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

11. Distributions and Issuance of Capital Securities

Issuance of Redeemable Perpetual Securities (RPS)

In 2023 and 2022, the Parent Company and UPSI issued the following US Dollar-denominated and Peso-denominated RPS in favor of SMC (the "RPS Holder"):

Date of Issuance	Distribution Payment Date	Issue Price	Initial Rate of Distribution	Amount of RPS Issued	Amount in Philippine Peso
Parent Company					
US Dollar-denominated:					
November 8, 2022	February 8, May 8, August 8, and November 8 of each year	100%	6.25%	US$85,000	**P4,916,225**
March 10, 2023	June 10, September 10, December 10 and March 10 of each year	100%	8.00%	US$500,000	**27,378,113**
UPSI					
US Dollar-denominated:					
October 28, 2022	January 28, April 28, July 28, and October 28 of each year	100%	6.25%	US$88,000	**5,063,100**
December 1, 2022	March 1, June 1, September 1 and December 1 of each year	100%	6.25%	US$76,000	**4,240,674**
Peso-denominated:					
November 23, 2022	February 23, May 23, August 23 and November 23 of each year	100%	7.50%	P5,000,000	**4,962,500**

Amount in Philippine Peso pertains to proceeds net of directly attributable transaction costs.

The proceeds from the issuances were used for general corporate purposes, including capital expenditures, and refinancing of maturing obligations.

Distributions to Senior Perpetual Capital Securities (SPCS) Holders
In January 2023 and 2022, the Parent Company paid distributions amounting to P1,231,732 and P1,170,552, respectively, to holders of the SPCS issued in January 2020.

In April 2023, the Parent Company paid distributions amounting to US$25,337 and US$25,453 to holders of SPCS issued in October/December 2020 and April/July 2019, respectively.

Distributions to RPS Holder
In March 2022, the Parent Company paid distributions amounting to P520,305 to the RPS Holder.

12. Revenues

Revenues consist of:

		March 31	
	Note	**2023 (Unaudited)**	2022 (Unaudited)
Sale of power:			
Power generation and trading		**P34,097,060**	P36,003,982
Retail and other power-related services		**6,950,954**	6,989,926
Other services		**75,886**	42,149
	4, 10	**P41,123,900**	P43,036,057

Revenues from other services mainly pertain to operations and maintenance services provided by a subsidiary to an entity under common control (Note 10).

13. Cost of Power Sold

Cost of power sold consist of:

		March 31	
	Note	**2023 (Unaudited)**	2022 (Unaudited)
Coal, fuel oil and other consumables	*10*	**P22,085,916**	P19,137,422
Power purchases		**5,472,864**	6,514,469
Depreciation and amortization	*8*	**2,789,353**	2,786,534
Plant operations and maintenance, and other fees		**1,383,376**	1,079,384
Energy fees	*5*	**362,472**	5,621,171
	4	**P32,093,981**	P35,138,980

14. Other Income - net

Other income (charges) consist of:

		March 31	
	Note	**2023 (Unaudited)**	2022 (Unaudited)
Foreign exchange gains (losses) - net	*16, 17*	**P3,695,095**	(P357,633)
Reversal of allowance on other receivables	*7*	**-**	11,462
Loss on retirement of fixed assets	*8*	**(63,435)**	-
Marked-to-market gain (loss) on derivatives	*17*	**(445,495)**	609,842
Miscellaneous income		**129,554**	102,287
		P3,315,719	P365,958

15. Basic and Diluted Earnings Per Share

Basic and diluted earnings per share is computed as follows:

	March 31	
	2023 (Unaudited)	2022 (Unaudited)
Net income attributable to equity holders of the Parent Company	**P5,323,300**	P1,895,982
Distributions for the period to:		
RPS holder	**(1,038,538)**	(521,168)
SPCS holders	**(3,750,049)**	(3,608,639)
Net income (loss) attributable to common shareholders of the Parent Company(a)	**534,713**	(2,233,825)
Weighted average number of common shares outstanding (in thousands) (b)	**1,250,004**	1,250,004
Basic/Diluted Earnings (Loss) Per Share (a/b)	**P0.43**	(P1.79)

As at March 31, 2023 and 2022, the Parent Company has no dilutive debt or equity instruments.

The basic/diluted earnings (loss) per common share resulted mainly from the impact of interest costs and other financing charges (including distributions to perpetual capital securities) for the Group's various financing activities. These were undertaken to fund the ongoing construction of several power plant expansion projects intended to significantly increase the capacities and modernize the existing power generation portfolio of the Group. These expansion projects, including, among others, the 1,000 MW BESS facilities, 600 MW Mariveles Circulating Fluidized Bed Coal-fired Power Plant, 2 x 350 MW Masinloc Power Plant Units 4 and 5, and the 1,313.1 MW Batangas Combined Cycle Power Plant (BCCPP), are expected to go into commercial operations in the next 4 to 5 years (Note 8). These projects are expected to be contracted to creditworthy offtakers such as Meralco and the National Grid Corporation of the Philippines, and should contribute significantly to the profitability of the Group following their commercial operations in the coming years.

16. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Liquidity Risk
- Credit Risk
- Market Risk (Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk)

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, restricted cash, noncurrent receivables, loans payable, long-term debt and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, accounts payable and accrued expenses, lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group, such as swaps and forwards, are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency and commodity price risks arising from the operating and financing activities.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit and Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with tax, legal and regulatory requirements; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit and Risk Oversight Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Group and other corporate disclosures as may be required by the Philippine SEC and/or the PDEx.

The Audit and Risk Oversight Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Group. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Oversight Committee.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management:

March 31, 2023 (Unaudited)	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P17,657,967	P17,657,967	P17,657,967	P -	P -	P -
Trade and other receivables - net*	99,129,849	99,129,849	99,129,849	-	-	-
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	79,914	79,914	79,914	-	-	-
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	22,346,834	24,486,259	8,384,741	5,152,166	8,283,409	2,665,943
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	5,751,709	5,751,709	2,140,533	2,440,841	20	1,170,315
Financial Liabilities						
Loans payable	21,000,000	21,160,639	21,160,639	-	-	-
Accounts payable and accrued expenses*	67,393,792	67,393,792	67,393,792	-	-	-
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	309,199	309,199	309,199	-	-	-
Long-term debt - net (including current maturities)	246,672,515	307,089,847	43,767,073	65,217,537	110,326,499	87,778,738
Lease liabilities (including current portion)	56,813,421	73,862,351	21,922,593	14,997,516	18,015,709	18,926,533
Other noncurrent liabilities	5,111,861	5,111,861	-	4,929,141	-	182,720

Excluding statutory receivables and payables

December 31, 2022 (Audited)	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P22,726,236	P22,726,236	P22,726,236	P -	P -	P -
Trade and other receivables - net*	98,245,102	98,245,102	98,245,102	-	-	-
Derivative assets not designated as cash flow hedge (included under “Prepaid expenses and other current assets” account)	178,285	178,285	178,285	-	-	-
Derivative asset designated as cash flow hedge (included under “Prepaid expenses and other current assets” account)	143,545	143,545	143,545	-	-	-
Noncurrent receivables (included under “Other noncurrent assets” account; including current portion)	21,687,453	22,682,062	8,273,291	4,968,764	7,671,172	1,768,835
Restricted cash (included under “Prepaid expenses and other current assets” and “Other noncurrent assets” accounts)	7,698,458	7,698,458	6,408,269	129,861	25	1,160,303
Financial Liabilities						
Loans payable	21,000,000	21,153,979	21,153,979	-	-	-
Accounts payable and accrued expenses (including Premium on option liabilities)*	67,215,148	67,216,545	67,216,545	-	-	-
Derivative liabilities not designated as cash flow hedge (included under “Accounts payable and accrued expenses” account)	75,455	75,455	75,455	-	-	-
Long-term debt - net (including current maturities)	272,152,624	337,524,261	79,467,801	59,780,446	109,842,716	88,433,298
Lease liabilities (including current portion)	59,958,110	71,563,247	21,893,279	19,368,808	17,480,818	12,820,342
Other noncurrent liabilities	5,780,913	5,780,913	-	766,793	4,832,169	181,951

**Excluding statutory receivables and payables.*

Credit Risk

Credit risk is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group’s policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group’s customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on the credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

Financial information on the Group's maximum exposure to credit risk, without considering the effects of other risk mitigation techniques, is presented below:

	Note	**March 31, 2023 (Unaudited)**	December 31, 2022 (Audited)
Cash and cash equivalents (excluding cash on hand)	*6*	**P17,656,155**	P22,724,545
Trade and other receivables - net*	*7*	**99,129,849**	98,245,102
Derivative assets not designated as cash flow hedge		**79,914**	178,285
Derivative assets designated as cash flow hedge		**-**	143,545
Noncurrent receivables		**22,346,834**	21,687,453
Restricted cash		**5,751,709**	7,698,458
		P144,964,461	P150,677,388

**Excluding statutory receivables*

The table below presents the Group's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Financial assets that are credit-impaired are separately presented.

	Financial Assets at Amortized Cost				
March 31, 2023 (Unaudited)	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P17,656,155**	**P -**	**P -**	**P -**	**P17,656,155**
Trade and other receivables	**-**	**99,129,849**	**2,588,044**	**-**	**101,717,893**
Derivative assets not designated as cash flow hedge	**-**	**-**	**-**	**79,914**	**79,914**
Noncurrent receivables (including current portion)	**-**	**22,346,834**	**-**	**-**	**22,346,834**
Restricted cash	**5,751,709**	**-**	**-**	**-**	**5,751,709**
	P23,407,864	**P121,476,683**	**P2,588,044**	**P79,914**	**P147,552,505**

	Financial Assets at Amortized Cost					
December 31, 2022 (Audited)	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit Impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P22,724,545	P -	P -	P -	P -	P22,724,545
Trade and other receivables		98,245,102	2,690,984	-	-	100,936,086
Derivative assets not designated as cash flow hedge	-	-	-	178,285	-	178,285
Derivative asset designated as cash flow hedge	-	-	-	-	143,545	143,545
Noncurrent receivables	-	21,687,453	-	-	-	21,687,453
Restricted cash	7,698,458	-	-	-	-	7,698,458
	P30,423,003	P119,932,555	P2,690,984	P178,285	P143,545	P153,368,372

Receivables that are not credit impaired are considered high grade since the customers or counterparties have strong financial capacity and business performance and with the lowest default risk.

The aging of trade and other receivables (excluding statutory receivables) is as follows:

	March 31, 2023 (Unaudited)				December 31, 2022 (Audited)			
	Trade	**Non-trade**	**Amounts Owed by Related Parties**	**Total**	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	**P45,514,712**	**P4,584,092**	**P1,263,287**	**P51,362,091**	P49,363,466	P4,532,746	P2,280,113	P56,176,325
Past due:								
1-30 days	**4,196,187**	**227,538**	**70,366**	**4,494,091**	8,294,858	133,963	204,581	8,633,402
31-60 days	**4,126,292**	**267,039**	**37,790**	**4,431,121**	4,253,940	27,576	130,209	4,411,725
61-90 days	**4,659,717**	**13,392**	**124,257**	**4,797,366**	4,729,728	77,366	5,901	4,812,995
Over 90 days	**30,087,558**	**5,042,117**	**1,503,549**	**36,633,224**	21,279,104	5,047,045	575,490	26,901,639
	P88,584,466	**P10,134,178**	**P2,999,249**	**P101,717,893**	P87,921,096	P9,818,696	P3,196,294	P100,936,086

Past due trade receivables more than 30 days pertain mainly to generation charges and output VAT. The Group believes that the unimpaired amounts that are past due and those that are neither past due nor impaired are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period. There are no significant changes in the credit quality of the counterparties during the period.

The Group's cash and cash equivalents, derivative assets and restricted cash are placed with reputable entities with high quality external credit ratings.

The Group has significant concentration of credit risk. Sale of power to Meralco accounts for 36% and 39% of the Group's total revenues for the periods ended March 31, 2023 and 2022, respectively.

The Group does not execute any credit guarantee in favor of any counterparty.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the investment policy of the Group is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Group invests only in high-quality short-term investments while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group’s financial instruments to various standard and non-standard interest rate scenarios.

Interest Rate Risk Table
The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

March 31, 2023 (Unaudited)	**< 1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso-denominated	**P23,441,684**	**P34,367,304**	**P14,562,244**	**P16,676,987**	**P8,927,597**	**P61,989,507**	**P159,965,323**
Interest rate	**4.7575% to 7.7521%**	**5.0000% to 7.7521%**	**5.0000% to 7.7521%**	**5.1792% to 7.7521%**	**6.2836% to 7.7521%**	**6.2836% to 8.0288%**	
Foreign currency-denominated (expressed in Philippine peso)	**1,247,535**	**1,305,510**	**1,365,632**	**1,427,902**	**1,492,318**	**11,345,910**	**18,184,807**
Interest rate	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	
Floating Rate							
Philippine peso-denominated	**1,164,534**	**1,164,534**	**1,164,534**	**1,164,534**	**1,164,534**	**2,329,068**	**8,151,738**
Interest rate	BVAL + Margin	BVAL + Margin	BVAL + Margin	BVAL + Margin	BVAL + Margin	BVAL + Margin	
Foreign currency-denominated (expressed in Philippine peso)	**3,128,581**	**16,737,661**	**22,193,449**	**469,942**	**16,799,143**	**3,734,098**	**63,062,874**
Interest rate	LIBOR + Margin	LIBOR/ SOFR + Margin	LIBOR/ SOFR + Margin	LIBOR + Margin	LIBOR/ SOFR + Margin	LIBOR + Margin	
	P28,982,334	**P53,575,009**	**P39,285,859**	**P19,739,365**	**P28,383,592**	**P79,398,583**	**P249,364,742**

December 31, 2022 (Audited)	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated	P23,342,184	P34,309,804	P14,504,744	P16,589,154	P8,870,097	P63,333,527	P160,949,510
Interest rate	4.7575% to 7.7521%	5.0000% to 7.7521%	5.0000% to 7.7521%	5.1792% to 7.7521%	6.2836% to 7.7521%	6.2836% to 8.0288%	
Foreign currency-denominated (expressed in Philippine Peso)	7,491,353	1,339,013	1,400,676	1,464,544	1,530,614	11,637,072	24,863,272
Interest rate	4.7776% to 5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	
Floating Rate							
Foreign currency-denominated (expressed in Philippine Peso)	33,156,968	11,591,688	6,036,483	17,208,502	17,230,246	3,829,923	89,053,810
Interest rate	LIBOR + Margin	LIBOR + Margin	LIBOR/ SOFR + Margin	LIBOR + Margin	LIBOR/ SOFR + Margin	LIBOR + Margin	
	P63,990,505	P47,240,505	P21,941,903	P35,262,200	P27,630,957	P78,800,522	P274,866,592

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group’s profit before tax (through the impact on floating rate borrowings) by P178,037 and P792,967 for the period ended March 31, 2023 and for the year ended December 31, 2022, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group’s other comprehensive income.

<u>Foreign Currency Risk</u>
The functional currency is the Philippine peso, which is the denomination of the bulk of the Group’s revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using derivative instruments, such as foreign currency forwards and call spread swaps, to manage its foreign currency risk exposure.

Short-term currency forward contracts (non-deliverable) and long-term call spread swaps are entered into to manage foreign currency risks relating to foreign currency-denominated obligations and long-term borrowings.

Certain derivative contracts are designated as cash flow hedges. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of the cash flows. The Group assesses whether the derivatives designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the cumulative dollar-offset and hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in foreign exchange rates; and

- changes in the timing of the hedged transactions.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents is as follows:

		March 31, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Note	**US Dollar**	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	*6*	**US$119,560**	**P6,499,303**	US$66,775	P3,723,059
Trade and other receivables	*7*	**76,653**	**4,166,847**	77,954	4,346,322
Prepaid expenses		**-**	**-**	76,478	4,264,049
Noncurrent receivables		**28,422**	**1,545,040**	2,135	119,042
		224,635	**12,211,190**	223,342	12,452,472
Liabilities					
Accounts payable and accrued expenses		**822,857**	**44,730,486**	822,119	45,837,240
Long-term debt (including current maturities)	*9*	**1,494,623**	**81,247,681**	2,043,173	113,917,082
Lease liabilities (including current portion)	*5*	**486,052**	**26,421,769**	532,936	29,713,851
Other noncurrent liabilities		**86,418**	**4,697,706**	96,327	5,370,714
		2,889,950	**157,097,642**	3,494,555	194,838,887
Net Foreign Currency-denominated Monetary Liabilities		**US$2,665,315**	**P144,886,452**	US$3,271,213	P182,386,415

The Group reported net gains (losses) on foreign exchange amounting to P3,695,095 and (P357,633) for the periods ended March 31, 2023 and 2022, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 14).

These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
March 31, 2023	**P54.360**
December 31, 2022	55.755
March 31, 2022	51.740
December 31, 2021	50.999

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations):

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
March 31, 2023 (Unaudited)	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P119,560)**	**(P110,399)**	**P119,560**	**P110,399**
Trade and other receivables	**(76,642)**	**(58,284)**	**76,642**	**58,284**
Noncurrent receivables	**(28,422)**	**(21,317)**	**28,422**	**21,317**
	(224,624)	**(190,000)**	**224,624**	**190,000**
Accounts payable and accrued expenses	**821,716**	**620,103**	**(821,716)**	**(620,103)**
Long-term debt (including current maturities)	**1,494,623**	**1,372,967**	**(1,494,623)**	**(1,372,967)**
Lease liabilities (including current portion)	**486,052**	**364,539**	**(486,052)**	**(364,539)**
Other noncurrent liabilities	**86,418**	**67,132**	**(86,418)**	**(67,132)**
	2,888,809	**2,424,741**	**(2,888,809)**	**(2,424,741)**
	P2,664,185	**P2,234,741**	**(P2,664,185)**	**(P2,234,741)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2022 (Audited)	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P63,394)	(P60,052)	P63,394	P60,052
Trade and other receivables	(77,944)	(59,898)	77,944	59,898
Prepaid expenses	(76,478)	(57,359)	76,478	57,359
Noncurrent receivables	(2,135)	(1,601)	2,135	1,601
	(219,951)	(178,910)	219,951	178,910
Accounts payable and accrued expenses	820,930	621,688	(820,930)	(621,688)
Long-term debt (including current maturities)	2,043,173	1,880,379	(2,043,173)	(1,880,379)
Lease liabilities (including current portion)	532,936	399,702	(532,936)	(399,702)
Other noncurrent liabilities	96,327	74,563	(96,327)	(74,563)
	3,493,366	2,976,332	(3,493,366)	(2,976,332)
	P3,273,415	P2,797,422	(P3,273,415)	(P2,797,422)

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency-denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

The Group, through SMC and the Parent Company, enters into commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

Commodity Swaps. Commodity swaps are used to manage the Group's exposures to volatility in prices of coal.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets at FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, distribution payment, pay-off existing debts, return capital to shareholders or issue new shares, subject to compliance with certain covenants of its long-term debts, SPCS and RPS (Notes 9 and 11).

The Group defines capital as capital stock, additional paid-in capital, SPCS and RPS and retained earnings, both appropriated and unappropriated. Other components of equity such as equity reserves are excluded from capital for purposes of capital management.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

There were no changes in the Group's approach to capital management during the period.

17. Financial Assets and Financial Liabilities

The table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

	March 31, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P17,657,967**	**P17,657,967**	P22,726,236	P22,726,236
Trade and other receivables - net*	**99,129,849**	**99,129,849**	98,245,102	98,245,102
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**79,914**	**79,914**	178,285	178,285
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**-**	**-**	143,545	143,545
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**22,346,834**	**22,346,834**	21,687,453	21,687,453
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**5,751,709**	**5,751,709**	7,698,458	7,698,458
	P144,966,273	**P144,966,273**	P150,679,079	P150,679,079
Financial Liabilities				
Loans payable	**P21,000,000**	**P21,000,000**	P21,000,000	P21,000,000
Accounts payable and accrued expenses*	**67,393,792**	**67,393,792**	67,215,148	67,215,148
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	**309,199**	**309,199**	75,455	75,455
Long-term debt - net (including current maturities)	**246,672,515**	**254,308,533**	272,152,624	276,750,515
Lease liabilities (including current portion)	**56,813,421**	**56,813,421**	59,958,110	59,958,110
Other noncurrent liabilities (including current portions of premium on option liabilities)	**5,111,861**	**5,111,861**	5,780,913	5,780,913
	P397,300,788	**P404,936,806**	P426,182,250	P430,780,141

**Excluding statutory receivables and payables*

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

Cash and Cash Equivalents, Trade and Other Receivables (excluding statutory receivables), Noncurrent Receivables, and Restricted Cash. The carrying amounts of cash and cash equivalents, and trade and other receivables approximate their fair values primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and restricted cash, the carrying amounts approximate their fair values, since the effect of discounting is not considered material.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs. The fair values of the derivatives have been categorized as Level 2 in the fair value hierarchy.

Loans Payable and Accounts Payable and Accrued Expenses (excluding statutory payables and Derivative Liabilities). The carrying amounts of loans payable and accounts payable and accrued expenses approximate their fair values due to the relatively short-term maturities of these financial instruments.

Lease Liabilities. The fair value is based on the present value of expected cash flows using the applicable discount rates based on current market rates of similar instruments. The fair value of lease liabilities has been categorized as Level 2 in the fair value hierarchy.

Long-term Debt and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine peso-denominated loans range from 4.52% to 6.19% and 3.82% to 6.95% as at March 31, 2023 and December 31, 2022, respectively. Discount rates used for foreign currency-denominated loans range from 3.53% to 5.31% and 3.05% to 5.37% as at March 31, 2023 and December 31, 2022, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

The fair value of peso-denominated bonds has been categorized as Level 1 and interest-bearing fixed-rate loans, lease liabilities and other noncurrent liabilities have been categorized as Level 2 in the fair value hierarchy.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency and commodity derivative contracts to manage its exposure on foreign currency and commodity price risks. The portfolio is a mixture of instruments including forwards and swaps.

Derivative Instruments Accounted for as Cash Flow Hedges

Call Spread Swaps

As at December 31, 2022, the Group has outstanding call spread swaps designated as cash flow hedges with an aggregate notional amount of US$60,000 and with an average strike rate range of P52.95 to P56.15. The call spread swaps are designated to hedge foreign currency exposure on US dollar-denominated loans and matured on March 13, 2023. As at December 31, 2022, the positive fair value of the call spread swaps, included under "Prepaid expense and other current assets" account amounted to P143,545.

The table below provides for a reconciliation of the components of equity and other comprehensive income items, net of tax, resulting from cash flow hedge accounting:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**(P31,229)**	P8,809
Changes in fair value of derivatives	**(7,238)**	101,372
Amount reclassified to profit or loss due to interest expense and other financing charges	**6,474**	26,890
Foreign exchange (gain) loss - net (included under "Other income" account)	**31,993**	(168,300)
Balance at end of period	**P -**	(P31,229)

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized in the consolidated statements of income for the period ended March 31, 2023 and for the year ended December 31, 2022.

Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments, such as forwards and swaps, to manage its exposure on foreign currency and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

Freestanding Derivatives

The Group designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

Cash Flow Hedge. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the "Hedging reserve" account in the consolidated statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statements of income.

The Group designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the consolidated statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the consolidated statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the consolidated statements of income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the consolidated statements of income.

Embedded Derivatives
The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

However, an embedded derivative is not separated if the host contract is a financial asset.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

Derivative Instruments not Designated as Hedges
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding derivatives which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Freestanding Derivatives
Freestanding derivatives consist of foreign currency and commodity derivatives entered into by the Group.

Currency Forwards
The Group entered into short-term foreign currency forward contracts with aggregate notional amount of US$130,000 and US$65,000 as at March 31, 2023 and December 31, 2022, respectively. As at March 31, 2023 and December 31, 2022, the negative fair value of these currency forwards, included under "Accounts payables and accrued expenses" amounted to P37,925 and P75,455, respectively.

Commodity Swaps
The Group has outstanding fixed swap agreements covering the coal requirements of a subsidiary with various maturities in 2023. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding notional quantity covered by the commodity swaps is 117,000 metric tons as at March 31, 2023 and December 31, 2022. As at March 31, 2023, the net negative fair value of these commodity swaps, included under "Accounts payable and accrued expenses" amounted to P191,359. As at December 31, 2022, the positive fair value of these commodity swaps, included under "Prepaid expenses and other current assets" amounted to P178,285.

The Group recognized marked-to-market gains (losses) from freestanding derivatives amounting to (P445,495) and P609,842 for the periods ended March 31, 2023 and 2022, respectively (Note 14).

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	**P246,375**	P154,105
Net change in fair value of derivatives:		
Not designated as accounting hedge	**(445,495)**	1,583,553
Designated as accounting hedge	**(7,238)**	101,372
	(206,358)	1,839,030
Less fair value of settled instruments	**22,926**	1,592,655
Ending balance	**(P229,284)**	P246,375

Fair Value Measurements
The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or 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 best economic interest.

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 prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each 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.

18. Other Matters

a. Contingencies
The Group is a party to certain cases or claims which are either pending decision by the court/regulators or are subject to settlement agreements. The outcome of these cases or claims cannot be presently determined.

i. Temporary Restraining Order (TRO) Issued to Meralco
SPI, SPPC, SRHI, MPPCL and other generation companies were impleaded as parties to a Petition for Certiorari and Prohibition with prayer for TRO and/or Preliminary Injunction ("Petition") filed in the Supreme Court ("SC") by special interest groups which sought to stop the imposition of the increase in generation charge of Meralco for the November 2013 billing month. The approval of the Energy Regulatory Commission ("ERC") in its December 9, 2013 order on the staggered imposition by Meralco of its generation rate for November 2013 from its consumers (the "December 9, 2013 ERC Order") prompted the filing of these consolidated petitions.

On December 23, 2013, the SC issued a TRO ordering Meralco not to collect, and the generators not to demand payment, for the increase in generation charge for the November 2013 billing month. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that since the power supplied by generators is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. The TRO was originally for a period of 60 days.

On January 8, 2014, Meralco filed its Consolidated Comment/Opposition with Counter-Petition ("Counter-Petition") which prayed, among others, for the inclusion of SPI, SPPC, SRHI, MPPCL and several generators as respondents to the case. On January 10, 2014, the SC issued an order treating the Counter-Petition as in the nature of a third party complaint and granting the prayer to include SPI, SPPC, SRHI and MPPCL as respondents in the Petition.

On February 18, 2014, the SC extended the TRO issued on December 23, 2013 for another 60 days or until April 22, 2014 and granted additional TROs enjoining the Philippine Electricity Market Corporation ("PEMC") and the generators from demanding and collecting the deferred amounts. In a Resolution dated April 22, 2014, the SC extended indefinitely the effectivity of the TROs issued on December 23, 2013 and February 18, 2014.

In the Petition filed by special interest groups, the SC was made aware of the order of the ERC dated March 3, 2014 (the "March 3, 2014 ERC Order") (as defined and discussed under "*ERC Order Voiding WESM Prices"*), in which the ERC declared void the WESM prices during the November and December 2013 supply months and imposed regulated prices in their stead. The March 3, 2014 ERC Order likewise directed PEMC to: (a) calculate these "regulated prices" based on a formula identified by the ERC as representative of 2013 market prices under normalized conditions and (b) to collect the same from the WESM participants involved.

A decision was promulgated by the SC En Banc on August 3, 2021 (the "SC Decision") affirming the December 9, 2013 ERC Order which approved the staggered imposition by Meralco of its generation rate for November 2013 from its consumers and declared as null and void the March 3, 2014 ERC Order. SPI, SPPC, and SRHI however received a copy of the SC Decision through their counsels only on July 5, 2022, while MPPCL received the same on July 6, 2022.
On July 26, 2022, the special interest groups sought reconsideration of the SC Decision by filing separate Motions for Reconsideration where they prayed that the SC Petition be granted. The ERC likewise filed a Motion for Partial Reconsideration of the SC Decision and sought the reinstatement of the March 3, 2014 ERC Order, among others.

These motions were denied with finality by the SC En Banc, in its resolution dated October 11, 2022, which also directed the entry of judgment of the SC Decision be made immediately. On January 4, 2023, the external counsel of SPPC, SPI and SRHI received a copy of the Entry of Judgement from the Supreme Court En Banc dated October 11, 2022, while the external counsel of MPPCL received a copy of the same on January 5, 2023.

With this, the relevant subsidiaries namely, SPPC, MPPCL and SPI intend to discuss with Meralco the implementation of the SC Decision. SPPC, MPPCL and SPI have aggregate outstanding receivables from Meralco estimated at P1,275,985 included under “Trade and other receivables” account in the consolidated statements of financial position as at March 31, 2023 and December 31, 2022.

ii. *ERC Order Voiding WESM Prices*
Relative to the above-cited Petition, on December 27, 2013, the Department of Energy, ERC and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32/kWh. The price was set to be effective for 90 days until a new cap is decided upon.

On March 3, 2014, the ERC, in the exercise of its police power, issued an order in Miscellaneous Case No. 2014-021, declaring the November and December 2013 Luzon WESM prices void, imposed the application of regulated prices and mandated PEMC, the operator of the WESM, to calculate and issue adjustment bills using recalculated prices (the “March 3, 2014 ERC Order”).

Subsequent orders were issued by the ERC setting the period for compliance of the March 3, 2014 ERC Order (collectively, the “2014 ERC Orders”). Based on these orders, SPI and SRHI recognized a reduction in the sale of power while MPPCL, SMELC and SPPC recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment, the settlement of which have been covered by a 24-month Special Payment Arrangement with PEMC which was already completed on May 25, 2016.

SPI, SPPC, SRHI and MPPCL filed various pleadings requesting ERC for the reconsideration of the March 3, 2014 ERC Order. Other generators also requested the SC to stop the implementation of the March 3, 2014 ERC Order. The ERC denied the motions for reconsideration filed by the generators.

On June 26, 2014, SPI, SPPC and SRHI, while on December 12, 2014, MPPCL appealed the said ERC denial before the Court of Appeals (“CA”) through their respective Petitions for Review.

After consolidating the cases, the CA, in its decision dated November 7, 2017 (the “November 7, 2017 Decision”), granted the Petition for Review filed by SPI, SPPC, SRHI and MPPCL declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months of November to December 2013.

Motions for Reconsideration of the November 7, 2017 Decision and several other motions which were filed by various intervenors, were denied by the CA through its Omnibus Resolution dated March 29, 2019. The intervenors filed Petitions for Review on Certiorari before the SC, which were also denied by the SC through its resolutions dated September 11, 2019 and October 1, 2019. Entries of judgment have been issued by the SC certifying that the resolutions denying the Petitions for Review on Certiorari filed by various intervenors against SPI, SPPC, SRHI and MPPCL, among others, have become final and executory.

The ERC and Meralco also filed separate Petitions for Review appealing the November 7, 2017 Decision and Omnibus Resolution dated March 29, 2019 of the CA, which nullified and set aside the 2014 ERC Orders, declaring the WESM prices for November and December 2013 void.

In a Resolution dated November 4, 2020, the SC directed the consolidation of the separate petitions filed by the ERC and Meralco considering that said cases involve the same parties, raise the same issues, and assail the same decision and resolution, and the transfer of the petition filed by Meralco to the 3rd division of the SC handling the petition by the ERC.

The ERC has also filed its Consolidated Reply to the comments on its petition dated November 18, 2020.

The SC has not yet promulgated a decision. However, on August 3, 2021, a decision was rendered by the SC En Banc in a separate case (as discussed under "*Temporary Restraining Order (TRO) Issued to Meralco*") declaring the March 3, 2014 ERC Order as null and void, which are the subject of the aforementioned Petition. Considering that this decision of the SC En Banc ("SC Decision") covers the March 3, 2014 ERC Order, the difference between the actual Luzon WESM prices and the regulated prices (based on the March 3, 2014 ERC Order) for WESM sales and purchases by SPI, SPPC, SRHI, SMELC and MPPCL will have to be settled with the Independent Electricity Market Operator of the Philippines ("IEMOP"), the current operator of the WESM.

On July 26, 2022, the special interest groups sought reconsideration of the SC Decision by filing separate Motions for Reconsideration where they prayed that the SC Petition be granted. The ERC likewise filed a Motion for Partial Reconsideration of the SC Decision and sought the reinstatement of the March 3, 2014 ERC Order, among others.

These motions were denied with finality by the SC En Banc, in its resolution dated October 11, 2022, which also directed the entry of judgment of the SC Decision be made immediately. On January 4, 2023, the external counsel of SPPC, SPI and SRHI received a copy of the Entry of Judgement from the Supreme Court En Banc dated October 11, 2022, while the external counsel of MPPCL received a copy of the same on January 5, 2023. A claim for refund may be pursued by the relevant subsidiaries with IEMOP in the net aggregate amount of up to P2,321,785.

iii. Generation Payments to PSALM

SPPC and PSALM are parties to the Ilijan IPPA Agreement covering the appointment of SPPC as the IPP Administrator of the Ilijan Power Plant.

SPPC and PSALM have an ongoing dispute arising from differing interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement. As a result of such dispute, the parties have arrived at different computations regarding the subject payments. In a letter dated August 6, 2015, PSALM has demanded payment of the difference between the generation payments calculated based on its interpretation and the amount which has already been paid by SPPC, plus interest, covering the period December 26, 2012 to April 25, 2015.

On August 12, 2015, SPPC initiated a dispute resolution process with PSALM as provided under the terms of the Ilijan IPPA Agreement, while continuing to maintain its position that it has fully paid all of its obligations to PSALM. Notwithstanding the bona fide dispute, PSALM issued a notice terminating the Ilijan IPPA Agreement on September 4, 2015. On the same day, PSALM also called on the performance bond posted by SPPC pursuant to the Ilijan IPPA Agreement.

On September 8, 2015, SPPC filed a Complaint with the Regional Trial Court of Mandaluyong City (the "RTC") requesting the RTC that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld and asked that a 72-hour TRO be issued against PSALM for illegally terminating the Ilijan IPPA Agreement and drawing on the performance bond of SPPC. On even date, the RTC issued a 72-hour TRO which prohibited PSALM from treating SPPC as being in Administrator Default and from performing other acts that would change the status quo ante between the parties before PSALM issued the termination notice and drew on the performance bond of SPPC. The TRO was extended until September 28, 2015.

On September 28, 2015, the RTC issued an order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending. PSALM sought for reconsideration of the said order but was later on denied by the RTC.

PSALM filed with the CA a Petition for Review on Certiorari assailing the RTC's order of denial. The CA ruled in favor of SPPC and affirmed the RTC's issuance of a writ of preliminary injunction against PSALM prohibiting it from terminating the Ilijan IPPA Agreement while the main case in the lower court is pending and named Meralco as intervenor (the "2017 CA Decision").

PSALM filed a Motion for Reconsideration of the 2017 CA Decision but it was denied by the CA in its resolution dated July 12, 2018 (the "2018 CA Resolution").

On September 4, 2018, PSALM filed a Petition for Certiorari with Urgent Prayer for the Issuance of a TRO and/or Writ of Preliminary Injunction before the SC praying for the reversal and nullification of the 2017 CA Decision and the 2018 CA Resolution but was denied by the SC in its resolution dated March 4, 2019 (the "March 4, 2019 SC Resolution"). PSALM filed a Motion for Reconsideration thereof and was denied by the SC in a resolution dated August 5, 2019 which became final and executory on the same date.

Prior to the CA Decision, on December 18, 2017, the presiding judge of the RTC who conducted the judicial dispute resolution issued an order inhibiting himself from the instant case. The case was then re-raffled to another RTC judge in Mandaluyong City.

SPPC filed a Motion for Production of Documents on February 28, 2018, while PSALM filed its Manifestation with Motion to Hear Affirmative Defenses and Objections Ad Cautelam.

On September 24, 2018, the RTC issued an order denying PSALM's Motion to Hear Affirmative Defense and granted SPPC's Motion for Production of Documents. In an order dated April 29, 2019, the RTC denied the Motion for Reconsideration filed by PSALM on the basis that it found no strong and compelling reason to modify, much less reverse, its order dated September 24, 2018.

On July 26, 2019, PSALM filed a Petition for Certiorari with Urgent Prayer for the Issuance of a TRO and/or Writ of Preliminary Injunction with the CA, seeking the reversal of the orders of the RTC dated September 24, 2018 and April 29, 2019 (CA-G.R. SP No. 161706). In compliance with the CA's directive, PSALM filed an Amended Petition on April 29, 2019 (the "PSALM 2019 CA Petition").

On April 7, 2022, the CA promulgated a Decision dismissing the PSALM 2019 CA Petition (the "April 7, 2022 CA Decision"). PSALM filed a Motion for Reconsideration dated April 29, 2022. SPPC filed a Motion for Leave to File Opposition to the Motion for Reconsideration with an Opposition to the said Motion for Reconsideration on July 15, 2022.

In a Resolution dated October 4, 2022, the CA denied PSALM's motion for reconsideration of the April 7, 2022 CA Decision (the "October 4, 2022 CA Resolution").

On December 1, 2022, PSALM filed a Petition for Review on Certiorari with the SC, appealing the April 7, 2022 CA Decision denying its petition for certiorari and October 4, 2022 CA Resolution denying its motion for reconsideration. The Petition for Review has been docketed as G. R. No. 263773. SPPC has not yet received a directive to file a Comment on the petition.

In January 2020, PSALM also filed with the RTC a Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction with Application to File Counterbond. SPPC filed its opposition to this motion in March 2020.

On May 26, 2020, SPPC filed a Supplemental Opposition to PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction citing SPPC's letter dated March 6, 2020 informing PSALM of its intention to advance the full settlement of the Monthly Payments due for the period March 26, 2020 until the end of the IPPA Agreement on June 26, 2022. SPPC stated that given this intention, PSALM can no longer assert that it stands to suffer injury in the form of reduction in expected cash or that the Government would be exposed to financial risk.

PSALM also filed several other pleadings: (1) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (b) Motion for Reconsideration of the RTC Order of February 14, 2020, which did not allow PSALM to present witnesses in support of its Motion to Dissolve the Writ of Preliminary Injunction and directed the parties to submit pleadings and documents in support of their respective positions; and (3) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction. SPPC filed a Motion for Leave to File Consolidated Rejoinder with Consolidated Rejoinder dated September 14, 2020 to PSALM's Reply to Opposition to the Motion to Dissolve.

In an Order dated November 27, 2020, the RTC denied PSALM's Motion for Leave to File Amended Answer Ad Cautelam (the "November 27, 2020 RTC Order"). On January 15, 2021, SPPC filed a Motion for Summary Judgment, praying that judgment be rendered in favor of SPPC on all its causes of action based on the pleadings, affidavits, and admissions on file. On January 29, 2021, PSALM filed a Motion for Reconsideration of the November 27, 2020 RTC Order.

In an Order dated March 23, 2021 (the "March 23, 2021 RTC Order"), the RTC denied PSALM's Motion for Reconsideration of the November 27, 2020 RTC Order. In the same Order, the RTC also denied SPPC's Motion for Summary Judgment and referred the case to mediation.

On May 21, 2021, SPPC filed a Motion for Reconsideration of the March 23, 2021 RTC Order. PSALM filed an Opposition to the Motion for Reconsideration and SPPC filed a Motion for Leave to File a Reply to the Opposition with an incorporated Reply.

In June 2021, PSALM also filed a Petition for Certiorari under Rule 65 of the Rules of Court to annul the November 27, 2020 RTC Order and the March 23, 2021 RTC Order with the CA, which was denied by the CA in its Decision dated May 30, 2022 (the "May 30, 2022 CA Decision").

On October 3, 2022, the CA promulgated a Resolution denying PSALM's Motion for Reconsideration of the May 30, 2022 CA Decision (the "October 3, 2022 CA Resolution").

After moving for an extension of time, on November 26, 2022, PSALM filed a Petition for Review on Certiorari with the SC, appealing the May 30, 2022 CA Decision and October 3, 2022 CA Resolution. The petition for review has been docketed as G. R. No. 263774. SPPC has not yet received a directive to file a Comment on the petition.

The mediation scheduled on April 19, 2021 did not push through, in view of the restrictions imposed by the enhanced community quarantine and modified enhanced community quarantine.

In an Order dated May 18, 2021, the RTC recalled the portion of the March 23, 2021 RTC Order, where it set the case for mediation, given that the parties have already exhausted both court-annexed mediation and judicial dispute resolution and scheduled the pre-trial of the case on June 18, 2021, which was however cancelled.

On September 13, 2021, the RTC denied SPPC's Motion for Partial Reconsideration of the March 23, 2021 RTC Order and scheduled the pre-trial of the case on November 19, 2021. Pre-trial proceeded on November 19, 2021 and the parties filed the Joint Stipulation of Facts on April 6, 2022.

SPPC filed a Motion to Amend Pre-trial Order and Minutes of the Pre-trial issued by the RTC on April 7, 2022 which was later granted by the RTC on May 20, 2022. The RTC accordingly issued an Amended Pre-trial Order.

SPPC presented its first witness on July 29, 2022 and its second witness on November 11, 2022. Comparison and pre-marking of documents were conducted on January 20, 2023. Trial will resume on May 19, 2023 for the cross-examination of SPPC's second witness.

Related to the foregoing, in a Resolution dated December 7, 2021, the RTC denied PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction on the grounds that: (a) the arguments in the Motion had been previously denied with finality by the RTC, CA, and SC and the propriety of the issuance of the writ of preliminary injunction in favor of SPPC "should be considered a settled matter, so long as the facts and circumstances upon which the writ was issued still continue to exist"; (b) "PSALM cannot substantiate its contentions that the continuance of the preliminary injunction would cause it damage or that SPPC can be fully compensated for such damages as it may suffer"; and (c) the counter-bond offered by PSALM would be inadequate to answer for the damages that SPPC might sustain as a result of the lifting of the preliminary injunction.

In an Order dated February 17, 2022, the RTC denied PSALM's Motion for Reconsideration of the Resolution of December 7, 2021 for failing to raise any new or substantial ground.

PSALM filed a Petition for Certiorari dated May 13, 2022, assailing the RTC's Resolution of December 7, 2021 and Order of February 17, 2022 for allegedly having been rendered with grave abuse of discretion. On October 14, 2022, SPPC filed its Comment on the petition. In a Resolution dated February 23, 2023, the CA noted that PSALM did not file a Reply to SPPC's Comment thus deemed the petition as submitted for decision.

Although the proceedings before the RTC remain pending, the Ilijan Power Plant was turned over by PSALM to SPPC pursuant to the IPPA Agreement and the Deed of Sale executed between PSALM and SPPC on June 3, 2022.

iv. *Criminal Cases*

SPPC

On September 29, 2015, SPPC filed a criminal complaint for estafa and for violation of Section 3(e) of Republic Act No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act ("RA No. 3019"), before the Department of Justice ("DOJ"), against certain officers of PSALM, in connection with the termination of SPPC's Ilijan IPPA Agreement, which was made by PSALM with manifest partiality and evident bad faith. Further, it was alleged that PSALM fraudulently misrepresented its entitlement to draw on the performance bond posted by SPPC, resulting in actual injury to SPPC in the amount of US$60,000. On June 13, 2017, the DOJ endorsed the complete records of the complaint to the Office of the Ombudsman for appropriate action.

On a related matter, on November 14, 2018, SPPC filed with the Office of the Ombudsman-Field Investigation Office, an administrative complaint against an executive officer of PSALM and several unidentified persons for violation of the Ombudsman Act and the Revised Administrative Code, in the performance of their functions as public officers.

In a Resolution dated March 10, 2021, which was approved by the Ombudsman on February 15, 2022, the Graft Investigation and Prosecution Officer ("GIPO") dismissed the criminal complaint against the Respondents. In a Decision of the same date, approved by the Ombudsman also on February 15, 2022, the GIPO also dismissed the administrative complaint against the Respondents.

On March 21, 2022, SPPC filed a Motion for Reconsideration of the resolution dismissing the criminal complaint.

SPI

On October 21, 2015, SPI filed a criminal complaint for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019, before the DOJ against a certain officer of PSALM, and certain officers of Team Philippines Energy Corp. ("TPEC") and TeaM Sual Corporation ("TSC"), relating to the illegal grant of the so-called "excess capacity" of the Sual Power Plant in favor of TPEC which enabled it to receive a certain amount at the expense of the Government and SPI.

In a Resolution dated July 29, 2016, the DOJ found probable cause to file an Information against the respondents for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019 (the "July 29, 2016 DOJ Resolution"). The DOJ further resolved to forward the entire records of the case to the Office of the Ombudsman for their proper action. Respondents have respectively appealed said July 29, 2016 DOJ Resolution, through the filing of a Petition for Review with the Secretary of Justice.

On October 25, 2017, the DOJ issued a Resolution partially granting the Petition for Review by reversing the July 29, 2016 DOJ Resolution insofar as the conduct of the preliminary investigation. On November 17, 2017, SPI filed a motion for partial reconsideration of said DOJ Resolution dated October 25, 2017.

While the said Motion for Partial Reconsideration is pending, SPI and the Respondents filed before the DOJ a Joint Motion to Dismiss dated June 6, 2022 praying for the dismissal of the criminal complaint filed by SPI. The Joint Motion to Dismiss remains pending as of date.

v. *Civil Cases*

SPI

On June 17, 2016, SPI filed with the RTC, Pasig City ("RTC Pasig") a civil complaint for consignation against PSALM arising from PSALM's refusal to accept SPI's remittances corresponding to the proceeds of the sale on the WESM for electricity generated from capacity in excess of the 1,000 MW of the Sual Power Plant (the "Sale of the Excess Capacity"). With the filing of the complaint, SPI also consigned with the RTC Pasig, the amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods December 26, 2015 to April 25, 2016.

PSALM filed an Answer dated August 17, 2016 stating that it has no right to, and is not the owner of, the proceeds of the sale on the WESM of electricity generated from the capacity in excess of 1,000 MW of the Sual Plant and that the consignation should belong to TPEC as it is rightfully entitled to the 200 MW and to the payments which SPI made consequent therewith.

On October 3, 2016, SPI filed an Omnibus Motion to Admit Supplemental Complaint and to Allow Future Consignation without Tender (the "Omnibus Motion"). Together with this Omnibus Motion, SPI consigned with the RTC Pasig an additional amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods from April 26, 2016 to July 25, 2016.

On July 5, 2017, SPI consigned with the RTC Pasig the amount representing additional proceeds of Sale of the Excess Capacity for the billing period July 26, 2016 to August 25, 2016. SPI also filed a Motion to Admit Second Supplemental Complaint in relation to said consignation.

On May 22, 2018, the RTC Pasig issued an order dismissing the complaint for consignation filed by SPI on the ground that the court has no jurisdiction over the subject matter of the complaint and finding that the ERC has the technical competence to determine the proper interpretation of "contracted capacity", the fairness of the settlement formula and the legality of the memorandum of agreement.

On July 4, 2018, SPI filed its Motion for Reconsideration ("MR") to the May 22, 2018 order which dismissed the consignation case. The MR was heard on July 13, 2018 where the parties were given time to file their responsive pleadings. PSALM filed its Comment dated July 26, 2018 to the MR and SPI filed its Reply to PSALM's Comment on August 13, 2018.

In an Order dated November 19, 2019, the presiding judge voluntarily inhibited herself from further hearing the case.

On December 13, 2019 the case was re-raffled to RTC Branch 268. On February 7, 2020, a clarificatory hearing was held and RTC Branch 268 noted the pending incidents, which are: (a) SPI's Motion for Partial Reconsideration and Supplemental Motion for Reconsideration of the Order dated May 22, 2018; (b) SPI's two Motions to Admit Supplemental Complaint; and (c) PSALM's Motion to Set Preliminary Hearing on the Special and Affirmative Defenses.

In an Order dated September 30, 2021, the RTC Branch 268: (a) granted SPI's Motion for Reconsideration of the Order of May 22, 2018, which dismissed the case for lack of jurisdiction; (b) granted SPI's Omnibus Motion to Admit Supplemental Complaint and Allow Future Consignations without Tender; and (c) reinstated the Complaint (the "September 30, 2021 Order").

RTC Branch 268 scheduled the pre-trial on December 13, 2021 but the pre-trial was postponed because PSALM filed an Omnibus Motion for Reconsideration of the September 30, 2021 Order and to Resolve Pending Motion to Set Preliminary Hearing on Special and Affirmative Defenses, and to Defer Pre-trial (sic). SPI has already filed an Opposition to the Omnibus Motion.

In an Order dated May 30, 2022, RTC Branch 268 denied PSALM's Omnibus Motion for Reconsideration of the September 30, 2021 Order and to Resolve Pending Motion to Set Preliminary Hearing on Special and Affirmative Defenses, and to Defer Pre-trial (sic). In the same Order, RTC Branch 268 set the pre-trial on August 1, 2022. SPI and PSALM filed a Joint Motion to Re-Set Pre-trial Conference on the ground that the parties are negotiating for an amicable settlement. RTC Branch 268 granted the Joint Motion and scheduled the resumption on September 1, 2022, in the event that the parties do not reach an amicable settlement.

The parties filed a Second Joint Motion to Reset Pre-trial Conference as they were still negotiating an amicable settlement.

On October 5, 2022, SPI and PSALM filed an Omnibus Motion to Dismiss and Release Deposited Monies, whereby PSALM, consistent with its representation and acknowledgment in its Answer that the consigned amounts rightfully belong to TPEC, agreed to the release of the said amounts to TPEC and SPI, relying on PSALM's representation and acknowledgment, did not object to the release of the consigned amounts to TPEC.

On October 10, 2022, the RTC issued an Order granting the Omnibus Motion and authorized TPEC's named representative in the Omnibus Motion to withdraw the consigned amounts.

Further related thereto, on December 1, 2016, SPI received a copy of a Complaint filed by TPEC and TSC with the ERC against SPI and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the abovementioned cases. SPI filed a Motion to Dismiss and Motion to Suspend Proceeding of the instant case.

On June 6, 2022, SPI, TPEC and TSC filed a Joint Motion to Dismiss the ERC complaint. SPI received the Order from the ERC on June 22, 2022, asking the parties to submit a copy of the settlement agreement within 5 days from receipt of such order. TPEC, TSC and SPI filed with the ERC a Compliance and Submission attaching the settlement agreement on June 28, 2022.

The total amount consigned with the RTC Pasig amounting to P491,242 was released to TPEC on December 20, 2022.

b. Claim for Price Adjustment on the Meralco Power Sale Agreements
On October 22, 2019, SPI and SPPC each filed before the ERC a Joint Application with Meralco for the approval of their respective PSA with Meralco with prayer for provisional authority (the "Application"). The PSA of SPPC covers the supply of 670 MW baseload capacity to Meralco ("SPPC PSA") while the PSA of SPI covers the supply of 330 MW baseload capacity to Meralco ("SPI PSA") both for a period of 10 years (collectively, the "PSAs"). The PSAs were awarded by Meralco to each of SPPC and SPI after they emerged as the winning bidders in the competitive selection process conducted by Meralco in September 2019.

On March 16, 2020, the ERC released Orders both dated December 10, 2019, granting provisional authority to implement the SPPC PSA and SPI PSA.

On May 11, 2022, each of SPPC and SPI filed a Joint Motion for Price Adjustment with Meralco (the "Joint Motion") seeking approval from the ERC to temporarily increase the contract price under the SPPC PSA and SPI PSA for a period of six (6) months, to recover incremental fuel costs covering January to May 2022 billing periods arising from a Change in Circumstances (as defined in the PSAs) to be collected over a period of 6 months.

On September 29, 2022, the ERC denied the foregoing Joint Motions filed by each of SPPC and SPI with Meralco requesting for the proposed price adjustments (the "September 29, 2022 ERC Orders").

i. *SPPC CA Petition*
On November 10, 2022, SPPC filed with the CA a Petition for Certiorari under Rule 65 with Application for the Issuance of a TRO and/or Writ of Preliminary Injunction to annul, reverse and set aside the September 29, 2022 ERC Order for SPPC (the "SPPC CA Petition").

In a Resolution dated November 23, 2022, the 14th Division of the CA granted SPPC's application for a 60-day TRO, conditioned upon the posting of a bond in the amount of P50,000. SPPC's prayer for the issuance of a writ of preliminary injunction was held in abeyance pending receipt of respondents' comments.

On November 24, 2022, SPPC filed an Urgent Motion to Allow Consolidation of SPI CA Petition with the SPPC CA Petition before the 13th Division of the CA as the SPPC CA Petition was transferred to this division of the CA. This Urgent Motion was granted by the 13th Division subject to the approval of the CA Division handling the SPI CA Petition.

On November 25, 2022, SPPC posted the bond in the amount of P50,000 (the "TRO Bond"). This was approved in a Resolution dated December 2, 2022, which resulted in the issuance of the TRO on the same date.

On December 7, 2022, SPPC received a copy of the Entry of Appearance with Motion to Lift and/or Dissolve the TRO filed by the ERC through the Office of the Solicitor General. Meralco also filed a Motion to Lift TRO. SPPC filed its Oppositions to said Motions to Lift and/or Dissolve the TRO.

Following the hearing on the application for preliminary injunction held on January 11, 2023, the 13th Division of the CA issued on January 25, 2023, a resolution granting SPPC's application for the issuance of a writ of preliminary injunction conditioned upon the posting by SPPC of a bond in the amount of P100,000 (the "Preliminary Injunction Bond"). The CA likewise directed Respondents ERC, Meralco and NASECORE to file their respective comment on the SPPC CA Petition and allowed SPPC to file a reply within 5 days from receipt of the Respondents' comment. The ERC and Meralco filed motions for reconsideration of the CA's Resolution dated January 25, 2023.

On February 1, 2023, SPPC received copies of the ERC's Comment Ad Cautelam and NASECORE'S Manifestation. On February 6, 2023, SPPC received a copy of MERALCO's Comment. On February 13, 2023, SPPC filed a Motion for Leave to File Consolidated Reply.

In a Resolution dated February 23, 2023, the CA approved the Preliminary Injunction Bond posted by SPPC on January 31, 2023, directed the issuance of a Writ of Preliminary Injunction, and released the TRO Bond.

On February 23, 2023, the writ of preliminary injunction was issued by the CA for the SPPC CA Petition.

In a Resolution dated April 3, 2023, the CA denied the motions for reconsideration of the CA's Resolution dated January 25, 2023 (on the issuance of the writ of preliminary injunction in favor of SPPC) filed by the ERC and Meralco.

SPPC CA Petition remains pending resolution with the 13th Division of the CA.

ii. SPI *CA Petition*

On November 10, 2022, SPI also filed with the CA a Petition for Certiorari under Rule 65 with Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction to annul, reverse and set aside the September 29, 2022 ERC Order for SPI (the "SPI CA Petition"). This was raffled to the CA 17th Division which was subsequently transferred to the CA 16th Division.

On November 24, 2022, SPI filed an Urgent Motion for Consolidation of the instant Petition with the SPPC CA Petition pending before the 13th Division of the CA.

On December 27, 2022, SPI received a copy of the CA 16th Division's Resolution dated November 28, 2022 which directed the private respondents to file their comment on the petition and show cause why SPI's prayer for the issuance of a TRO and/or Writ of Preliminary Injunction should not be granted, within 10 days from notice. Action on SPI's prayer for injunctive relief was held in abeyance pending receipt of the required pleadings.

The ERC has filed an Opposition Ex Abundanti Ad Cautelam to SPI's Urgent Motion to Allow Consolidation of Cases.

MERALCO has filed its Opposition to SPI's application for the issuance of a TRO and/or writ of preliminary injunction. On January 10, 2023, SPI filed its Reply to MERALCO's Opposition.

On January 26, 2023, SPI received the Resolution dated January 13, 2023 of the 16th Division of the CA which (i) denied SPI's prayer for the issuance of a TRO and/or writ of preliminary injunction, and (ii) granted the consolidation of the SPI CA Petition with the SPPC CA Petition. The SPI CA Petition was thus consolidated with the SPPC CA Petition before the 13th Division. The ERC filed a motion for partial reconsideration of the grant of consolidation of SPI's Petition with SPPC CA Petition.

On February 10, 2023, SPI filed a Motion for Partial Reconsideration of the January 13, 2023 Resolution and prayed for the issuance of a writ of preliminary injunction.

On February 14, 2023, SPI received copies of the ERC's Comment Ad Cautelam on the Petition and Meralco's Comment.

On February 20, 2023, SPI filed a Motion for Leave to File Consolidated Reply.

SPI's Motion for Partial Reconsideration (on the issuance of a writ of preliminary injunction) and the SPI CA Petition remain pending resolution with the 13th Division of the CA.

In a Resolution dated April 3, 2023, the CA upheld its decision to consolidate the cases filed by SPI and SPPC thus denying the Motion for Partial Reconsideration filed by the ERC.

The CA likewise noted SPI's Motion for Partial Reconsideration (for the CA to partially reverse and set aside the Resolution dated January 13, 2023 and issue a writ of preliminary injunction) filed on February 10, 2023. Respondents were directed to file their comment on SPI's Motion for Partial Reconsideration within an unextendible period of ten (10) days from notice. The case (together with the SPPC Petition) will be submitted for decision after Respondents file their respective comment on SPI's Motion for Partial Reconsideration or after the expiration of the given period if no comment is filed.

c. Subsequent Events

i. Acquisition of Ilijan Primeline Industrial Estate Corp. (IPIEC)

On April 3, 2023, the Parent Company acquired the 100% outstanding capital stock of IPIEC for a consideration of P50,000.

IPIEC was incorporated in the Philippines and registered with the Philippine SEC on July 31, 2012. It owns certain parcels of land in Ilijan and Dela Paz, Batangas where the BCCPP project of EERI is being constructed.

ii. Additional Issuances of RPS

In April and May 2023, the Parent Company and UPSI issued the following US Dollar-denominated and Peso-denominated RPS to SMC to finance the ongoing construction of its BESS projects and general corporate purposes:

Date of Issuance	Distribution Payment Date	Issue Price	Initial Rate of Distribution	Amount of RPS Issued
Parent Company				
US Dollar-denominated:				
May 2, 2023	August 2, November 2, February 2 and May 2 of each year	100%	8.00%	**US$145,000**
UPSI				
US Dollar-denominated:				
April 5, 2023	July 5, October 5, January 5 and April 5 of each year	100%	8.00%	**US$58,800**
Peso-denominated:				
April 20, 2023	July 20, October 20, January 20 and April 20 of each year	100%	7.50%	**P1,500,000**
April 24, 2023	July 24, October 24, January 24 and April 24 of each year	100%	7.50%	**P1,300,000**

The proceeds from the issuances will be used for general corporate purposes.

iii. Approval of Distributions to SPCS Holders

On May 2, 2023, the Parent Company's BOD approved the payment of distributions amounting to (i) US$18,627 on June 9, 2023 to holders of the SPCS issued in June/September 2021, and (ii) US$16,910 on July 21, 2023 to holders of the SPCS issued in January 2020.

d. Supplemental Cash Flows Information

The following table summarizes the changes in liabilities and equity arising from the financing activities, including both changes arising from cash flows and non-cash changes:

	Loans Payable	Long-term Debt	Lease Liabilities	SPCS	RPS	Total
Balance as at January 1, 2023	**P21,000,000**	**P272,152,624**	**P59,958,110**	**P161,767,709**	**P51,934,069**	**P566,812,512**
Changes from Financing Activities						
Proceeds from borrowings	**28,000,000**	**13,641,000**	**-**	**-**	**-**	**41,641,000**
Proceeds from issuance of RPS	**-**	**-**	**-**	**-**	**27,378,113**	**27,378,113**
Payments of borrowings	**(28,000,000)**	**(36,576,358)**	**-**	**-**	**-**	**(64,576,358)**
Payments of lease liabilities	**-**	**-**	**(4,652,729)**	**-**	**-**	**(4,652,729)**
Total Changes from Financing Activities	**-**	**(22,935,358)**	**(4,652,729)**	**-**	**27,378,113**	**(209,974)**
Effect of Changes in Foreign Exchange Rates	**-**	**(2,566,494)**	**(713,650)**	**-**	**-**	**(3,280,144)**
Other Changes	**-**	**21,743**	**2,221,690**	**-**	**-**	**2,243,433**
Balance as at March 31, 2023 (Unaudited)	**P21,000,000**	**P246,672,515**	**P56,813,421**	**P161,767,709**	**P79,312,182**	**P565,565,827**

	Loans Payable	Long-term Debt	Lease Liabilities	SPCS	RPS	Total
Balance as at January 1, 2022	P1,529,970	P222,921,443	P78,213,359	P167,767,364	P32,751,570	P503,183,706
Changes from Financing Activities						
Proceeds from borrowings	51,181,875	72,312,000	-	-	-	123,493,875
Proceeds from issuance of RPS	-	-	-	-	19,182,499	19,182,499
Payments of borrowings	(32,373,125)	(30,581,714)	-	-	-	(62,954,839)
Payments of lease liabilities	-	-	(24,220,192)	-	-	(24,220,192)
Repurchase of SPCS	-	-	-	(4,702,640)	-	(4,702,640)
Total Changes from Financing Activities	18,808,750	41,730,286	(24,220,192)	(4,702,640)	19,182,499	50,798,703
Effect of Changes in Foreign Exchange Rates	661,280	8,151,998	3,185,883	-	-	11,999,161
Other Changes	-	(651,103)	2,779,060	(1,297,015)	-	830,942
Balance as at December 31, 2022 (Audited)	P21,000,000	P272,152,624	P59,958,110	P161,767,709	P51,934,069	P566,812,512

Other changes pertain to additions for new lease agreements and amortization of lease liabilities and amortization of debt-issue costs of long-term debt.

e. Commitments

The outstanding purchase commitments of the Group amounted to P137,459,188 and P138,586,592 as at March 31, 2023 and December 31, 2022, respectively.

The Group's material commitments for capital expenditure consist mainly of construction of power plants, mostly utilizing high efficiency low emission technologies, in line with the Group's expansion projects, and acquisition, upgrade or repair of fixed assets needed for normal operations of the business. These will be funded by available cash and proceeds from short-term loans, long-term debt and issued capital securities.

f. There are no unusual items as to the nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.

g. There were no material changes in estimates of amounts reported in prior financial year.

h. Certain accounts in prior year have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial position and performance of the Group for any of the comparative periods presented.

SAN MIGUEL GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
DISCUSSION OF THE GROUP'S FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.) and Subsidiaries (the "Group") use. Analyses are employed by comparisons and measurements based on the financial data as at March 31, 2023 and December 31, 2022 for liquidity, solvency and profitability ratios and for the periods ended March 31, 2023 and 2022 for operating efficiency ratios.

LIQUIDITY RATIO

$$\textbf{Current Ratio} = \frac{\textbf{Current Assets}}{\textbf{Current Liabilities}}$$

	Conventional		*Adjusted* [1]	
(in Millions Peso)	**March 2023**	December 2022	**March 2023**	December 2022
(A) Current Assets	**174,242**	188,781	**174,242**	188,781
(B) Current Liabilities	**153,418**	188,680	**134,259**	169,608
Current Ratio (A) / (B)	**1.14**	1.00	**1.30**	1.11

(1) Current portion of lease liabilities, in relation to the IPPA Agreements with PSALM, are excluded from the total current liabilities as these current obligations on lease are pass-through charges billable to customers. As at March 31, 2023 and December 31, 2022, current portion of lease liabilities to PSALM amounted to P19,159 million and P19,072 million, respectively.

SOLVENCY RATIO

$$\textbf{Net Debt-to-Equity* Ratio} = \frac{\textbf{Net Debt}}{\textbf{Total Equity}}$$

Per relevant Loan Covenants of San Miguel Global Power

(in Millions Peso)	**March 2023**	December 2022
(A) Net Debt [2]	**271,337**	293,872
(B) Total Equity [3]	**283,346**	252,707
Net Debt-to-Equity Ratio (A) / (B)	**0.96**	1.16

**All items are net of amounts attributable to ring-fenced subsidiaries*

(2) Consolidated net total debt plus total PSALM lease liabilities.
(3) Consolidated total equity.

$$\text{Asset-to-Equity Ratio} = \frac{\text{Total Assets}}{\text{Total Equity}}$$

	Conventional		*Adjusted* [4]	
(in Millions Peso)	**March 2023**	December 2022	**March 2023**	December 2022
(A) Total Assets	**720,470**	717,515	**622,247**	618,399
(B) Total Equity	**283,828**	252,317	**283,828**	252,317
Asset-to-Equity Ratio (A) / (B)	**2.54**	2.84	**2.19**	2.45

(4) Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at March 31, 2023 and December 31, 2022, the carrying amount of the IPPA power plant assets amounted to P98,223 million and P99,116 million, respectively.

PROFITABILITY RATIO

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Total Equity}}$$

(in Millions Peso)	**March 2023**	December 2022
(A) Net Income [5]	**6,550**	3,134
(B) Total Equity	**283,828**	252,317
Return on Equity (A) / (B)	**2.3%**	1.2%

(5) Annualized for quarterly reporting.

$$\text{Interest Coverage Ratio} = \frac{\text{Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)}}{\text{Interest Expense}}$$

Per relevant Loan Covenants of San Miguel Global Power

(in Millions Peso)	**March 2023**	December 2022
(A) EBITDA [6]	**33,645**	34,494
(B) Interest Expense [7]	**13,492**	13,170
Interest Coverage Ratio (A) / (B)	**2.49**	2.62

(6) Most recent four quarterly period consolidated EBITDA (gross of PSALM payments and excluding amounts attributable to ring-fenced subsidiaries).

(7) Most recent four quarterly period consolidated interest expense (excluding amounts attributable to ring-fenced subsidiaries).

OPERATING EFFICIENCY

Volume Growth (Decline) = **Current Period Offtake Volume** / **Prior Period Offtake Volume** - **1**

(in GWh)	Periods Ended March 31 **2023**	2022
(A) Current Period Offtake Volume	**4,657**	6,991
(B) Prior Period Offtake Volume	**6,991**	6,344
Volume Growth (Decline) [(A / B) – 1]	**(33.4%)**	10.2%

Revenue Growth (Decline) = **Current Period Revenue** / **Prior Period Revenue** - **1**

(in Millions Peso)	March 31 **2023**	**2022**
(A) Current Period Revenue	**41,124**	43,036
(B) Prior Period Revenue	**43,036**	27,366
Revenue Growth (Decline) [(A / B) – 1]	**(4.4%)**	57.3%

Operating Margin = **Income from Operations** / **Revenues**

(in Millions Peso)	Periods Ended March 31 **2023**	**2022**
(A) Income from Operations	**7,575**	6,790
(B) Revenues	**41,124**	43,036
Operating Margin (A) / (B)	**18.4%**	15.8%

San Miguel Global Power
Giving You the Power to Celebrate Life

San Miguel Global Power Holdings Corp.

5th Floor C5 Office Bldg. Complex, 100 E. Rodriguez Jr. Ave., C5 Road, Ugong, Pasig City, 1604 (02) 5317 1000

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Global Power Holdings Corp. ("San Miguel Global Power" or "Parent Company", formerly SMC Global Power Holdings Corp.) and its subsidiaries (collectively referred to as the "Group") as at and for the period ended March 31, 2023 (with comparative figures as at December 31, 2022 and for the period ended March 31, 2022). All necessary adjustments have been made to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2023, and for all the other periods presented. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. MAJOR DEVELOPMENTS AND SIGNIFICANT TRANSACTIONS IN 2023

UPDATES ON BATTERY ENEGY STORAGE SYSTEM AND LIQUEFIED NATURAL GAS PROJECTS OF THE GROUP

San Miguel Global Power recently accomplished several key milestones in its two landmark and game changing projects in the local power industry.

The 1,000 MW Battery Energy Storage Systems (BESS) projects was inaugurated on March 31, 2023 in Limay, Bataan. Some of the BESS capacities have successfully participated and secured ancillary services contracts to render power quality solutions for the Grid. The remaining BESS capacities are gearing up to meet the incoming requirements for grid ancillary services and also provide instant peak supply that will help ensure energy security in the coming years.

San Miguel Global Power also launched its foray into Liquefied Natural Gas (LNG) power generation with the first ever shipment of LNG to the country which happened in the last week of April 2023. The LNG transfer was made to a Floating Storage Unit which eventually berthed on the first ever LNG terminal in the country strategically located between San Miguel Global Power's 1,200MW Ilijan Power Plant and the new 1,313MW Batangas Combined Cycled Power Plant (BCCPP). The LNG terminal is expected to provide LNG fuel to the Ilijan Power Plant in May 2023 and reintegrate its valuable baseload capacity to the Grid.

ISSUANCE OF REDEEMABLE PERPETUAL SECURITIES

On March 10, 2023, San Miguel Global Power issued US$500 million redeemable perpetual securities (RPS), at an issue price of 100% to its parent company, San Miguel Corporation (SMC).

The proceeds from the issuance were used by San Miguel Global Power to partially finance its (i) ongoing construction of power-related assets, (ii) certain maturing obligations, and/or (iii) general corporate expenditures.

LONG TERM DEBTS

Availment of US$100 million Term Loan by San Miguel Global Power
On March 16, 2023, San Miguel Global Power availed of a US$100 million term loan from a facility agreement executed on March 10, 2023, with a foreign bank. The loan is subject to floating interest rate and will mature in September 2024.

The proceeds of the loan, net of transaction-related fees and costs of such facility, were used for general corporate purposes, as well as for various capital expenditures and debt refinancing.

Amendment of Masinloc Power Partners Co. Ltd.'s Omnibus Refinancing Agreement
On January 17, 2023, Masinloc Power Partners Co. Ltd. (MPPCL) agreed with local bank lenders to amend its Omnibus Refinancing Agreement (ORA), with an outstanding obligation amounting to US$149 million as at the agreement date, into a Peso-denominated loan pegged at P8,155 million, subject to floating interest rate with maturities up to January 2030. MPPCL holds a one-time right to convert the loan into a fixed interest rate borrowing on the second anniversary as allowed under the terms of the agreement.

Payment of Maturing Long-term Debt
On March 13, 2023, San Miguel Global Power paid the remaining balance of its US$700 million term loan facility availed last March 16, 2018, amounting to US$500 million.

The loan was paid using, in part, the proceeds from the RPS issued by San Miguel Global Power to SMC. The rest was paid from San Miguel Global Power's cashflows from operations.

During the first quarter of 2023, Limay Power Inc. (LPI, formerly SMC Consolidated Power Corporation), Malita Power Inc. (MPI, formerly San Miguel Consolidated Power Corporation) and MPPCL paid a total of P987 million of their scheduled long-term debt principal amortizations pursuant to the terms and conditions of their respective facility agreements.

SUBSEQUENT EVENTS
In April and May 2023, San Miguel Global Power and Universal Power Solutions, Inc. (UPSI) issued the following US Dollar-denominated and Peso-denominated RPS to SMC to finance the ongoing construction of its BESS projects and general corporate purposes:

Date of Issuance	Distribution Payment Date	Issue Price	Initial Rate of Distribution	Amount of RPS Issued
San Miguel Global Power				
US Dollar-denominated:				
May 2, 2023	August 2, November 2, February 2 and May 2 of each year	100%	8.00%	**US$145 million**
UPSI				
US Dollar-denominated:				
April 5, 2023	July 5, October 5, January 5 and April 5 of each year	100%	8.00%	**US$58.80 million**
Peso-denominated:				
April 20, 2023	July 20, October 20, January 20 and April 20 of each year	100%	7.50%	**P1,500 million**
April 24, 2023	July 24, October 24, January 24 and April 24 of each year	100%	7.50%	**P1,300 million**

II. FINANCIAL PERFORMANCE

2023 vs. 2022

	March 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2023**	2022	Amount	%	**2023**	2022
Revenues	**P41,124**	P43,036	(P1,912)	(4%)	**100%**	100%
Cost of power sold	**(32,094)**	(35,139)	(3,045)	(9%)	**(78%)**	(82%)
Gross profit	**9,030**	7,897	1,133	14%	**22%**	18%
Selling and administrative expenses	**(1,467)**	(1,158)	309	27%	**(4%)**	(3%)
Other operating income	**12**	51	(39)	(76%)	**0%**	0%
Income from operations	**7,575**	6,790	785	12%	**18%**	15%
Interest expense and other financing charges	**(4,398)**	(4,092)	306	7%	**(10%)**	(10%)
Interest income	**367**	217	150	69%	**1%**	1%
Equity in net earnings of an associate and joint ventures	**164**	60	104	173%	**0%**	0%
Other income - net	**3,316**	366	2,950	806%	**8%**	1%
Income before income tax	**7,024**	3,341	3,683	110%	**17%**	7%
Income tax expense	**1,679**	1,413	266	19%	**4%**	3%
Net income	**P5,345**	P1,928	P3,417	177%	**13%**	4%

Revenues
The Group's consolidated revenues for the first quarter of 2023 amounted to P41,124 million, lower by 4% than the P43,036 million recognized in the same period last year. The decrease was mainly due to lower offtake volumes for the first quarter of 2023 which registered at 4,657 gigawatt hours (GWh), 33% lower compared to last year. This was due mainly to the injunction issued by the Court of Appeals following a Temporary Restraining Order (TRO) issued last December 7, 2022 on the obligation to supply the 670 megawatts (MW) contract capacity to Manila Electric Company (Meralco) by South Premiere Power Corp. (SPPC). The impact of the decline in bilateral offtake volumes was mitigated by higher average bilateral rates bearing adjustments on pass-thru fuel costs.

Cost of Power Sold
Cost of power sold decreased by 9% or P3,045 million, to P32,094 million for the first quarter of 2023 from P35,139 million in the same period last year. The decrease was mainly attributable to: (i) lower energy fees incurred with the expiration of the Ilijan Independent Power Producer Administration Agreement (the "Ilijan IPPA Agreement") of SPPC with Power Sector Assets and Liabilities Management Corporation (PSALM) in June 2022, and (ii) lower power purchases from the Wholesale Electricity Spot Market (WESM) following the suspension by the Court of Appeals of the obligation to deliver the 670 MW contract capacity of SPPC to Meralco.

Selling and Administrative Expenses
Selling and administrative expenses increased by 27% or P309 million, to P1,467 million for the first quarter of 2023 from P1,158 million in 2022 same period. The increase was mainly due to: (i) higher taxes and licenses pertaining to documentary stamp taxes from various transactions and local business taxes of MPPCL, LPI, Sual Power Inc. (SPI, formerly San Miguel Energy Corporation) and San Miguel Global Power, and (ii) increase in personnel-related expenses of the Group with its continuing business activities and expansion.

Other Operating Income
Other operating income declined by P39 million due to the recognition of net commissioning costs incurred by UPSI for the testing and commissioning of its BESS facilities during the first quarter of 2023.

Income from Operations
As a result of the foregoing events, consolidated income from operations of P7,575 million for the quarter increased by 12% from P6,790 million from the same period last year.

Interest Expense and Other Financing Charges
Interest expense and other financing charges amounted to P4,398 million for the quarter. The higher number compared to the same period last year was driven mainly by the general increase in global and local interest rate indices and by the new loan drawn by San Miguel Global Power, partly offset by lower interest recognized on the declining principal balance of the IPPA entities' lease liabilities to PSALM especially with the full settlement of SPPC's remaining lease liability for the Ilijan Power Plant last June 2022.

Interest Income
Interest income amounted to P367 million for the quarter. The higher number compared to the same period last year was due primarily to the interest income recognized on interest-bearing receivables arising from the sale of properties and subsidiaries in 2022.

Equity in Net Earnings of an Associate and Joint Ventures
Equity in net earnings of an associate and joint ventures amounted to P164 million for the first quarter of 2023, higher than last year due mainly to the improvement in the financial performance of Angat Hydropower Corporation (AHC).

Other Income - net
Other income amounted to P3,316 million for the quarter, significantly higher compared to last year's P366 million. This was mainly due to the net foreign exchange gain, amounting to P3,695 million, recognized in the period from the revaluation of the Group's net US Dollar-denominated liabilities with the appreciation of the Philippine Peso against the US Dollar during the current period. For the same period last year, San Miguel Global Power recognized a net foreign exchange loss of P358 million.

Income Tax Expense
Income tax expense amounted to P1,679 million for the quarter, 19% higher than P1,413 million reported for the same period last year on account of higher taxable income of MPPCL and LPI.

Net Income
The consolidated net income for the quarter is at P5,345 million, significantly higher than P1,928 million from the same period last year. This was due to higher operating income with better margins on available net capacity, and with the appreciation of the Philippine Peso against the US Dollar resulting in the recognition of P3,695 million in net foreign exchange gain for the quarter.

The following are the highlights of the performance of the individual operating subsidiaries per business segments:

1. **POWER GENERATION**

   a. **SPI, IPPA of Sual Power Plant**

      For the first quarter of 2023, net generation of 1,564 GWh, at 60% net capacity factor rate, was slightly lower by 1% than in 2022 same period due to lower plant dispatch. On the other hand, total offtake volumes increased by 4% to 2,010 GWh from 1,936 GWh for the same period in 2022 on account of higher Meralco nominations and higher volumes sold to spot and affiliate generators for the first quarter of 2023.

      Revenues of P17,861 million was up by 44% than the P12,382 million reported last year. This was mainly attributable to higher average realization price for bilateral sales, driven by the increase in pass-on fuel charges, and higher spot market prices.

As a result, operating income for the first quarter of 2023 increased by 13% to P2,412 million from P2,138 million in 2022.

b. **San Roque Hydropower Inc. (SRHI, formerly Strategic Power Devt. Corp., IPPA of San Roque Power Plant)**

The San Roque Power Plant's net generation of 180 GWh for the first quarter of 2023, at 24% net capacity factor rate, fell by 5% due to lower water inflows resulting from low water reservoir level. However, total offtake volumes of 370 GWh increased by 56% compared to the same period last year due to higher spot sales volume and the new bilateral contract which took effect in March 2022.

Revenues of P3,330 million more than doubled compared to last year due mainly to higher offtake volumes coupled with higher average realization prices.

As a result, operating income for the first quarter increased by 98% from P572 million in 2022 to P1,130 million in 2023.

c. **SPPC, owner of Ilijan Power Plant**

The net generation of Ilijan Power Plant for the first quarter of 2023 fell by 98% due to the plant's extended outage since June 2022 to undergo retrofitting works following the cessation of gas supply deliveries from the depleting Malampaya natural gas facility. This resulted despite the purchase by San Miguel Global Power of the remaining banked gas supply of government-owned Philippine National Oil Company (PNOC), which remains undelivered to date. Likewise, total offtake volumes of 439 GWh for the first quarter of 2023 decreased by 76% compared to last year due to the suspension of the obligation to supply the 670 MW PSA with Meralco.

Revenues of P2,337 million for the first quarter of 2023 was 73% lower compared to the revenues reported in the same period of 2022 mainly on account of lower offtake volumes.

For the first quarter of 2023, SPPC recognized an operating loss of P932 million, a complete turnaround from the P1,283 million operating income in 2022, as it incurred high cost of power purchases for its remaining bilateral contract requirements.

d. **LPI, owner of Limay (Greenfield) Power Plant**

Limay Power Plant has a combined capacity of 600 MW. Total net generation of the plant from all operating units of 932 GWh for the first quarter of 2023, at 80% net capacity factor rate, was lower by 5% than last year at 981 GWh due to higher plant outages. LPI dispatched 449 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its Retail Electricity Supply (RES) customers. Total offtake volume of 463 GWh went up from last year by 14% due to the increase in replacement power sales volume.

For the first quarter of 2023, revenues increased by 18% from P2,972 million in 2022 to P3,498 million. This was primarily due to higher average realization price on account of the increase in pass-on fuel rate brought by rising fuel prices.

Operating income registering at P663 million in 2023 was 30% lower than the P944 million posted in 2022 due mainly to higher generation costs and the increase in average price of power purchased from the spot and affiliate generators.

e. **MPI, owner of Malita (Davao Greenfield) Power Plant**

For the first quarter of 2023, a total of 328 GWh was generated by the plant, at a capacity factor rate of 58%, lower than last year by 17% due mainly to lower bilateral nominations.

Revenues at P3,387 million dropped by 5% from last year due to the decrease in bilateral offtake volumes partly mitigated by the increase in average realization price due to higher pass-on fuel costs on account of rising cost of coal. As a result, operating income at P1,067 million was down by 18% compared to last year same period.

f. **MPPCL, owner of Masinloc Power Plant**

The Masinloc Power Plant operating Units 1, 2, and 3 contributed a total net generation of 1,064 GWh for the first quarter of 2023 with 958 GWh supplied to power generation customers while the rest was discharged to RES customers. This was 27% lower compared to the 1,463 GWh generated last year as a result of higher outage days attributed to the scheduled annual maintenance and turbine retrofit beginning December 23, 2022 up to March 10, 2023.

Total offtake volumes of 1,034 GWh and revenues of P9,309 million fell from last year resulting primarily from lower customer nominations and spot sales volumes. On the other hand, operating income increased to P2,006 million on account of high bilateral rates to customers and spot market prices.

2. **RETAIL AND OTHER POWER-RELATED SERVICES**

a. **LPI, RES**

For the first quarter of 2023, total offtake volumes registered at 507 GWh. This declined by 23% than last year's 660 GWh due to contracts that have ceased. Revenues, however, was up by 19% from P3,826 million last year to P4,553 million for the first quarter of 2023 with the increase in average realization price on account of the increase in pass-on fuel rate and fuel cost recovery adjustments.

Consequently, an operating income of P679 million in 2023 was registered compared to the P226 million operating loss posted for the same period in 2022.

b. **MPPCL, RES and BESS**

For the first quarter of 2023, revenues, inclusive of ancillary revenues from the 10 MW BESS, increased to P2,186 million due to high bilateral rates. Consequently, operating income of P535 million, was higher compared to the income in the same period last year.

c. **SMCGP Philippines Energy Storage Co. Ltd. (SMCGP Philippines Energy Storage), owner of Kabankalan I BESS**

SMCGP Philippines Energy Storage reported higher revenues of P212 million for the first quarter of 2023, an increase of 22% compared to the same period last year. However, operating income of P104 million was lower by 10% compared to the P116 million registered last year on account of higher spot purchase volumes and prices during the period.

2022 vs. 2021

	March 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2022**	2021	Amount	%	**2022**	2021
Revenues	**P43,036**	P27,366	P15,670	57%	**100%**	100%
Cost of power sold	**(35,139)**	(15,574)	19,565	126%	**(82%)**	(57%)
Gross profit	**7,897**	11,792	(3,895)	(33%)	**18%**	43%
Selling and administrative expenses	**(1,158)**	(1,213)	(55)	(5%)	**(2%)**	(4%)
Other operating income	**51**	33	18	55%	**0%**	0%
Income from operations	**6,790**	10,612	(3,822)	(36%)	**16%**	39%
Interest expense and other financing charges	**(4,092)**	(4,595)	(503)	(11%)	**(10%)**	(17%)
Interest income	**217**	125	92	74%	**1%**	0%
Equity in net earnings of an associate and joint ventures	**60**	37	23	62%	**0%**	0%
Other income (charges) - net	**366**	(106)	472	445%	**1%**	0%
Income before income tax	**3,341**	6,073	(2,732)	(45%)	**8%**	22%
Income tax expense (benefit)	**1,413**	(1,704)	3,117	183%	**4%**	(6%)
Net income	**P1,928**	P7,777	(P5,849)	(75%)	**4%**	28%

Revenues
The Group's consolidated revenues for the first quarter of 2022 registered at P43,036 million, 57% or P15,670 million higher than the same period in 2021 at P27,366 million. The increase was mainly due to: (i) higher average realization prices attributable to higher fuel cost passed on to customers as a result of rising coal prices and the increase in overall spot sales price in Luzon, (ii) improvement in nominations from Meralco, other distribution utilities and industrial customers arising from relatively lighter Coronavirus Disease 2019 (COVID-19) quarantine restrictions compared to 2021, thereby increasing offtake volumes by 10% to 6,991 GWh from 6,344 GWh in 2021, and (iii) commencement of commercial operations of the 20 MW Kabankalan 1 BESS on January 26, 2022.

Cost of Power Sold
Cost of power sold significantly increased by 126% or P19,565 million, from P15,574 million for the first quarter of 2021 to P35,139 million for the same period in 2022. The increase was mainly attributable to the following: (i) higher generation cost of Sual, Masinloc, Limay and Malita Power Plants on account of rising coal prices, (ii) higher volume of power purchased from the wholesale market coupled with higher spot purchase prices, and (iii) increase in gas prices for the Ilijan Power Plant.

Selling and Administrative Expenses
Selling and administrative expenses decreased by 5% or P55 million, from P1,213 million for the first quarter of 2021 to P1,158 million for the same period in 2022. The decrease was mainly due to: (i) the decline in contracted service charges incurred on account of lower outage days for preventive maintenance of Masinloc Power Plant Unit 3, and (ii) decline in contributions for COVID-19 community response initiatives.

Other Operating Income
Other operating income increased by P18 million due mainly to the service fees charged by San Miguel Global Power to a landholding company beginning in 2022.

Income from Operations
In spite of strong revenue growth, consolidated income from operations of P6,790 million for the first quarter of 2022 declined by 36% or P3,822 million from the same period of 2021, mainly due to lower margins of the Group as coal indices remained at high level, which more than doubled from 2021, as well as the increase in spot purchase prices.

Interest Expense and Other Financing Charges
Interest expense and other financing charges decreased by 11% or P503 million from P4,595 million for the same period in 2021 to P4,092 million in 2022, primarily due to lower interest recognized on the declining principal balances of the IPPA entities' lease liabilities.

Interest Income
Interest income increased by 74% or P92 million from P125 million for the same period in 2021 to P217 million in the first quarter of 2022, driven primarily by higher average interest rate for the period.

Equity in Net Earnings of an Associate and Joint Ventures
Equity in net earnings of an associate and joint ventures increased from P37 million in 2021 to P60 million in the same period of 2022 due mainly to the improvement in the financial performance results of AHC.

Other Income (Charges) - Net
Other income increased by 445% or P472 million from P106 million loss for the same period in 2021 to P366 million net gain in 2022. This was due to (i) higher marked-to-market gain on derivatives as a result of the positive valuation of the commodity and coal swap agreements, partly offset by (ii) higher net foreign exchange losses by P196 million recognized on the Group's US Dollar-denominated financial assets and liabilities with the movement of the Philippine Peso against the US Dollar during the period.

Income Tax Expense (Benefit)
Provision for income tax made a complete turnaround from income tax benefit of P1,704 million in 2021 to P1,413 million income tax expense in 2022. This resulted primarily from the recording in the first quarter of 2021 the impact of the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE") Law, that was approved by the President of the Philippines on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5% to 10% point cut in the corporate income tax starting July 1, 2020. CREATE impact adjustment, reducing income tax expense for 2020 by P3,152 million, was recognized in the first quarter of 2021.

Net Income
Consequently, the consolidated net income of the Group for the first quarter decreased by 75% or P5,849 million from P7,777 million in 2021 to P1,928 million in 2022. Without the CREATE impact, the net income would have declined by 58% from 2021.

The following are the highlights of the performance of the individual operating business segments:

1. **POWER GENERATION**

   a. **SPI, IPPA of Sual Power Plant**

      For the first quarter of 2022, net generation of 1,575 GWh at 69% net capacity factor rate was 180% higher than the net capacity factor for 2021 same period. This was mainly due to lower outages in 2022 as Sual Unit 2 was on extended outage for the repair of turbine blades and diaphragm during the first quarter of 2021. Likewise, total offtake volumes increased by 9% to 1,936 GWh from the total offtake volumes reported in the same period of 2021 on account of higher Meralco nominations and the significant improvement in volumes sold to spot and affiliate generators for the first quarter of 2022.

Revenues of P12,382 million was 46% higher than the P8,474 million in 2021 mainly attributable to improvement in average realization price of electric cooperatives driven by the increase in pass-on fuel cost, and higher spot market prices.

Operating income of P2,138 million was 43% lower than the P3,746 million in 2021 on account of higher generation cost due to significant increase in cost of coal and spot purchase prices offset by the decline in power purchase volumes from affiliate and external generators as a result of higher plant availability during the period.

b. **SRHI, IPPA of San Roque Power Plant**

The San Roque Power Plant's net generation of 189 GWh, at 25% net capacity factor rate, for the first quarter of 2022 decreased by 19% due to lower water reservoir level. Total offtake volumes of 237 GWh likewise decreased by 7% compared to 254 GWh in the first quarter of 2021 due to lower spot sales volume partly offset by higher replacement power supplied to affiliate generators and from the new bilateral customer contract which took effect on March 5, 2022.

Revenues of P1,259 million for the first quarter of 2022 was 12% higher than revenues reported in same period of 2021, mainly due to higher average realization price and the volume of bilateral sales.

The foregoing factors resulted to an upturn in operating income from P485 million in 2021 to P572 million in 2022.

c. **SPPC, owner of Ilijan Power Plant**

The net generation of Ilijan Power Plant for the first quarter of 2022 fell by 14% due to its deration brought by the continued Malampaya gas supply restrictions which started on March 17, 2021. Total offtake volumes of 1,817 GWh decreased by 9% compared to the total offtake volumes reported in the same period of 2021 on account of lower spot sales volume and replacement power sold to affiliate generators, slightly offset by the increase in Meralco nominations.

Revenues of P8,628 million for the first quarter of 2022 was 14% higher compared to the revenues for 2021 despite lower offtake volumes. This was on account of the significant increase in spot sales prices and the improved average realization prices for bilateral sales.

Operating income of P1,283 million in 2022 dropped by 35% compared to the P1,971 million posted in 2021. This was attributable to higher volume of power purchases as a result of the Ilijan Power Plant's deration and the significant increase in average spot purchase prices caused by multiple plants' shutdown in Luzon during the period.

d. **LPI, owner of Limay Power Plant**

Total net generation of the Limay Power Plant from all operating units of 981 GWh at 85% net capacity factor rate for the first quarter of 2022 was 3% lower than the same period of 2021 at 1,016 GWh due to higher plant outages for preventive maintenance services. LPI dispatched 389 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its RES customers. Total offtake volumes of 407 GWh fell from 2021 by 11% due to decline in both bilateral and spot sales volumes.

For the first quarter of 2022, revenues increased by 44% from P2,058 million in 2021 to P2,972 million in the current year due to higher average fuel charges passed on to customers as a result of rising fuel prices and increase in spot rates.

Consequently, operating income registered at P944 million in 2022 was 9% higher than the P869 million posted in 2021.

e. **MPI, owner of Malita Power Plant**

For the first quarter of 2022, a total of 397 GWh was generated by the plant, at a capacity factor rate of 70%, which was 10% lower compared to the same period in 2021. Revenues at P3,557 million grew by 60% on account of higher average realization price due to higher pass-on fuel cost as a result of rising cost of coal. Accordingly, operating income registered at P1,307 million, 36% higher than the operating income reported in 2021 for the same period.

f. **MPPCL, owner of Masinloc Power Plant**

The Masinloc Power Plant's operating Units 1, 2, and 3 contributed a total net generation of 1,463 GWh for the first quarter of 2022. This was 4% higher compared to the 1,411 GWh total net generation reported for the same period in 2021, due to higher plant availability.

Total offtake volumes of 1,646 GWh exceeded offtake volumes in 2021 by 3% on account of new contracts with bilateral customers. Year-to-date revenues increased to P10,904 million due to high spot market prices and bilateral rates to customers. However, operating income of P678 million was lower by 60% attributed to the increase in cost of coal and spot purchase prices during the period.

2. **RETAIL AND OTHER POWER-RELATED SERVICES**

a. **LPI, RES**

For the first quarter of 2022, total offtake volumes of 660 GWh was at par with the offtake volumes of 663 GWh in 2021. Revenues increased by 21% from P3,154 million for the same period in 2021 to P3,826 million due to higher bilateral rates. This was offset by higher generation cost as a result of rising fuel prices due to increasing coal indices. Consequently, P226 million operating loss was registered in 2022, a turnaround from the P565 million operating income posted for the same period in 2021.

b. **MPPCL, RES and BESS**

For the first quarter of 2022, total offtake volumes and revenues more than doubled compared to 2021, registering at 368 GWh and P2,058 million, respectively, attributable to new contestable customers. Operating income of P190 million, however, was lower compared to the same period in 2021 due to increase in generation costs driven primarily by higher coal prices during the period.

c. **SMCGP Philippines Energy Storage, owner of Kabankalan I BESS**

On January 6, 2022, the Energy Regulatory Commission granted provisional authority for the implementation of the Ancillary Services Procurement Agreement between the National Grid Corporation of the Philippines and SMCGP Philippines Energy Storage commencing on January 26, 2022. SMCGP Philippines Energy Storage reported revenues and operating income of P173 million and P116 million for the first quarter of 2022, respectively.

d. **Albay Power and Energy Corp. (APEC), Concessionaire for the rehabilitation, operations and maintenance of Albay Electric Cooperative, Inc. (ALECO)**

Revenues of P1,029 million was 34% higher than the P769 million posted for the same period in 2021 driven primarily by the increase in average realization price. The improvement in revenues was curtailed by higher systems loss and cost of power purchases. Consequently, operating loss of P217 million in 2022 was higher than the P82 million loss recognized in 2021 for the same period.

Effective November 21, 2022, the Concession Agreement between APEC and ALECO was terminated.

III. FINANCIAL POSITION

2023 vs. 2022

			Horizontal Analysis Increase (Decrease)		**Vertical Analysis**	
In Millions	**March 31, 2023**	December 31, 2022	Amount	%	**2023**	2022
Cash and cash equivalents	**P17,658**	P22,726	(P5,068)	(22%)	**2%**	3%
Trade and other receivables - net	**107,026**	105,940	1,086	1%	**15%**	15%
Inventories	**12,864**	16,822	(3,958)	(24%)	**2%**	2%
Prepaid expenses and other current assets	**36,694**	43,293	(6,599)	(15%)	**5%**	6%
Total Current Assets	**174,242**	188,781	(14,539)	(8%)	**24%**	26%
Investments and advances - net	**8,823**	7,855	968	12%	**1%**	1%
Property, plant and equipment - net	**316,212**	304,412	11,800	4%	**44%**	43%
Right-of-use assets - net	**107,826**	106,610	1,216	1%	**15%**	15%
Goodwill and other intangible assets - net	**71,739**	71,765	(26)	0%	**10%**	10%
Deferred tax assets	**2,055**	2,280	(225)	(10%)	**0%**	0%
Other noncurrent assets	**39,573**	35,812	3,761	11%	**6%**	5%
Total Noncurrent Assets	**546,228**	528,734	17,494	3%	**76%**	74%
Total Assets	**P720,470**	P717,515	P2,955	0%	**100%**	100%
Loans payable	**P21,000**	P21,000	P -	0%	**3%**	3%
Accounts payable and accrued expenses	**84,029**	84,447	(418)	(1%)	**12%**	12%
Lease liabilities - current portion	**19,275**	19,185	90	1%	**3%**	2%
Income tax payable	**373**	326	47	14%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**28,741**	63,722	(34,981)	(55%)	**4%**	9%
Total Current Liabilities	**153,418**	188,680	(35,262)	(19%)	**22%**	26%
Long-term debt - net of current maturities and debt issue costs	**217,932**	208,431	9,501	5%	**30%**	29%
Deferred tax liabilities	**20,439**	19,364	1,075	6%	**3%**	3%
Lease liabilities - net of current portion	**37,538**	40,773	(3,235)	(8%)	**5%**	6%
Other noncurrent liabilities	**7,315**	7,950	(635)	(8%)	**1%**	1%
Total Noncurrent Liabilities	**283,224**	276,518	6,706	2%	**39%**	39%
Total Liabilities	**436,642**	465,198	(28,556)	(6%)	**61%**	65%

Forward

In Millions	**March 31, 2023**	December 31, 2022	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2023**	2022
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**P1,250**	P1,250	P -	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**161,768**	161,768	-	0%	**22%**	23%
Redeemable perpetual securities	**79,312**	51,934	27,378	53%	**11%**	7%
Equity reserves	**(1,538)**	(1,559)	21	1%	**0%**	0%
Retained earnings	**39,618**	35,526	4,092	12%	**6%**	5%
	282,900	251,409	31,491	13%	**39%**	35%
Non-controlling Interests	**928**	908	20	2%	**0%**	0%
Total Equity	**283,828**	252,317	31,511	12%	**39%**	35%
Total Liabilities and Equity	**P720,470**	P717,515	P2,955	0%	**100%**	100%

The Group's consolidated total assets as at March 31, 2023 amounted to P720,470 million, slightly higher by P2,955 million than December 31, 2022 balance of P717,515 million. The increase was attributable to the following factors:

a. Increase in property, plant and equipment by P11,800 million as a result of the ongoing construction of the BCCPP project, Masinloc Power Plant Units 4 and 5, rehabilitation of the Ilijan Power Plant, repair and maintenance works in the Limay and Malita Power Plants, BESS projects and the Mariveles Power Plant.

b. Increase in other noncurrent assets by P3,761 million was mainly attributable to (i) additional restricted cash set aside by MPPCL and LPI for its debt servicing requirements, (ii) net increase in advances to suppliers/contractors for ongoing projects, and (iii) additional shareholder loans granted to AHC.

c. Increase in investment and advances by P968 million was mainly attributable to the additional deposits made by SPI and the Parent Company to landholding companies and share in the net earnings of AHC for the period.

d. Decrease in prepaid expenses and other current assets by P6,599 million was mainly attributable to the (i) decrease in restricted cash of MPPCL for the settlement of its ORA loan which matured and was redenominated in January 2023, (ii) amortization of real property and business taxes, and (iii) application of advances relating to coal deliveries for the Masinloc Power Plant.

e. Decrease in cash and cash equivalents by P5,068 million was due mainly to (i) payments of maturing long-term loans of the Parent Company, MPI, LPI and MPPCL, (ii) capital expenditures for BCCPP, Masinloc Power Plant Units 4 and 5, BESS and Mariveles Power Plant projects; (ii) lease payments of SPI and SRHI to PSALM; and (iii) distributions paid to the holders of capital securities. These were partly offset by the proceeds from the Parent Company's issuance of US$500 million RPS and the US$100 million term loan drawn in March 2023.

f. Decrease in inventories by P3,958 million was attributable primarily to the overall coal consumption which exceeds coal procured during the period for the Masinloc, Limay, Malita and Sual Power Plants coupled with lower average cost of coal.

g. Decrease in deferred tax assets by P225 million was due primarily to the deferred income tax expense recognized by MPPCL on unrealized foreign exchange gain from the revaluation of its US Dollar-denominated liabilities.

The Group's consolidated total liabilities as at March 31, 2023 amounted to P436,642 million, 6% or P28,556 million lower than the December 31, 2022 balance of P465,198 million. The major items accounting for the decrease are as follows:

a. Decrease in long-term debt - net of debt issue costs (including current and noncurrent portions) by P25,480 million was attributable to the: (i) settlement of long-term debts of the Parent Company, MPI, LPI and MPPCL and (ii) unrealized foreign exchange gain recognized on the revaluation of US Dollar-denominated loans; which were partly offset by the (iii) Parent Company's availment of a US$100 million term loan in March 2023, and (iv) amortization of debt issue costs.

b. Decrease in lease liabilities (including current and noncurrent portions) by P3,145 million was mainly on account of lease payments made by the IPPA entities to PSALM and the foreign exchange gain recognized for the period on the revaluation of US Dollar-denominated lease liabilities.

c. Decrease in other noncurrent liabilities by P635 million was attributable mainly to settlement and revaluation of US Dollar-denominated payables to contractors relating to the Group's ongoing construction projects.

d. Increase in deferred tax liabilities by P1,075 million was due to provision for deferred income tax expense arising from lease-related expenses of SRHI and SPI.

e. Increase in income tax payable by P47 million was mainly attributable to the additional income tax due on the taxable income for the period of LPI and MPPCL.

The Group's consolidated total equity as at March 31, 2023 amounted to P283,828 million, higher by 12% or P31,511 million than the December 31, 2022 balance of P252,317 million. The increase is accounted for as follows:

a. Increase in RPS by P27,378 million was attributable to the US$500 million RPS issued by the Parent Company to SMC in March 2023. The proceeds of which were used for general corporate purposes, including capital expenditures and financing of maturing obligations.

b. Increase in retained earnings by P4,092 million was mainly attributable to the net income for the period, partly offset by the distributions to capital securities holders during the period.

2022 vs. 2021

			Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**March 31, 2022**	December 31, 2021	Amount	%	**2022**	2021
Cash and cash equivalents	**P59,023**	P67,690	(P8,667)	(13%)	**9%**	11%
Trade and other receivables - net	**57,874**	47,272	10,602	22%	**9%**	7%
Inventories	**9,679**	10,018	(339)	(3%)	**1%**	2%
Prepaid expenses and other current assets	**31,070**	31,490	(420)	(1%)	**5%**	5%
Total Current Assets	**157,646**	156,470	1,176	1%	**24%**	25%
Investments and advances - net	**10,945**	10,839	106	1%	**2%**	2%
Property, plant and equipment - net	**221,075**	211,859	9,216	4%	**34%**	33%
Right-of-use assets - net	**156,728**	157,160	(432)	0%	**24%**	25%
Goodwill and other intangible assets - net	**73,780**	72,943	837	1%	**12%**	11%
Deferred tax assets	**1,578**	1,447	131	9%	**0%**	0%
Other noncurrent assets	**24,538**	25,006	(468)	(2%)	**4%**	4%
Total Noncurrent Assets	**488,644**	479,254	9,390	2%	**76%**	75%
Total Assets	**P646,290**	P635,724	P10,566	2%	**100%**	100%
Loans payable	**776**	1,530	(754)	(49%)	**0%**	0%
Accounts payable and accrued expenses	**60,221**	56,055	4,166	7%	**9%**	9%
Lease liabilities - current portion	**19,809**	21,677	(1,868)	(9%)	**3%**	3%
Income tax payable	**25**	25	-	0%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**63,734**	30,185	33,549	111%	**10%**	5%
Total Current Liabilities	**144,565**	109,472	35,093	32%	**22%**	17%
Long-term debt - net of current maturities and debt issue costs	**169,597**	192,736	(23,139)	(12%)	**26%**	30%
Deferred tax liabilities	**21,560**	20,183	1,377	7%	**4%**	3%
Lease liabilities - net of current portion	**53,400**	56,536	(3,136)	(6%)	**8%**	9%
Other noncurrent liabilities	**5,215**	5,069	146	3%	**1%**	1%
Total Noncurrent Liabilities	**249,772**	274,524	(24,752)	(9%)	**39%**	43%
Total Liabilities	**394,337**	383,996	10,341	3%	**61%**	60%

Forward

In Millions	**March 31, 2022**	December 31, 2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2022**	2021
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**P1,062**	P1,062	P -	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**167,767**	167,767	-	0%	**26%**	27%
Redeemable perpetual securities	**32,752**	32,752	-	0%	**5%**	5%
Equity reserves	**(1,519)**	(1,536)	17	1%	**0%**	0%
Retained earnings	**48,426**	48,248	178	0%	**8%**	8%
	250,978	250,783	195	0%	**39%**	40%
Non-controlling Interests	**975**	945	30	3%	**0%**	0%
Total Equity	**251,953**	251,728	225	0%	**39%**	40%
Total Liabilities and Equity	**P646,290**	P635,724	P10,566	2%	**100%**	100%

The Group’s consolidated total assets as at March 31, 2022 amounted to P646,290 million, slightly higher by 2% or P10,566 million than December 31, 2021 balance of P635,724 million. The increase was attributable to the following factors:

a. Increase in trade and other receivables by P10,602 million was mainly attributable to the higher trade customer balances from power sales as the Group recover in part the increase in generation cost, brought by higher coal prices, coupled with higher overall offtake volumes as demand improve.

b. Increase in property, plant and equipment by P9,216 million as a result of the ongoing construction of the BCCPP project, BESS projects and Mariveles Power Plant.

c. Increase in deferred tax assets by P131 million was due primarily to the deferred income tax benefit recognized by MPPCL on unrealized foreign exchange losses from the revaluation of its US Dollar-denominated liabilities.

d. Decrease in cash and cash equivalents by P8,667 million was due mainly to the (i) capital expenditures for BCCPP project, BESS and Mariveles Power Plant projects; (ii) payments of maturing long-term loans by MPI and LPI, and MPPCL’s short-term loan; (iii) distributions paid to holders of capital securities by the Parent Company; partly offset by the (iv) proceeds from the US$200 million term loan drawn by the Parent Company in January 2022.

The Group’s consolidated total liabilities as at March 31, 2022 amounted to P394,337 million, 3% or P10,341 million higher than the December 31, 2021 balance of P383,996 million. The major items accounting for the increase are as follows:

a. Increase in current maturities of long-term debt - net of debt issue costs by P33,549 million was attributable to the reclassification from noncurrent of the Group’s term loans that matured in January 2023 and March 2023 amounting to US$149 million and US$500 million, respectively, partly offset by payments of principal amortizations made by MPI and LPI in the first quarter of 2022.

b. Increase in accounts payable and accrued expenses by P4,166 million was mainly attributable to higher outstanding trade payables of IPPA entities and LPI for energy fees, power and coal purchases as spot, coal and natural gas prices continue to surge, plus the increase in output value-added tax driven by higher revenues for the period.

c. Increase in deferred tax liabilities by P1,377 million was due primarily to higher provision for deferred income tax expense recognized by the IPPA entities on the difference of monthly fixed payments to PSALM over lease-related expenses.

d. Decrease in long-term debt - net of current maturities and debt issue costs by P23,139 million was due to the reclassification to current of the US$149 million and US$500 million term loans of MPPCL and the Parent Company, respectively, that matured in the first quarter of 2023. This was partly offset by the US$200 million term loan availed by Parent Company in January 2022.

e. Decrease in lease liabilities (including current and noncurrent portions) by P5,004 million was mainly on account of lease payments made by the IPPA entities to PSALM.

f. Decrease in loans payable by P754 million was due to partial settlement made by MPPCL on March 17, 2022 amounting to US$15 million (equivalent to P782 million) and offset by the unrealized foreign exchange loss recognized on the revaluation of the remaining balance.

IV. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	**March 31**	
	2023	2022
Net cash flows provided by operating activities	**P13,284**	P1,209
Net cash flows used in investing activities	**(16,802)**	(10,620)
Net cash flows provided by (used in) financing activities	**(1,442)**	342

Net cash flows from operations basically consists of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash flows provided by (used in) investing activities are as follows:

(in Millions)	**March 31**	
	2023	2022
Additions to intangible assets	**P -**	(P35)
Additions to investments and advances	**(804)**	(46)
Advances paid to suppliers and contractors	**(2,306)**	(2,856)
Increase in other noncurrent assets	**(3,663)**	(79)
Additions to property, plant and equipment	**(10,029)**	(7,604)

Net cash flows provided by (used in) financing activities are as follows:

(in Millions)	March 31	
	2023	2022
Proceeds from short-term borrowings	**P28,000**	P782
Proceeds from the issuance of RPS	**27,378**	-
Proceeds from long-term debts	**13,641**	10,274
Payment of stock issuance costs	**-**	(29)
Distributions paid to RPS holder	**-**	(520)
Distributions paid to SPCS holders	**(1,232)**	(1,171)
Payments of lease liabilities	**(4,653)**	(6,503)
Payments of short-term borrowings	**(28,000)**	(1,564)
Payments of long-term debts	**(36,576)**	(927)

The effect of exchange rate changes on cash and cash equivalents amounted to (P108 million) and P402 million on March 31, 2023 and 2022, respectively.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II "Financial Performance" and Item III "Financial Position" for the discussion of certain Key Performance Indicators.

LIQUIDITY RATIO

$$\textbf{Current Ratio} = \frac{\textbf{Current Assets}}{\textbf{Current Liabilities}}$$

	Conventional		*Adjusted* [(1)]	
(in Millions Peso)	**March 2023**	December 2022	**March 2023**	December 2022
(A) Current Assets	**174,242**	188,781	**174,242**	188,781
(B) Current Liabilities	**153,418**	188,680	**134,259**	169,608
Current Ratio (A) / (B)	**1.14**	1.00	**1.30**	1.11

(1) Current portion of lease liabilities, in relation to the IPPA Agreements with PSALM, are excluded from the total current liabilities as these current obligations on lease are pass-through charges billable to customers. As at March 31, 2023 and December 31, 2022, current portion of lease liabilities to PSALM amounted to P19,159 million and P19,072 million, respectively.

SOLVENCY RATIO

Net Debt-to-Equity* Ratio = **Net Debt** / **Total Equity**

Per relevant Loan Covenants of San Miguel Global Power

(in Millions Peso)	**March 2023**	December 2022
(A) Net Debt *(2)*	**271,337**	293,872
(B) Total Equity *(3)*	**283,346**	252,707
Net Debt-to-Equity Ratio (A) / (B)	**0.96**	1.16

**All items are net of amounts attributable to ring-fenced subsidiaries*

(2) Consolidated net total debt plus total PSALM lease liabilities.
(3) Consolidated total equity.

Asset-to-Equity Ratio = **Total Assets** / **Total Equity**

	Conventional		***Adjusted*** *(4)*	
(in Millions Peso)	**March 2023**	December 2022	**March 2023**	December 2022
(A) Total Assets	**720,470**	717,515	**622,247**	618,399
(B) Total Equity	**283,828**	252,317	**283,828**	252,317
Asset-to-Equity Ratio (A) / (B)	**2.54**	2.84	**2.19**	2.45

(4) Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at March 31, 2023 and December 31, 2022, the carrying amount of the IPPA power plant assets amounted to P98,223 million and P99,116 million, respectively.

PROFITABILITY RATIO

Return on Equity = **Net Income** / **Total Equity**

(in Millions Peso)	**March 2023**	December 2022
(A) Net Income *(5)*	**6,550**	3,134
(B) Total Equity	**283,828**	252,317
Return on Equity (A) / (B)	**2.3%**	1.2%

(5) Annualized for quarterly reporting.

$$\textbf{Interest Coverage Ratio} = \frac{\textbf{Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)}}{\textbf{Interest Expense}}$$

Per relevant Loan Covenants of San Miguel Global Power

(in Millions Peso)	**March 2023**	December 2022
(A) EBITDA *(6)*	**33,645**	34,494
(B) Interest Expense *(7)*	**13,492**	13,170
Interest Coverage Ratio (A) / (B)	**2.49**	2.62

(6) Most recent four quarterly period consolidated EBITDA (gross of PSALM payments and excluding amounts attributable to ring-fenced subsidiaries).

(7) Most recent four quarterly period consolidated interest expense (excluding amounts attributable to ring-fenced subsidiaries).

OPERATING EFFICIENCY

$$\textbf{Volume Growth (Decline)} = \frac{\textbf{Current Period Offtake Volume}}{\textbf{Prior Period Offtake Volume}} - 1$$

	Periods Ended March 31	
(in GWh)	**2023**	2022
(A) Current Period Offtake Volume	**4,657**	6,991
(B) Prior Period Offtake Volume	**6,991**	6,344
Volume Growth (Decline) [(A / B) – 1]	**(33.4%)**	10.2%

$$\textbf{Revenue Growth (Decline)} = \frac{\textbf{Current Period Revenue}}{\textbf{Prior Period Revenue}} - 1$$

	March 31	
(in Millions Peso)	**2023**	**2022**
(A) Current Period Revenue	**41,124**	43,036
(B) Prior Period Revenue	**43,036**	27,366
Revenue Growth (Decline) [(A / B) – 1]	**(4.4%)**	57.3%

Operating Margin	=	**Income from Operations** / **Revenues**

(in Millions Peso)	Periods Ended March 31 **2023**	**2022**
(A) Income from Operations	**7,575**	6,790
(B) Revenues	**41,124**	43,036
Operating Margin (A) / (B)	**18.4%**	15.8%

VI. OTHER MATTERS

a. Fuel Commodity Price Volatility
In January 2022, the Government of Indonesia implemented a month-long ban on the exportation of its coal which reduced the overall availability of coal fuel in the commodities market. Consequently, international price indices for coal such as the GC Newc Index surged beyond the expected trajectory of historical prices based on long-term fundamental factors pertinent to the coal commodity market. Barely a few weeks after the partial lifting of the foregoing coal export ban, Russia commenced its invasion of Ukraine on February 24, 2022. This worsened the short-term outlook on coal prices as reflected in the further spikes in coal prices, with GC Newc Index reaching levels beyond US$400/MT from May 2022 onwards. With Russia-Ukraine conflict continuing to this day, coal prices remain at elevated levels but continue to show a "backwardated" forward curve which strongly suggests a more bearish outlook on coal prices in the medium term and in the long term.

Following the peak of unprecedented commodity price volatilities experienced in local and international energy markets throughout 2022, the Group has been able to hurdle the adverse impact of commodity price risks, primarily for coal fuel, thru the *fuel price risk pass-through* mechanisms allowed under its existing power supply agreements and some of its retail supply contracts, while allowing a certain degree of flexibility on the payment terms to its customers, particularly during periods of extremely high tariff rates. This has allowed it to successfully push for bilateral negotiations on its unregulated retail supply contracts to allow for the equitable pass-through of incremental costs of supply to its customers.

On the supply side of its value chain, San Miguel Global Power has relentlessly and successfully renegotiated its fuel supply contracts with its largest suppliers to allow price capping or leveling as well as the use of less volatile indices in the pricing of its coal shipments. It has also started the use of lower grade coal for its power plants, which in a time of elevated coal prices usually, is priced with substantial discounts, but without compromising the reliability and fuel efficiency of its coal-fired power plants.

b. Malampaya Gas Supply Restrictions
The Ilijan Power Plant uses natural gas from the Malampaya gas facility in Palawan (Malampaya) as fuel for its power generation. As early as March 2021, the National Power Corporation issued notices of gas supply restrictions from Malampaya. This significantly reduced the net generation of the Ilijan Power Plant to 60% of its total installed capacity for the remainder of 2021 until the end of the Ilijan IPPA Agreement on June 4, 2022. The Group was constrained to use its available capacity from its portfolio of generation assets, and in certain cases, purchase from the WESM spot market, to augment its generation from the Ilijan Power Plant to meet its bilateral demand from its customers, primarily from Meralco pursuant to its power supply agreements. This reduced the gross margins of the Group in cases where the cost of

replacement supply exceeds the power generation costs from the Ilijan Power Plant using Malampaya natural gas. This accounts for a significant portion in the reduction of the Group's gross margins and operating income in 2022 from the comparative numbers in prior period.

On June 23, 2022, SPPC entered into a gas supply agreement for 70.26 Petajoules of banked gas with the PNOC at a daily volume of dispatch sufficient to run the Ilijan Power Plant at 45% to 75% plant factor. This volume of gas is adequate and expected to support the Ilijan Power Plant's fuel requirements until February 2024. To date, the delivery of the banked gas by PNOC has yet to commence. SPPC Management is currently reviewing its legal options on the equitable resolution of its unenforced rights and foregone opportunities over such banked gas.

With LNG prices fundamentally dropping to coal price-parity levels, SPPC pursued the procurement of commercial LNG as fuel for its Ilijan Power Plant. The scheduled deliveries of the procured LNG shipments are aligned with the imminent completion of an adjacent full-scale LNG Terminal currently being built by Atlantic Gulf and Pacific Co. and the supply of the contract capacities by the Ilijan Power Plant once it resumes operations using commercial LNG as early as May 2023.

c. Commitments

The outstanding purchase commitments of the Group amounted to P137,459 million and P138,587 million as at March 31, 2023 and December 31, 2022, respectively.

The Group's material commitments for capital expenditure consist mainly of construction of power plants, mostly utilizing high efficiency low emission technologies, in line with the Group's expansion projects, and acquisition, upgrade or repair of fixed assets needed for normal operations of the business. These will be funded by available cash and proceeds from short-term loans, long-term debt and issued capital securities.

d. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate within the next 12 months any cash flow or liquidity problems. The Group was not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring payments. There were no significant amounts of the Group's trade payables that have not been paid within the stated trade terms.

e. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation, except those stated in Item II, discussion of Financial Performance.

f. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in the contingent liabilities and contingent assets since the last annual reporting date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

g. There are no significant elements of income or loss that did not arise from continuing operations.

h. The effects of seasonality or cyclicality on the interim operations of the Group's businesses are not material.

i. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.