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	+632-53171000
Contact Person	Company Telephone Number

12	31	SEC Form 17-Q (3rd Quarter ended 30 September 2023)	06	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 **September 30, 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 September 30, 2023)
Common Shares	**1,660,004,000**
Consolidated Total Liabilities (in Thousands)	**P417,693,660**

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 September 30, 2023 (with comparative figures as of December 31, 2022 and for the period ended September 30, 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	November 14, 2023
Signature and Title	**RAMON U. AGAY** Comptroller/ Authorized Signatory
Date	November 14, 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
SEPTEMBER 30, 2023 AND DECEMBER 31, 2022
(In Thousands)

	Note	**2023 (Unaudited)**	2022 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 16, 17*	**P28,318,327**	P22,726,236
Trade and other receivables - net	*7, 10, 16, 17*	**116,501,911**	105,939,341
Inventories		**15,847,882**	16,822,159
Prepaid expenses and other current assets	*16, 17*	**40,926,932**	43,292,852
Total Current Assets		**201,595,052**	188,780,588
Noncurrent Assets			
Investments and advances - net		**9,981,800**	7,854,591
Property, plant and equipment - net	*8*	**329,147,004**	304,412,525
Right-of-use assets - net	*5*	**105,760,217**	106,609,844
Goodwill and other intangible assets - net		**71,736,513**	71,764,559
Deferred tax assets		**2,373,550**	2,280,281
Other noncurrent assets	*16, 17*	**46,228,914**	35,812,345
Total Noncurrent Assets		**565,227,998**	528,734,145
		P766,823,050	P717,514,733
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*16, 17*	**P13,736,000**	P21,000,000
Accounts payable and accrued expenses	*10, 16, 17*	**93,402,588**	84,447,174
Lease liabilities - current portion	*5, 16, 17*	**20,460,518**	19,185,386
Income tax payable		**198,044**	326,144
Current maturities of long-term debt - net of debt issue costs	*9, 16, 17*	**50,132,828**	63,721,744
Total Current Liabilities		**177,929,978**	188,680,448
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*9, 16, 17*	**185,019,027**	208,430,880
Deferred tax liabilities		**19,767,626**	19,364,348
Lease liabilities - net of current portion	*5, 16, 17*	**27,675,872**	40,772,724
Other noncurrent liabilities	*16, 17*	**7,301,157**	7,949,774
Total Noncurrent Liabilities		**239,763,682**	276,517,726
Total Liabilities		**417,693,660**	465,198,174

Forward

	Note	2023 (Unaudited)	2022 (Audited)
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	*11*	**P1,660,004**	P1,250,004
Additional paid-in capital	*11*	**14,375,900**	2,490,000
Deposit for future stock subscription	*11*	**13,308,000**	-
Senior perpetual capital securities		**161,767,709**	161,767,709
Redeemable perpetual securities	*11*	**122,766,829**	51,934,069
Equity reserves		**(1,521,699)**	(1,558,950)
Retained earnings		**35,858,582**	35,526,185
		348,215,325	251,409,017
Non-controlling Interests		**914,065**	907,542
Total Equity		**349,129,390**	252,316,559
		P766,823,050	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 SEPTEMBER 30, 2023 AND 2022
(In Thousands, Except Per Share Data)

				For the Quarter Ended	
	Note	**2023 (Unaudited)**	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
REVENUES	*4, 10, 12*	**P125,212,557**	P166,147,294	**P40,442,565**	P63,566,560
COST OF POWER SOLD	*10, 13*	**97,463,444**	147,964,181	**30,462,045**	61,472,790
GROSS PROFIT		**27,749,113**	18,183,113	**9,980,520**	2,093,770
SELLING AND ADMINISTRATIVE EXPENSES	*7, 8*	**(4,464,715)**	(3,908,752)	**(1,421,642)**	(1,420,636)
OTHER OPERATING INCOME	*8*	**52,718**	8,938,284	**27,206**	8,875,275
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*5, 9*	**(12,354,384)**	(12,138,291)	**(3,816,240)**	(3,952,189)
INTEREST INCOME	*6*	**1,085,540**	717,977	**367,838**	279,679
EQUITY IN NET LOSSES OF AN ASSOCIATE AND JOINT VENTURES		**(94,765)**	(331,358)	**(90,003)**	(266,097)
OTHER CHARGES - Net	*14*	**(707,803)**	(15,041,380)	**(2,554,859)**	(9,471,371)
INCOME (LOSS) BEFORE INCOME TAX		**11,265,704**	(3,580,407)	**2,492,820**	(3,861,569)
INCOME TAX EXPENSE (BENEFIT)		**2,177,468**	(945,807)	**(686,108)**	(3,106,850)
NET INCOME (LOSS)		**P9,088,236**	(P2,634,600)	**P3,178,928**	(P754,719)
Attributable to:					
Equity holders of the Parent Company		**P9,081,713**	(P2,618,928)	**P3,185,384**	(P714,756)
Non-controlling interests		**6,523**	(15,672)	**(6,456)**	(39,963)
		P9,088,236	(P2,634,600)	**P3,178,928**	(P754,719)
Loss Per Common Share Attributable to Equity Holders of the Parent Company					
Basic/Diluted	*15*	**(P5.35)**	(P12.75)	**(P2.16)**	(P4.29)

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 SEPTEMBER 30, 2023 AND 2022
(In Thousands)

				For the Quarter Ended	
	Note	**2023 (Unaudited)**	2022 (Unaudited)	**2023 (Unaudited)**	2022 (Unaudited)
NET INCOME (LOSS)		**P9,088,236**	(P2,634,600)	**P3,178,928**	(P754,719)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may be reclassified to profit or loss					
Net gain (loss) on cash flow hedges	*17*	**31,229**	(39,568)	**-**	(7,298)
Gain on exchange differences on translation of foreign operations		**6,022**	59,278	**10,040**	27,811
OTHER COMPREHENSIVE INCOME - Net of tax		**37,251**	19,710	**10,040**	20,513
TOTAL COMPREHENSIVE INCOME (LOSS) - Net of tax		**P9,125,487**	(P2,614,890)	**P3,188,968**	(P734,206)
Attributable to:					
Equity holders of the Parent Company		**P9,118,964**	(P2,599,218)	**P3,195,424**	(P694,243)
Non-controlling interests		**6,523**	(15,672)	**(6,456)**	(39,963)
		P9,125,487	(P2,614,890)	**P3,188,968**	(P734,206)

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 SEPTEMBER 30, 2023 AND 2022
(In Thousands)

		Equity Attributable to Equity Holders of the Parent Company												
							Equity Reserves							
	Note	Capital Stock	Additional Paid-in Capital	Deposit for Future Stock Subscription	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**	**P -**	**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		-	-	-	-	-	-	-	-	-	9,081,713	9,081,713	6,523	9,088,236
Other comprehensive income - net of tax		-	-	-	-	-	-	6,022	-	31,229	-	37,251	-	37,251
Total comprehensive income		-	-	-	-	-	-	6,022	-	31,229	9,081,713	9,118,964	6,523	9,125,487
Issuance of redeemable perpetual securities	*11, 18*	-	-	-	-	70,832,760	-	-	-	-	-	70,832,760	-	70,832,760
Deposit for future stock subscription	*11, 18*	-	-	13,308,000	-	-	-	-	-	-	-	13,308,000	-	13,308,000
Issuance of capital stock	*11, 18*	410,000	11,885,900	-	-	-	-	-	-	-	-	12,295,900	-	12,295,900
Share issuance costs		-	-	-	-	-	-	-	-	-	(29,199)	(29,199)	-	(29,199)
Distributions:														
Senior perpetual capital securities	*11*	-	-	-	-	-	-	-	-	-	(8,720,117)	(8,720,117)	-	(8,720,117)
Transactions with owners		410,000	11,885,900	13,308,000	-	70,832,760	-	-	-	-	(8,749,316)	87,687,344	-	87,687,344
As at September 30, 2023 (Unaudited)		**P1,660,004**	**P14,375,900**	**P13,308,000**	**P161,767,709**	**P122,766,829**	**(P2,378,421)**	**P923,988**	**(P67,266)**	**P -**	**P35,858,582**	**P348,215,325**	**P914,065**	**P349,129,390**
As at January 1, 2022 (Audited)		P1,062,504	P2,490,000	P -	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 loss		-	-	-	-	-	-	-	-	-	(2,618,928)	(2,618,928)	(15,672)	(2,634,600)
Other comprehensive income (loss) - net of tax		-	-	-	-	-	-	59,278	-	(39,568)	-	19,710	-	19,710
Total comprehensive income (loss)		-	-	-	-	-	-	59,278	-	(39,568)	(2,618,928)	(2,599,218)	(15,672)	(2,614,890)
Collection of subscription receivable		187,500	-	-	-	-	-	-	-	-	-	187,500	-	187,500
Stock issuance cost		-	-	-	-	-	-	-	-	-	(136,553)	(136,553)	(2,339)	(138,892)
Distributions:														
Redeemable perpetual securities	*11*	-	-	-	-	-	-	-	-	-	(1,616,926)	(1,616,926)	-	(1,616,926)
Senior perpetual capital securities	*11*	-	-	-	-	-	-	-	-	-	(8,587,884)	(8,587,884)	-	(8,587,884)
Transactions with owners		187,500	-	-	-	-	-	-	-	-	(10,341,363)	(10,153,863)	(2,339)	(10,156,202)
As at September 30, 2022 (Unaudited)		P1,250,004	P2,490,000	P -	P167,767,364	P32,751,570	(P2,379,442)	P939,826	(P46,195)	(P30,759)	P35,287,657	P238,030,025	P927,481	P238,957,506

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 SEPTEMBER 30, 2023 AND 2022
(In Thousands)

	Note	**2023 (Unaudited)**	2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**P11,265,704**	(P3,580,407)
Adjustments for:			
Interest expense and other financing charges	*5, 9*	**12,354,384**	12,138,291
Depreciation and amortization	*8, 13*	**9,059,519**	8,899,236
Unrealized foreign exchange losses - net		**1,145,235**	16,173,986
Retirement cost		**107,742**	39,062
Equity in net losses of an associate and joint ventures - net		**94,765**	331,358
Loss on retirement of fixed assets	*8, 14*	**63,435**	-
Impairment loss on trade receivables	*7*	**45,473**	45,849
Reversal of allowance on trade and other receivables	*7, 14*	**(107,363)**	(22,924)
Interest income	*6*	**(1,085,540)**	(717,977)
Operating income before working capital changes		**32,943,354**	33,306,474
Decrease (increase) in:			
Trade and other receivables - net		**(9,720,473)**	(31,951,422)
Inventories		**984,589**	(6,215,038)
Prepaid expenses and other current assets		**1,376,368**	(9,154,433)
Increase (decrease) in:			
Accounts payable and accrued expenses		**5,024,386**	11,268,230
Other noncurrent liabilities and others		**(1,033,640)**	2,470,581
Cash generated from (used in) operations		**29,574,584**	(275,608)
Interest income received		**537,104**	668,652
Income taxes paid		**(862,162)**	(806,289)
Net cash flows provided by (used in) operating activities		**29,249,526**	(413,245)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash from newly acquired subsidiary, net		**99,136**	(11,862)
Proceeds from sale of properties		**-**	872,278
Proceeds from disposal of subsidiaries, net of cash disposed of		**-**	506,470
Additions to intangible assets		**(51,963)**	(206,175)
Additions to investments and advances		**(2,897,856)**	(782,433)
Increase in other noncurrent assets		**(5,717,398)**	(11,186,931)
Advances paid to suppliers and contractors		**(7,337,651)**	(3,906,074)
Additions to property, plant and equipment	*8*	**(22,370,271)**	(33,341,828)
Net cash flows used in investing activities		**(38,276,003)**	(48,056,555)

Forward

	Note	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	*18*	**P76,486,000**	P40,181,875
Proceeds from the issuance of redeemable perpetual securities	*11, 18*	**70,832,760**	-
Proceeds from long-term debts	*9, 18*	**21,141,000**	72,312,000
Deposit for future stock subscription	*11, 18*	**13,308,000**	-
Proceeds from issuance of capital stock	*11, 18*	**12,295,900**	-
Collection of subscription receivable		**-**	187,500
Distributions paid to redeemable perpetual securities holder	*11*	**-**	(1,616,926)
Payments of stock issuance costs		**(29,199)**	(138,892)
Distributions paid to senior perpetual capital securities holders	*11*	**(8,720,117)**	(8,587,884)
Payments of interest expense and other financing charges		**(13,750,858)**	(13,532,000)
Payments of lease liabilities	*5, 18*	**(14,348,265)**	(19,543,034)
Payments of long-term debts	*9, 18*	**(59,200,652)**	(18,729,366)
Payments of short-term borrowings	*18*	**(83,750,000)**	(26,955,750)
Net cash flows provided by financing activities		**14,264,569**	23,577,523
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**353,999**	1,278,983
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**5,592,091**	(23,613,294)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**22,726,236**	67,690,151
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*6*	**P28,318,327**	P44,076,857

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.)
AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
September 30, 2023
(Amounts in Thousands)

						Past Due						
		Total		**Current**		**1 - 30 Days**		**31 - 60 Days**		**61 - 90 Days**		**Over 90 Days**
Trade	P	100,592,866	P	62,778,524	P	6,740,193	P	2,206,778	P	1,743,598	P	27,123,773
Non-trade		12,269,121		4,558,537		517,002		310,200		1,203,141		5,680,241
Amounts owed by related parties		6,280,528		5,833,911		108,617		5,145		5,543		327,312
Total		119,142,515	P	73,170,972	P	7,365,812	P	2,522,123	P	2,952,282	P	33,131,326
Less allowance for impairment losses		2,640,604										
Net	P	116,501,911										

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 November 13, 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.

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

Adoption of Amendments to Standards

The Group has adopted the following amendments to standards 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 amendments to 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 amendments to standards on the respective effective dates:

- International Tax Reform - Pillar Two Model Rules (Amendments to PAS 12). The amendments include a temporary, mandatory exemption from accounting for deferred taxes resulting from the introduction of the global minimum taxation and targeted disclosures in the notes for affected entities to enable users of financial statements to understand the extent to which an entity will be affected by the minimum tax, particularly before the legislation comes into force.

The accounting exemption is to be applied immediately after publication of the amendment. The amendments relating to the notes are applicable for annual reporting periods beginning on or after January 1, 2023. Disclosures in the notes for interim reporting periods ending on or before December 31, 2023 are not required.

- 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.

- Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

  Under the amendments, entities also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

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).

Derecognition of Financial Assets and Financial Liabilities

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

<u>Classification of Financial Instruments between Liability and Equity</u>
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 P51,813,687 and P62,417,538 for the periods ended September 30, 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 September 30									
	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	**P107,822,239**	P134,723,310	**P17,186,543**	P31,272,441	**P203,775**	P151,543	**P -**	P -	**P125,212,557**	P166,147,294
Inter-segment	**31,617,840**	17,317,657	**-**	7,242	**1,276,361**	977,857	**(32,894,201)**	(18,302,756)	**-**	-
	139,440,079	152,040,967	**17,186,543**	31,279,683	**1,480,136**	1,129,400	**(32,894,201)**	(18,302,756)	**125,212,557**	166,147,294
Costs and Expenses										
Cost of power sold	**114,922,679**	137,922,145	**13,915,274**	27,178,109	**896,822**	657,723	**(32,271,331)**	(17,793,796)	**97,463,444**	147,964,181
Selling and administrative expenses	**3,838,147**	2,857,397	**475,359**	710,386	**1,873,077**	1,788,139	**(1,721,868)**	(1,447,170)	**4,464,715**	3,908,752
	118,760,826	140,779,542	**14,390,633**	27,888,495	**2,769,899**	2,445,862	**(33,993,199)**	(19,240,966)	**101,928,159**	151,872,933
Other operating income (loss) - net	**44,708**	(14,076)	**(48,941)**	73,632	**727,893**	9,357,865	**(670,942)**	(479,137)	**52,718**	8,938,284
Segment Result	**20,723,961**	11,247,349	**2,746,969**	3,464,820	**(561,870)**	8,041,403	**428,056**	459,073	**23,337,116**	23,212,645
Interest expense and other financing charges									**(12,354,384)**	(12,138,291)
Interest income									**1,085,540**	717,977
Equity in net losses of an associate and joint ventures - net									**(94,765)**	(331,358)
Other charges - net									**(707,803)**	(15,041,380)
Income tax benefit (expense)									**(2,177,468)**	945,807
Consolidated Net Income (Loss)									**P9,088,236**	(P2,634,600)

	As at and For the Periods Ended									
	Power Generation		Retail and Other Power-related Services		Others		Eliminations		Consolidated	
	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
Other Information										
Segment assets	**P609,749,376**	P558,444,220	**P59,441,342**	P54,575,033	**P210,215,096**	P186,084,090	**(P196,674,627)**	(P163,488,041)	**P682,731,187**	P635,615,302
Investments and advances - net	**6,903,719**	6,966,614	**259,584**	241,714	**335,716,134**	321,673,220	**(332,897,637)**	(321,026,957)	**9,981,800**	7,854,591
Goodwill and other intangible assets - net									**71,736,513**	71,764,559
Deferred tax assets									**2,373,550**	2,280,281
Consolidated Total Assets									**P766,823,050**	P717,514,733
Segment liabilities	**P373,052,018**	P314,934,119	**P23,413,635**	P25,579,422	**P55,322,228**	P39,563,339	**(P289,211,746)**	(P206,721,822)	**P162,576,135**	P173,355,058
Long-term debt - net									**235,151,855**	272,152,624
Income tax payable									**198,044**	326,144
Deferred tax liabilities									**19,767,626**	19,364,348
Consolidated Total Liabilities									**417,693,660**	P465,198,174
Capital expenditures	**P20,823,221**	P37,289,829	**P1,390,682**	P7,593,908	**P452,282**	P4,014,044	**(P295,914)**	(P421,883)	**P22,370,271**	P48,475,898
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	**7,570,227**	9,790,102	**1,349,005**	1,936,911	**160,915**	223,971	**(20,628)**	(29,293)	**9,059,519**	11,921,691
Noncash items other than depreciation and amortization	**935,051**	6,750,315	**(460,317)**	504,390	**874,553**	865,225	**-**	-	**1,349,287**	8,119,930

**Noncash items other than depreciation and amortization include unrealized foreign exchange losses (gains), retirement cost, equity in net losses 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 P1,322,338 and P10,104,180 for the periods ended September 30, 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, 2024 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 September 30, 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 P1,910,910 and P2,684,064 for the periods ended September 30, 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 P96,437,558 and P99,115,654 as at September 30, 2023 and December 31, 2022, respectively.

The total cash outflows amounted to P16,033,482 and P22,100,669 for the periods ended September 30, 2023 and 2022, respectively.

Maturity analysis of lease payments as at September 30, 2023 and December 31, 2022 are disclosed in Note 16.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
Cash in banks and on hand		**P20,990,801**	P11,497,773
Short-term investments		**7,327,526**	11,228,463
	16, 17	**P28,318,327**	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 P381,522 and P636,706 for the periods ended September 30, 2023 and 2022, respectively.

7. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
Trade		**P100,592,866**	P87,921,106
Non-trade		**12,269,121**	10,604,518
Amounts owed by related parties	*10*	**6,280,528**	10,104,701
		119,142,515	108,630,325
Less allowance for impairment losses		**2,640,604**	2,690,984
	16, 17	**P116,501,911**	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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**P2,690,984**	P2,672,082
Impairment losses	**45,473**	52,855
Revaluation	**11,510**	(11,029)
Reversal	**(107,363)**	(22,924)
Balance at end of period	**P2,640,604**	P2,690,984

Impairment losses recognized in the consolidated statements of income under "Selling and administrative expenses" account amounted to P45,473 and P45,849 for the periods ended September 30, 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 P107,363 and nil for the periods ended September 30, 2023 and 2022, respectively. While reversal of impairment losses on other receivables recognized in the consolidated statements of income under "Other charges" account amounted to nil and P22,924 for the periods ended September 30, 2023 and 2022, respectively (Note 14).

8. Property, Plant and Equipment

Property, plant and equipment consist of:

September 30, 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		345,484	170,376	243,924	17,850	21,592,637	22,370,271
Acquisition of a subsidiary		-	448,499	-	-	-	448,499
Reclassifications		7,157,998	2,653,600	694,149	249,524	(2,575,830)	8,179,441
Retirement/disposal	*14*	(76,428)	-	(1,386)	-	-	(77,814)
Currency translation adjustments		-	31	239	-	-	270
September 30, 2023 (Unaudited)		**192,607,340**	**16,875,504**	**7,692,440**	**4,843,495**	**141,280,503**	**363,299,282**
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		5,469,847	187,177	390,341	96,796	-	6,144,161
Reclassifications		-	-	55,902	-	-	55,902
Retirement/disposal	*14*	(12,993)	-	(1,155)	-	-	(14,148)
Currency translation adjustments		-	35	238	-	-	273
September 30, 2023 (Unaudited)		**30,393,961**	**1,046,977**	**1,980,080**	**521,295**	**-**	**33,942,313**
Accumulated Impairment Losses							
January 1, 2022 (Audited)		-	-	174,974	-	-	174,974
Impairment		-	-	34,991	-	-	34,991
December 31, 2022 (Audited) and September 30, 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
September 30, 2023 (Unaudited)		**P162,213,379**	**P15,828,527**	**P5,502,395**	**P4,322,200**	**P141,280,503**	**P329,147,004**

September 30, 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	727,839	36,477	439,459	-	32,138,053	33,341,828
Acquisitions of subsidiaries	-	3,260,025	-	-	-	3,260,025
Reclassifications	48,336,092	340,099	1,055,533	139,852	6,272,830	56,144,406
Disposals	(465,260)	(3,968,283)	(67,252)	(48,713)	(286,618)	(4,836,126)
Currency translation adjustments	-	296	2,213	-	-	2,509
September 30, 2022 (Unaudited)	184,546,483	13,914,312	7,387,371	4,149,049	110,616,854	320,614,069
Accumulated Depreciation and Amortization						
January 1, 2022 (Audited)	18,488,760	642,217	1,214,097	322,847	-	20,667,921
Depreciation and amortization	4,715,911	161,262	331,368	93,812	-	5,302,353
Reclassifications	(181,633)	-	224,146	-	-	42,513
Disposals	(133,171)	-	(63,612)	(29,456)	-	(226,239)
Currency translation adjustments	-	237	2,210	-	-	2,447
September 30, 2022 (Unaudited)	22,889,867	803,716	1,708,209	387,203	-	25,788,995
Accumulated Impairment Losses						
January 1, 2022 (Audited) and September 30, 2022 (Unaudited)	-	-	174,974	-	-	174,974
Carrying Amount						
September 30, 2022 (Unaudited)	P161,656,616	P13,110,596	P5,504,188	P3,761,846	P110,616,854	P294,650,100

Disposals in 2022 pertain mainly to certain parcels of land in Cavite, Negros Occidental and Quezon, and subsidiaries with landholdings in Brgy. Wack-wack, Mandaluyong and properties in Tagum City, Davao del Norte that were sold by the Group on an installment basis to entities under common control and a third party. Gain on sale of properties and investments amounted P6,111,935 and P2,688,201, respectively, presented under “Other operating income” account in the consolidated statement of income in 2022 (Note 10).

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. related to the construction of its 1,320 megawatts (MW) Batangas Combined Cycle Power Plant (BCCPP).

   iii. Projects of SMGP BESS Power Inc. ("SMGP BESS"; formerly "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.

   Following the start of commercial operations of 3 BESS facilities in Luzon (San Manuel, Pangasinan and Lamao and Limay, Bataan), 1 BESS facility in Visayas (Toledo, Cebu) and 1 BESS facility in Mindanao (Maco, Davao de Oro), the CPIP costs related to these facilities were reclassified to the appropriate property, plant and equipment account.

   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 SMGP Kabankalan Power Co. Ltd (formerly "SMCGP Philippines Energy Storage Co. Ltd.) for the construction of 10 MW 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. (LPI, formerly SMC Consolidated Power Corporation) and Malita Power Inc. (MPI, 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:

		September 30	
	Note	**2023 (Unaudited)**	2022 (Unaudited)
Cost of power sold	*13*	**P5,650,510**	P4,935,211
Selling and administrative expenses		**493,651**	367,142
		P6,144,161	P5,302,353

For the period ended September 30, 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.

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 in 2022, and application of advances to contractors against progress billings for capital projects in progress.

As at September 30, 2023 and December 31, 2022, certain property, plant and equipment amounting to P128,995,343 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 P5,954,802 and P4,725,837 as at September 30, 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	**September 30, 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		**P39,538,059**	P39,475,629
Fixed interest rate of 7.1783% and 7.6000% maturing in 2024 and 2026, respectively		**16,100,325**	16,070,346
Fixed interest rate of 6.7500% matured in 2023 (a)		**-**	14,971,990
Fixed interest rate of 6.2500% and 6.6250% maturing in 2024 and 2027, respectively		**10,052,179**	10,040,725
Fixed interest rate of 4.7575% and 5.1792% matured in 2023 and maturing in 2026, respectively (b)		**4,738,539**	8,820,612
		70,429,102	89,379,302
Term Loans			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.9265%, with maturities up to 2024		**14,159,722**	14,215,532
Fixed interest rate of 5.0000%, with maturities up to 2025		**4,874,963**	4,889,250
Fixed interest rate of 7.9680%, with maturities up to 2028 (c)		**7,436,662**	-
Foreign currency-denominated:			
Floating interest rate based on LIBOR* plus margin, matured in 2023 (d)		**-**	27,858,560
Floating interest rate based on SOFR* plus margin, maturing in 2026		**16,761,798**	16,454,788
Floating interest rate based on LIBOR plus margin, maturing in October 2023 (Note 18)		**2,827,882**	2,767,364
Floating interest rate based on SOFR plus margin, maturing in 2024		**11,204,271**	10,955,092
Floating interest rate based on SOFR plus margin, maturing in 2025		**5,594,803**	5,485,079
Floating interest rate based on SOFR plus margin, maturing in 2027		**16,588,168**	16,281,792
Floating interest rate based on SOFR plus margin, maturing in 2024 (e)		**5,590,373**	-
Subsidiaries			
Peso-denominated:			
Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (f)		**33,196,299**	35,177,787
Fixed interest rate of 8.2443% with maturities up to 2030 (g)		**14,947,665**	15,893,917
Floating rate based on BVAL* plus margin, maturing in 2030 (h)		**7,471,198**	-
Foreign currency-denominated:			
Fixed interest rate of 5.5959%, with maturities up to 2030, respectively (h)		**18,109,019**	24,653,982
Floating interest rate based on SOFR plus margin, with maturities up to 2030 (h)		**5,959,930**	8,140,179
		164,722,753	182,773,322
	16, 17	**235,151,855**	272,152,624
Less current maturities		**50,132,828**	63,721,744
		P185,019,027	P208,430,880

**LIBOR - London Interbank Offered Rate; SOFR - Secured Overnight Financing Rate; BVAL - Bloomberg Valuation Reference Rates*

a. On August 17, 2023, the Parent Company redeemed its Series G Bonds amounting to P15,000,000 issued in August 2018. The Parent Company used the proceeds from the additional capital stock subscription of SMC completed in August 2023 and cash generated from operations for the redemption of the Series G Bonds.

b. On July 11, 2023, the Parent Company redeemed its Series B Bonds amounting to P4,090,440, which formed part of the P15,000,000 Series A-B-C fixed rate bonds issued in July 2016. The Parent Company used in part the proceeds of the P5,000,000 redeemable perpetual securities (RPS) issued to SMC in July 2023 and cash generated from operations.

c. On June 15 and August 8, 2023, the Parent Company drew P5,000,000 and P2,500,000, respectively, from a P10,000,000 Corporate Notes Facility Agreement executed on June 9, 2023. The loan is subject to a fixed interest rate and will mature in June 2028.

   The proceeds of the loan were used to (a) partially refinance maturing debt obligations, (b) fund general corporate purposes, including investments in LNG and BESS, and (c) cover transaction-related costs, fees and expenses.

d. 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 RPS issued by the Parent Company to SMC in March 2023 (Note 11). The rest was paid from the Parent Company's cashflows from operations.

e. 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 a 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.

f. In 2023, LPI made partial payments amounting to P2,037,500 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.

g. The loan includes amount payable to Bank of Commerce (BOC), an associate of entities under common control, amounting to P2,275,008 and P2,421,120 as at September 30, 2023 and December 31, 2022, respectively (Note 10).

   In 2023, MPI made partial payments amounting to P972,558 of its P21,300,000, 12-year term loan, pursuant to the terms and conditions of its OLSA with a syndicate of local banks.

   On August 17, 2023, the applicable fixed interest rate on the outstanding balance of the loan facility was repriced to 8.2443%, pursuant to the terms of the OLSA.

h. 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.

In 2023, MPPCL made principal repayments amounting to P585,529 pursuant to the terms and conditions of its Amended ORA.

On April 28 and October 27, 2023, MPPCL made principal repayments of loans from its Omnibus Expansion Facility Agreement (OEFA) amounting to US$30,503 (equivalent to P1,713,787).

Unamortized debt issue costs amounted to P2,381,362 and P2,713,968 as at September 30, 2023 and December 31, 2022, respectively. Accrued interest amounted to P1,912,603 and P1,554,353 as at September 30, 2023 and December 31, 2022, respectively. Interest expense amounted to P8,975,013 and P8,310,045 for the periods ended September 30, 2023 and 2022, respectively.

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 P72,648,797 and P91,771,717 as at September 30, 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 September 30, 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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**P2,713,968**	P2,062,866
Additions	**295,302**	1,742,024
Capitalized amount	**(270,315)**	(296,790)
Amortization	**(357,593)**	(794,132)
Balance at end of period	**P2,381,362**	P2,713,968

Repayment Schedule

The annual maturities of the long-term debts as at September 30, 2023 are as follows:

	Gross Amount				
Year	**US Dollar**	**Peso Equivalent of US Dollar**	**Peso**	**Debt Issue Costs**	**Net**
October 1, 2023 to September 30, 2024	US$381,185	P21,565,541	P28,971,818	P404,531	P50,132,828
October 1, 2024 to September 30, 2025	132,655	7,504,957	22,114,798	296,272	29,323,483
October 1, 2025 to September 30, 2026	334,125	18,903,122	17,696,188	416,609	36,182,701
October 1, 2026 to September 30, 2027	335,700	18,992,228	6,337,778	517,052	24,812,954
October 1, 2027 to September 30, 2028	37,275	2,108,833	42,783,798	487,187	44,405,444
October 1, 2028 and thereafter	258,773	14,640,054	35,914,102	259,711	50,294,445
	US$1,479,713	**P83,714,735**	**P153,818,482**	**P2,381,362**	**P235,151,855**

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 September 30, 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**	**P481,129**	**P550,330**	**P89,821**	**P994,102**	On demand or 30 days;	Unsecured;
	2022	734,407	704,694	115,068	459,603	non-interest bearing	no impairment
	2023	**-**	**-**	**-**	**47,953**	1 year;	Unsecured;
	2022	-	-	44,456	-	non-interest bearing	no impairment
Entities under Common Control	**2023**	**7,916,293**	**1,420,571**	**1,032,800**	**10,705,081**	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	**-**	**-**	**13,488,157**	**-**	Installment basis up to	Unsecured;
	2022	10,694,445	-	15,442,060	-	2026; interest bearing	no impairment
Associate	**2023**	**1,492,991**	**-**	**859,612**	**28,101**	On demand or 30 days;	Unsecured;
	2022	1,372,626	10,653	742,687	28,101	non-interest bearing	no impairment
	2023	**3,329**	**-**	**62,777**	**-**	9 years;	Unsecured;
	2022	6,104	-	96,632	-	interest bearing	no impairment
Joint Venture	**2023**	**24,494**	**-**	**11,430**	**-**	30 days;	Unsecured;
	2022	32,191	214,455	4,916	-	non-interest bearing	no impairment
	2023	**4,301**	**-**	**182,436**	**-**	92 days;	Unsecured;
	2022	5,673	-	162,692	-	interest bearing	no impairment
	2023	**52,434**	**-**	**1,475,802**	**-**	10.5 years	Unsecured;
	2022	53,354	-	1,078,578	-	interest bearing	no impairment
Associate and Joint Ventures	**2023**	**9,828**	**-**	**481**	**1,157**	30 days;	Unsecured;
of Entities under Common Control	2022	112,889	-	12,016	1,155	non-interest bearing	no impairment
	2023	**-**	**138,592**	**-**	**2,275,008**	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	
	2023	**P9,984,799**	**P2,109,493**	**P17,203,316**	**P14,051,402**		
	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 September 30, 2023 and December 31, 2022 (Note 8).

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Short-term employee benefits	**P124,387**	P139,090
Retirement cost	**9,105**	10,181
	P133,492	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. Equity

The details of the Parent Company's authorized, subscribed, issued and outstanding capital stock as at September 30, 2023 and December 31, 2022 are as follows.

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized – par value of P1.00	**2,000,000,000**	**P2,000,000**	2,000,000,000	P2,000,000
Subscribed capital stock:				
Balance at beginning of period	**1,250,004,000**	**P1,250,004**	1,250,004,000	P1,250,004
Subscription	**410,000,000**	**410,000**	**-**	**-**
Balance at end of period	**1,660,004,000**	**1,660,004**	1,250,004,000	1,250,004
Less subscription receivable:				
Balance at beginning of period	**-**	**-**	187,500,000	187,500
Collection	**-**	**-**	(187,500,000)	(187,500)
Balance at end of period	**-**	**-**	-	-
Issued and outstanding	**1,660,004,000**	**P1,660,004**	1,250,004,000	P1,250,004

On July 25, 2023, the BOD of the Parent Company approved the following:

- subscription by SMC to 410,000,000 common shares out of the unissued capital stock of the Parent Company ("Subject Shares"), in cash at a subscription price of P30.00 per share based on the latter's book value per share as at December 31, 2022 ("2022 BV/share"), or for a total subscription amount of P12,300,000;

- increase in the authorized capital stock of the Parent Company by P1,774,000 (comprising of 1,774,400,000 shares with par value of P1.00), or from P2,000,000, divided into 2,000,000,000 shares with par value of P1.00 to P3,774,000, divided into 3,774,400,000 shares with par value of P1.00 (the "ACS Increase"); and

- subscription by SMC to 443,600,000 common shares out of the ACS Increase in cash at a subscription price of P30.00 per share based on the 2022 BV/share, or for a total subscription amount of P13,308,000.

On August 7, 2023, the Parent Company received the full payment of the P12,300,000 subscription amount from SMC and the Subject Shares were issued on even date.

Additional paid-in capital recognized amounted to P11,885,900, net of the share issuance cost paid amounting to P4,100, as at September 30, 2023.

On September 7, 2023, the stockholders of the Parent Company approved the aforesaid increase in authorized capital and amendment of the Articles of Incorporation to reflect the ACS Increase and ratified the said subscription by SMC out of the ACS Increase.

As at September 30, 2023, the Parent Company received the full payment of the P13,308,000 subscription from SMC and presented this as "Deposit for future stock subscription" account under Equity in the consolidated statement of financial position upon filing of the application for increase in authorized capital stock with the Philippine SEC.

On October 24, 2023, the Philippine SEC approved the increase in authorized capital stock of the Parent Company.

Issuance of RPS

In 2023 and 2022, the Parent Company and SMGP BESS 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	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%	US$85,000	**P4,916,225**
March 10, 2023	June 10, September 10, December 10 and March 10 of each year	100%	US$500,000	**27,378,112**
May 2, 2023	August 2, November 2, February 2 and May 2 of each year	100%	US$145,000	**7,964,118**
Peso-denominated:				
May 30, 2023	August 30, November 30, February 28, and May 30 of each year	100%	P6,000,000	**5,955,000**
June 1, 2023	September 1, December 1, March 1, and June 1 of each year	100%	P7,000,000	**6,947,500**
June 5, 2023	September 5, December 5, March 5 and June 5 of each year	100%	P5,000,000	**4,962,500**
June 13, 2023	September 13, December 13, March 13 and June 13 of each year	100%	P6,760,000	**6,709,300**
July 10, 2023	October 10, January 10, April 10 and July 10 of each year	100%	P5,000,000	**4,962,500**
SMGP BESS				
US Dollar-denominated:				
October 28, 2022	January 28, April 28, July 28 and October 28 of each year	100%	US$88,000	**5,063,100**
December 1, 2022	March 1, June 1, September 1 and December 1 of each year	100%	US$76,000	**4,240,674**
April 5, 2023	July 5, October 5, January 5 and April 5 of each year	100%	US$58,800	**3,174,730**
Peso-denominated:				
November 23, 2022	February 23, May 23, August 23 and November 23 of each year	100%	P5,000,000	**4,962,500**
April 20, 2023	July 20, October 20, January 20 and April 20 of each year	100%	P1,500,000	**1,488,750**
April 24, 2023	July 24, October 24, January 24 and April 24 of each year	100%	P1,300,000	**1,290,250**

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 repayment by SMGP BESS of its advances from the Parent Company, and refinancing of maturing obligations.

Distributions to Senior Perpetual Capital Securities (SPCS) Holders
The Parent Company paid P8,720,117 and P8,587,884 to the SPCS holders in 2023 and 2022, respectively, as distributions in accordance with the terms and conditions of the relevant subscription agreements.

In October and November 2023, the Parent Company paid distributions amounting to US$65,430, net of applicable taxes, to holders of the SPCS issued in October 2020, April 2019 and November 2019.

Distributions to RPS Holder
In 2022, the Parent Company paid distributions amounting to P1,616,926 to the RPS Holder.

12. Revenues

Revenues consist of:

		September 30	
	Note	**2023 (Unaudited)**	2022 (Unaudited)
Sale of power:			
Power generation and trading		**P107,822,239**	P134,723,310
Retail and other power-related services		**17,186,543**	31,272,441
Other services		**203,775**	151,543
	4, 10	**P125,212,557**	P166,147,294

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:

		September 30	
	Note	**2023 (Unaudited)**	2022 (Unaudited)
Coal, fuel oil and other consumables	*10*	**P64,564,672**	P88,069,345
Power purchases		**19,100,512**	37,919,076
Depreciation and amortization	*8*	**8,427,904**	8,406,929
Plant operations and maintenance, and other fees		**4,048,018**	3,464,651
Energy fees	*5*	**1,322,338**	10,104,180
	4	**P97,463,444**	P147,964,181

14. Other Charges - net

Other charges consist of:

		September 30	
	Note	**2023 (Unaudited)**	2022 (Unaudited)
Foreign exchange losses - net	*16, 17*	**(P941,614)**	(P17,502,074)
Insurance claim	*8*	**104,487**	-
Marked-to-market gain on derivatives	*17*	**110,500**	2,311,086
Reversal of allowance on other receivables	*7*	**-**	22,924
Loss on retirement of fixed assets	*8*	**(63,435)**	-
Miscellaneous income		**82,259**	126,684
		(P707,803)	(P15,041,380)

Miscellaneous income pertains mainly to terminal fees and sale of scrap.

15. Basic and Diluted Loss Per Share

Basic and diluted loss per share is computed as follows:

	September 30	
	2023 (Unaudited)	2022 (Unaudited)
Net income (loss) attributable to equity holders of the Parent Company	**P9,081,713**	(P2,618,928)
Distributions for the period to:		
RPS holder	**(5,192,200)**	(1,629,443)
SPCS holders	**(11,314,453)**	(11,691,125)
Net losses attributable to common shareholders of the Parent Company(a)	**(7,424,940)**	(15,939,496)
Weighted average number of common shares outstanding (in thousands) (b)	**1,386,671**	1,250,004
Basic/Diluted Loss Per Share (a/b)	**(P5.35)**	(P12.75)

As at September 30, 2023 and 2022, the Parent Company has no dilutive debt or equity instruments.

The basic/diluted 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 and foreign exchange losses recognized in 2023 and 2022. 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 1,320 MW BCCPP, are expected to go into commercial operations in the next 2 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:

September 30, 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	**P28,318,327**	**P28,318,327**	**P28,318,327**	**P -**	**P -**	**P -**
Trade and other receivables - net*	**111,362,125**	**111,362,125**	**111,362,125**	**-**	**-**	**-**
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**19,341,232**	**21,381,116**	**4,916,878**	**5,191,573**	**8,406,913**	**2,865,752**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**5,745,249**	**5,745,249**	**1,992,560**	**2,560,658**	**20**	**1,192,011**
Financial Liabilities						
Loans payable	**13,736,000**	**13,895,257**	**13,895,257**	**-**	**-**	**-**
Accounts payable and accrued expenses*	**71,527,163**	**71,527,163**	**71,527,163**	**-**	**-**	**-**
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	**211,192**	**211,192**	**211,192**	**-**	**-**	**-**
Long-term debt - net (including current maturities)	**235,151,855**	**296,183,987**	**66,224,398**	**42,079,483**	**130,707,411**	**57,172,695**
Lease liabilities (including current portion)	**48,136,390**	**62,008,181**	**22,554,829**	**6,307,667**	**17,264,165**	**15,881,520**
Other noncurrent liabilities	**5,227,800**	**5,227,800**	**-**	**786,577**	**4,241,218**	**200,005**

**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	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
Cash and cash equivalents (excluding cash on hand)	*6*	**P28,316,514**	P22,724,545
Trade and other receivables - net*	*7*	**111,362,125**	98,245,102
Derivative assets not designated as cash flow hedge		**-**	178,285
Derivative assets designated as cash flow hedge		**-**	143,545
Noncurrent receivables		**19,341,232**	21,687,453
Restricted cash		**5,745,249**	7,698,458
		P164,765,120	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			
September 30, 2023 (Unaudited)	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P28,316,514**	**P -**	**P -**	**P28,316,514**
Trade and other receivables	**-**	**111,362,125**	**2,640,604**	**114,002,729**
Noncurrent receivables (including current portion)	**-**	**19,341,232**	**-**	**19,341,232**
Restricted cash	**5,745,249**	**-**	**-**	**5,745,249**
	P34,061,763	**P130,703,357**	**P2,640,604**	**P167,405,724**

	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:

	September 30, 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	**P62,693,449**	**P4,030,292**	**P2,283,344**	**P69,007,085**	P49,363,466	P4,532,746	P2,280,113	P56,176,325
Past due:								
1-30 days	**6,602,376**	**516,914**	**108,617**	**7,227,907**	8,294,858	133,963	204,581	8,633,402
31-60 days	**2,086,964**	**70,130**	**5,145**	**2,162,239**	4,253,940	27,576	130,209	4,411,725
61-90 days	**1,620,154**	**1,203,071**	**5,543**	**2,828,768**	4,729,728	77,366	5,901	4,812,995
Over 90 days	**26,772,002**	**5,677,416**	**327,312**	**32,776,730**	21,279,104	5,047,045	575,490	26,901,639
	P99,774,945	**P11,497,823**	**P2,729,961**	**P114,002,729**	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 41% and 38% of the Group's total revenues for the periods ended September 30, 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:

September 30, 2023 (Unaudited)	**< 1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine Peso-denominated	**P27,807,284**	**P20,950,264**	**P16,531,654**	**P5,173,244**	**P41,619,264**	**P34,167,302**	**P146,249,012**
Interest rate	**5.0000% to 8.2443%**	**5.0000% to 8.2443%**	**5.1792% to 8.2443%**	**6.2836% to 8.2443%**	**6.2836% to 8.5411%**	**6.2836% to 8.2443%**	
Foreign currency-denominated (expressed in Philippine Peso)	**1,327,419**	**1,389,991**	**1,452,563**	**1,519,604**	**1,586,646**	**11,014,898**	**18,291,121**
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**	**1,746,800**	**7,569,470**
Interest rate	**BVAL + Margin**	**BVAL + Margin**	**BVAL + Margin**	**BVAL + Margin**	**BVAL + Margin**	**BVAL + Margin**	
Foreign currency-denominated (expressed in Philippine Peso)	**20,238,122**	**6,114,966**	**17,450,559**	**17,472,624**	**522,187**	**3,625,156**	**65,423,614**
Interest rate	**LIBOR/ SOFR + Margin**	**SOFR + Margin**	**SOFR + Margin**	**SOFR + Margin**	**SOFR + Margin**	**SOFR + Margin**	
	P50,537,359	**P29,619,755**	**P36,599,310**	**P25,330,006**	**P44,892,631**	**P50,554,156**	**P237,533,217**

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 P547,448 and P792,967 for the period ended September 30, 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.

Foreign Currency Risk

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:

		September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Note	**US Dollar**	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	*6*	**US$108,144**	**P6,118,253**	US$66,775	P3,723,059
Trade and other receivables	*7*	**83,123**	**4,702,675**	77,954	4,346,322
Prepaid expenses		**-**	**-**	76,478	4,264,049
Noncurrent receivables		**29,053**	**1,643,700**	2,135	119,042
		220,320	**12,464,628**	223,342	12,452,472
Liabilities					
Accounts payable and accrued expenses		**830,469**	**46,983,759**	822,119	45,837,240
Long-term debt (including current maturities)	*9*	**1,479,713**	**83,714,735**	2,043,173	113,917,082
Lease liabilities (including current portion)	*5*	**390,299**	**22,081,171**	532,936	29,713,851
Other noncurrent liabilities		**84,625**	**4,787,683**	96,327	5,370,714
		2,785,106	**157,567,348**	3,494,555	194,838,887
Net Foreign Currency-denominated Monetary Liabilities		**US$2,564,786**	**P145,102,720**	US$3,271,213	P182,386,415

The Group reported net losses on foreign exchange amounting to P941,614 and P17,502,074 for the periods ended September 30, 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
September 30, 2023	**P56.575**
December 31, 2022	55.755
September 30, 2022	58.625
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**	
September 30, 2023 (Unaudited)	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P104,796)**	**(P96,826)**	**P104,796**	**P96,826**
Trade and other receivables	**(82,810)**	**(63,139)**	**82,810**	**63,139**
Noncurrent receivables	**(29,053)**	**(21,790)**	**29,053**	**21,790**
	(216,659)	**(181,755)**	**216,659**	**181,755**
Accounts payable and accrued expenses	**829,406**	**633,304**	**(829,406)**	**(633,304)**
Long-term debt (including current maturities)	**1,479,713**	**1,361,784**	**(1,479,713)**	**(1,361,784)**
Lease liabilities (including current portion)	**390,299**	**292,724**	**(390,299)**	**(292,724)**
Other noncurrent liabilities	**84,625**	**65,787**	**(84,625)**	**(65,787)**
	2,784,043	**2,353,599**	**(2,784,043)**	**(2,353,599)**
	P2,567,384	**P2,171,844**	**(P2,567,384)**	**(P2,171,844)**

	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:

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P28,318,327**	**P28,318,327**	P22,726,236	P22,726,236
Trade and other receivables - net*	**111,362,125**	**111,362,125**	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
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)	**19,341,232**	**19,341,232**	21,687,453	21,687,453
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**5,745,249**	**5,745,249**	7,698,458	7,698,458
	P164,766,933	**P164,766,933**	P150,679,079	P150,679,079
Financial Liabilities				
Loans payable	**P13,736,000**	**P13,736,000**	P21,000,000	P21,000,000
Accounts payable and accrued expenses*	**71,527,163**	**71,527,163**	67,215,148	67,215,148
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	**211,192**	**211,192**	75,455	75,455
Long-term debt - net (including current maturities)	**235,151,855**	**240,620,965**	272,152,624	276,750,515
Lease liabilities (including current portion)	**48,136,390**	**48,136,390**	59,958,110	59,958,110
Other noncurrent liabilities (including current portions of premium on option liabilities)	**5,227,800**	**5,227,800**	5,780,913	5,780,913
	P373,990,400	**P379,459,510**	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 5.63% to 6.46% and 3.82% to 6.95% as at September 30, 2023 and December 31, 2022, respectively. Discount rates used for foreign currency-denominated loans range from 4.60% to 5.47% and 3.05% to 5.37% as at September 30, 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:

	September 30, 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 charges" 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 September 30, 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.

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$35,000 and US$65,000 as at September 30, 2023 and December 31, 2022, respectively. As at September 30, 2023 and December 31, 2022, the negative fair value of these currency forwards, included under "Accounts payables and accrued expenses" amounted to P2,975 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 39,000 metric tons and 117,000 metric tons as at September 30, 2023 and December 31, 2022, respectively. As at September 30, 2023, the net negative fair value of these commodity swaps, included under "Accounts payable and accrued expenses" account amounted to P208,217. As at December 31, 2022, the positive fair value of these commodity swaps, included under "Prepaid expenses and other current assets" account amounted to P178,285.

The Group recognized marked-to-market gains from freestanding derivatives amounting to P110,500 and P2,311,086 for the periods ended September 30, 2023 and 2022, respectively (Note 14).

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.

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**P246,375**	P154,105
Net change in fair value of derivatives:		
Designated as accounting hedge	**(7,238)**	101,372
Not designated as accounting hedge	**110,500**	1,583,553
	349,637	1,839,030
Less fair value of settled instruments	**(560,829)**	1,592,655
Balance at end of period	**(P211,192)**	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*

On December 5, 2013, Meralco wrote the ERC requesting for clearance and authority: (i) to collect a generation charge of P7.90 per kWh in its December 2013 billings to its customers for its generation cost for the month of November 2013; and (ii) to defer to February 2014 the recovery of a portion of the generation costs for the November 2013 supply month which was not passed on to customers in December 2013, subject to the inclusion of the appropriate carrying charge. In response thereto, the ERC, in its letter dated December 9, 2013, granted Meralco the authority to implement a staggered collection of its generation cost for the power supplies in November 2013. The ERC, however, did not approve Meralco’s request to recover the carrying costs and directed it to file a formal application for this instead.

On December 19, 2013, Petitioners Bayan Muna representatives, et al. filed a petition against the ERC and Meralco, questioning the increase in the generation cost for November 2013 supply month docketed as G.R. No. 210245. On December 20, 2013, Petitioner National Association of Electricity Consumers for Reforms (NASECORE) et al. filed a petition against the ERC, Department of Energy (DOE) and Meralco assailing the automatic adjustment of generation cost docketed as G.R. No. 210255. On December 23, 2013, the SC issued a resolution consolidating both petitions and issued a TRO enjoining: (I) the ERC from implementing its letter dated December 9, 2013, and (II) Meralco from increasing the rates it charged to its consumers based on its letter dated December 5, 2013.

As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67 per kWh. The TRO was originally for a period of 60 days.

On January 8, 2014, Meralco filed its Consolidated Comment/Opposition with Counter-Petition (the “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 docketed as G.R. 210502 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 September 30, 2023 and December 31, 2022.

ii. *ERC Order Voiding WESM Prices*

Relative to the above-cited Petition, on December 27, 2013, the DOE, ERC and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32.00 per 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, together with the March 3, 2014 Order, the "2014 ERC Orders"). Based on these orders, SPI and SRHI recognized a reduction in the sale of power while MPPCL, San Miguel Electric Corp. (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 "*TRO Issued to Meralco*") declaring the March 3, 2014 ERC Order as null and void, which is the subject of the aforementioned Petition. Considering that this decision of the SC En Banc ("Separate 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.

The said Separate SC Decision attained finality on October 11, 2022. Despite this, the SC 3rd Division has not yet rendered any decision on the instant case including whether or not the Separate SC Decision can be adopted or will be adopted in the instant case. If the SC 3rd Division will confirm the nullity of the 2014 ERC orders, 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 were 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 19, 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. On June 9, 2023, SPPC filed its 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. On January 25, 2023, the SC denied the petition for failure to show any reversible error in the May 30, 2022 CA Decision and October 3, 2022 CA Resolution as to warrant the exercise of the SC of its discretionary appellate jurisdiction. PSALM has filed a Motion for Reconsideration. SPPC has not yet received a directive to file a Comment.

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 January 26, 2024, 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. In an Order dated May 25, 2022, the Office of the Ombudsman denied SPPC's Motion for Reconsideration. SPPC has decided not to question the dismissal of 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.

In a Resolution promulgated on May 5, 2023, the DOJ affirmed its Resolution dated October 25, 2017. The DOJ held that considering SPI's desistance, SPI's Motion for Partial Reconsideration of the DOJ's Resolution of October 25, 2017 was considered dismissed and/or withdrawn.

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. <u>Claim for Price Adjustment on the Meralco Power Supply Agreements</u>
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.

In its June 9, 2023 Resolution, the CA granted the Motion for Leave to Intervene filed by the representatives of Power for People Coalition, Bukluran ng Manggagawang Pilipino, Sanlakas, Philippine Movement for Climate Justice, and Freedom from Debt Coalition, and admitted their Comment-in-Intervention.

In the same June 9, 2023 Resolution, the CA declared that the case (consolidated with the SPI Petition) is deemed submitted for decision.

On June 29, 2023, SPPC received a copy of the Petition for Certiorari under Rule 65 of the Rules of Court filed by the ERC with the Supreme Court. The ERC's Petition seeks to annul and set aside the CA's Resolutions dated January 25, 2023 and April 3, 2023.

On July 10, 2023, SPPC received the CA's Joint Decision dated June 27, 2023 which granted the consolidated petitions of SPPC and SPI. The CA: (i) annulled and set aside the September 29, 2022 ERC Orders for having been issued with grave abuse of discretion; (ii) granted the Joint Motions for Price Adjustment with Provisional Authority and/or Interim Relief in ERC Case Nos. 2019-081 and 2019-083, without prejudice to any further requests for price adjustments for June 2022 onwards (for SPPC, from June 2022 to January 25, 2023 [date of writ of preliminary injunction] and for SPI, from June 2022 to the date of the finality of the Joint Decision); and (iii) made permanent the writ of preliminary injunction issued in favor of SPPC.

On July 31, 2023, SPPC, through its external counsel, received a copy of the ERC's Consolidated Motion for Reconsideration of the Court of Appeals' Joint Decision dated June 27, 2023.

As directed by the Court of Appeals in its Resolution dated August 24, 2023, SPPC filed its Comment/Opposition on the ERC's Consolidated Motion for Reconsideration on October 2, 2023.

On August 2, 2023, SPPC received a copy of Respondents-Intervenors' Motion for Reconsideration of the CA's Joint Decision. As directed by the Court of Appeals in its Resolution dated August 10, 2023, SPPC filed its Comment/ Opposition on Respondents-Intervenors' Motion for Reconsideration on September 14, 2023.

On August 7, 2023, SPPC received a copy of Meralco's Motion for Additional Time to File Petition for Review on Certiorari under Rule 45 of the Rules of Court. Meralco asked for a period of 30 days, or until August 28, 2023, to file its Petition.

On September 12, 2023, SPPC received a copy of Meralco's Motion to Withdraw its Motion for Additional Time to File Petition for Review on Certiorari under Rule 45 of the Rules of Court.

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 17th Division of the CA which was subsequently transferred to its 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 CA16th 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 CA 16th Division 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 CA 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 CA 13th Division.

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 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.

Respondents ERC and Meralco have filed their respective comment on SPI's Motion for Partial Reconsideration.

In its June 9, 2023 Resolution, the CA granted the Motion for Leave to Intervene filed by the representatives of Power for People Coalition, Bukluran ng Manggagawang Pilipino, Sanlakas, Philippine Movement for Climate Justice, and Freedom from Debt Coalition, and admitted their Comment-in-Intervention.

In the same June 9, 2023 Resolution, the CA declared that the case (consolidated with the SPPC Petition) is deemed submitted for decision.

On July 10, 2023, SPI received the CA's Joint Decision dated June 27, 2023 which granted the consolidated petitions of SPPC and SPI. The CA: (i) annulled and set aside the September 29, 2022 ERC Orders for having been issued with grave abuse of discretion; (ii) granted the Joint Motions for Price Adjustment with Provisional Authority and/or Interim Relief in ERC Case Nos. 2019-081 and 2019-083, without prejudice to any further requests for price adjustments for June 2022 onwards (for SPPC, from June 2022 to January 25, 2023 [date of writ of preliminary injunction] and for SPI, from June 2022 to the date of the finality of the Joint Decision); and (iii) denied SPI's Motion for Partial Reconsideration of the January 13, 2023 CA Resolution and its application for the issuance of a writ of preliminary injunction for being moot and academic.

On July 31, 2023, SPI, through its external counsel, received a copy of the ERC's Consolidated Motion for Reconsideration of the Court of Appeals' Joint Decision dated June 27, 2023.

As directed by the Court of Appeals in its Resolution dated August 24, 2023, SPI filed its Comment/Opposition on the ERC's Consolidated Motion for Reconsideration on October 2, 2023.

On August 2, 2023, SPI received a copy of Respondents-Intervenors' Motion for Reconsideration of the CA's Joint Decision. As directed by the Court of Appeals in its Resolution dated August 10, 2023, SPI filed its Comment/ Opposition on Respondents-Intervenors' Motion for Reconsideration on September 14, 2023.

On August 7, 2023, SPI received a copy of Meralco's Motion for Additional Time to File Petition for Review on Certiorari under Rule 45 of the Rules of Court. Meralco asked for a period of 30 days, or until August 28, 2023, to file its Petition.

On September 12, 2023, SPI received a copy of Meralco's Motion to Withdraw its Motion for Additional Time to File Petition for Review on Certiorari under Rule 45 of the Rules of Court.

On October 2, 2023, SPI filed its Comment on the ERC's Consolidated Motion for Reconsideration.

c. Events After the Reporting Date

(i) Availment of term loan by SMGP BESS

On October 27, 2023, SMGP BESS drew the first tranche amounting to P28,000,000 from the P40,000,000 OLSA executed on October 23, 2023 with various local banks. The loan is subject to a fixed interest rate and will mature in October 2033.

The proceeds from the first tranche will be used (i) for the purchase of outstanding perpetual securities issued to SMC and reimbursement or repayment of reimbursable advances from the Parent Company, (ii) to finance payments for interest, design, construction and the operation of its BESS projects, and (iii) cover transaction-related costs, fees and expenses.

(ii) Purchase by SMGP BESS of its RPS issued to SMC

On October 27, 2023, SMGP BESS purchased its outstanding RPS issued to SMC, for a total consideration of P21,668,695, pursuant to the terms of the RPS. The purchase was financed using in part the proceeds of the P28,000,000 OLSA drawn by SMGP BESS.

(iii) Availment of US$50,000 loan by the Parent Company

On October 31, 2023, the Parent Company availed of a US$50,000 term loan from a Facility Agreement executed on October 24, 2023 with a foreign bank. The loan is subject to a floating interest rate and will mature in April 2025.

The proceeds of the loan will be used to (a) refinance the $50,000 3-year term loan drawn in April 2021 which matured in October 2023 and (b) payment of transaction related fees, cost and expenses in relation to the Facility Agreement.

(iv) Change in corporate name of a Subsidiary

On November 3, 2023, the Philippine SEC approved the change in the corporate name of Universal Power Solutions, Inc. to SMGP BESS Power Inc.

(v) On November 13, 2023, the BOD of the Parent Company approved the following:

- subscription by SMC to 720,000,000 common shares of the Parent Company at a subscription price of P30.00 per share, or for a total subscription amount of P21,600,000, to be fully paid on or before December 31, 2023; and

- payment of distributions amounting to (i) US$18,627 on December 9, 2023 to holders of SPCS issued in June 2021, and (ii) US$16,910 on January 21, 2024 to holders of 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	Capital Stock	Additional Paid-in Capital	Deposit for Future Stock Subscription	RPS	Total
Balance as at January 1, 2023 (Audited)	P21,000,000	P272,152,624	P59,958,110	P1,250,004	P2,490,000	P -	P51,934,069	P408,784,807
Changes from Financing Activities								
Proceeds from Borrowings	76,486,000	21,141,000	-	-	-	-	-	97,627,000
Proceeds from Issuance of RPS	-	-	-	-	-	-	70,832,760	70,832,760
Proceeds from Deposit for Future Stock Subscription	-	-	-	-	-	13,308,000	-	13,308,000
Proceeds from Issuance of Capital Stock	-	-	-	410,000	11,885,900	-	-	12,295,900
Payments of Lease Liabilities	-	-	(14,348,265)	-	-	-	-	(14,348,265)
Payments of Borrowings	(83,750,000)	(59,200,652)	-	-	-	-	-	(142,950,652)
Total Changes from Financing Activities	(7,264,000)	(38,059,652)	(14,348,265)	410,000	11,885,900	13,308,000	70,832,760	36,764,743
Effect of Changes in Foreign Exchange Rates	-	726,277	268,564	-	-	-	-	994,841
Other Changes	-	332,606	2,257,981	-	-	-	-	2,590,587
Balance as at September 30, 2023 (Unaudited)	P13,736,000	P235,151,855	P48,136,390	P1,660,004	P14,375,900	P13,308,000	P122,766,829	P449,134,978

	Loans Payable	Long-term Debt	Lease Liabilities	Total
Balance as at January 1, 2022 (Audited)	P1,529,970	P222,921,443	P78,213,359	P302,664,772
Changes from Financing Activities				
Proceeds from borrowings	40,181,875	72,312,000	-	112,493,875
Payments of lease liabilities	-	-	(19,543,034)	(19,543,034)
Payments of borrowings	(26,955,750)	(18,729,366)	-	(45,685,116)
Total Changes from Financing Activities	13,226,125	53,582,634	(19,543,034)	47,265,725
Effect of Changes in Foreign Exchange Rates	683,593	14,025,566	4,747,492	19,456,651
Other Changes	-	(875,538)	2,883,314	2,007,776
Balance as at September 30, 2022 (Unaudited)	P15,439,688	P289,654,105	P66,301,131	P371,394,924

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. <u>Commitments</u>
The outstanding purchase commitments of the Group amounted to P108,531,587 and P138,586,592 as at September 30, 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 September 30, 2023 and December 31, 2022 for liquidity, solvency and profitability ratios and for the periods ended September 30, 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)	**September 2023**	December 2022	**September 2023**	December 2022
(A) Current Assets	**201,595**	188,781	**201,595**	188,781
(B) Current Liabilities	**177,930**	188,680	**157,600**	169,608
Current Ratio (A) / (B)	**1.13**	1.00	**1.28**	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 September 30, 2023 and December 31, 2022, current portion of lease liabilities to PSALM amounted to P20,330 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)	**September 2023**	December 2022
(A) Net Debt [(2)]	**234,896**	293,872
(B) Total Equity [(3)]	**348,533**	252,707
Net Debt-to-Equity Ratio (A) / (B)	**0.67**	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**

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

(in Millions Peso)	*Conventional* September 2023	*Conventional* December 2022	*Adjusted* [4] September 2023	*Adjusted* [4] December 2022
(A) Total Assets	**766,823**	717,515	**670,385**	618,399
(B) Total Equity	**349,129**	252,317	**349,129**	252,317
Asset-to-Equity Ratio (A) / (B)	**2.20**	2.84	**1.92**	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 September 30, 2023 and December 31, 2022, the carrying amount of the IPPA power plant assets amounted to P96,438 million and P99,116 million, respectively.

PROFITABILITY RATIO

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

(in Millions Peso)	**September 2023**	December 2022
(A) Net Income [5]	**14,856**	3,134
(B) Total Equity	**349,129**	252,317
Return on Equity (A) / (B)	**4.3%**	1.2%

(5) Annualized for quarterly reporting.

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

Per relevant Loan Covenants of San Miguel Global Power

(in Millions Peso)	**September 2023**	December 2022
(A) EBITDA [6]	**33,829**	34,494
(B) Interest Expense [7]	**13,633**	13,170
Interest Coverage Ratio (A) / (B)	**2.48**	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

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

	Periods Ended September 30	
(in GWh)	**2023**	2022
(A) Current Period Offtake Volume	**17,237**	21,336
(B) Prior Period Offtake Volume	**21,336**	20,531
Volume Growth (Decline) [(A / B) – 1]	**(19.2%)**	3.9%

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

	Periods Ended September 30	
(in Millions Peso)	**2023**	2022
(A) Current Period Revenue	**125,213**	166,147
(B) Prior Period Revenue	**166,147**	93,867
Revenue Growth (Decline) [(A / B) – 1]	**(24.6%)**	77.0%

$$\text{Operating Margin} = \frac{\text{Income from Operations}}{\text{Revenues}}$$

	Periods Ended September 30	
(in Millions Peso)	**2023**	2022
(A) Income from Operations	**23,337**	23,212
(B) Revenues	**125,213**	166,147
Operating Margin (A) / (B)	**18.6%**	14.0%

San Miguel Global Power
Giving You the Power to Celebrate Life

San Miguel Global Power Holdings Corp.

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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 September 30, 2023 (with comparative figures as at December 31, 2022 and for the period ended September 30, 2022). All necessary adjustments have been made to present fairly the consolidated financial position, financial performance and cash flows of the Group as at September 30, 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 ENERGY STORAGE SYSTEM AND LIQUEFIED NATURAL GAS PROJECTS OF THE GROUP

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

Several key installations comprising its unprecedented ~1,000 Megawatt-hours(MWh) in Battery Energy Storage Systems (BESS) projects, one of which was inaugurated by the President of the Republic of the Philippines on March 31, 2023 in Limay, Bataan. A significant portion of such BESS capacities have successfully secured ancillary services contracts with a 5-year tenor thru a competitive selection process (CSP) conducted by the National Grid Corporation of the Philippines (NGCP), with 5 BESS facilities located in Bataan, Pangasinan, Cebu and Davao de Oro, commencing commercial operations in August 2023. The remaining BESS capacities are gearing up to participate in the upcoming CSP for additional grid ancillary services requirements of NGCP as well as for peak power supply applications that will help ensure energy security for the local power industry in the near term.

San Miguel Global Power also launched the country's first integrated Liquefied Natural Gas (LNG) power generation complex following the delivery of the country's first LNG shipment last April 2023. The LNG transfer was made to a Floating Storage Unit that was eventually integrated into a full-scale LNG terminal strategically located between San Miguel Global Power's two gas power plants: the 1,200 MW Ilijan Power Plant and the greenfield 1,320 MW Batangas Combined Cycled Power Plant (BCCPP). The said terminal started supplying LNG fuel to the Ilijan Power Plant last May 31, 2023, thereby commencing the reintegration of Ilijan Power Plant's valuable baseload capacity to the Grid and improving the overall energy situation in the country.

UPDATES ON CLAIM FOR PRICE ADJUSTMENT ON THE MERALCO POWER SUPPLY AGREEMENTS

On June 27, 2023, the Court of Appeals (CA) released its joint decision on the separate petitions of Sual Power Inc. (SPI, formerly San Miguel Energy Corporation) and South Premiere Power Corp.'s (SPPC) for certiorari, which effectively annulled and set aside the previous Orders of the Energy Regulatory Commission's (ERC) denying their joint petitions with Manila Electric Company (Meralco) for a tariff increase to allow the recovery of incremental power supply costs due to *Change in Circumstances* and their eventual termination of the Power Supply Agreements (PSAs) with Meralco effective October 4, 2022. Following the release of the CA's joint decision, SPI and SPPC firmed up the termination of their respective PSAs with Meralco effective October 4, 2022, without prejudice to additional claims on incremental power supply costs due to Change in Circumstances beyond period covered by the said petitions. SPI ceased to supply nominations on its PSA on July 24, 2023, while SPPC ceased the supply under its PSA on December 7, 2022, after the issuance of the temporary restraining order by the CA. Motions for reconsideration filed by the ERC and the intervenors are pending resolution by the CA. In the meantime, SPI and SPPC are pursuing their respective claims for recovery of incremental power supply costs from Meralco on account of the CA's joint decision but expect the matter to be eventually elevated and settled thru the Supreme Court.

ISSUANCE OF REDEEMABLE PERPETUAL SECURITIES

In 2023, San Miguel Global Power and SMGP BESS Power Inc. ("SMGP BESS"; formerly Universal Power Solutions, Inc.) issued various US Dollar-denominated and Peso-denominated Redeemable Perpetual Securities (RPS) in favor of San Miguel Corporation (SMC), amounting to a total of US$704 million (equivalent to P38,517 million, net of transaction costs) and P32,316 million (net of transaction costs), respectively.

The proceeds from the issuances were used for general corporate purposes, including capital expenditures and repayment by SMGP BESS of its advances from San Miguel Global Power, and refinancing of maturing obligations.

LONG TERM DEBTS

Availment of Term Loans 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 a floating interest rate plus margin and will mature in September 2024.

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

On June 15 and August 8, 2023, San Miguel Global Power drew P5,000 million and P2,500 million, respectively, from a P10,000 million Corporate Notes Facility Agreement executed on June 9, 2023. The loan is subject to a fixed interest rate and will mature in June 2028.

The proceeds of the loan were used to (a) partially refinance maturing debt obligations, (b) fund general corporate purposes, including investments in LNG and BESS, and (c) cover transaction-related costs, fees and expenses.

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, 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 in March 2023. The rest was paid from San Miguel Global Power's cashflows from operations.

In the first three quarters of 2023, San Miguel Global Power, 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 P4,521 million of their scheduled long-term debt principal amortizations pursuant to the terms and conditions of their respective facility agreements.

Redemption of Maturing Series B and Series G Bonds by San Miguel Global Power
On July 11 and August 17, 2023, San Miguel Global Power redeemed its Series B and Series G Bonds, respectively, amounting to P19,090 million. The Series B Bonds formed part of the P15,000 million Series A-B-C fixed rate bonds issued in July 2016, while the Series G Bonds were issued in August 2018.

The redemption was funded through capital infusion by SMC and cash generated from operations.

Subscription to San Miguel Global Power's Common Shares by SMC
On July 25, 2023, the Board of Directors of San Miguel Global Power approved the following:

- subscription by SMC to 410,000,000 common shares out of the unissued capital stock of San Miguel Global Power ("Subject Shares"), in cash at a subscription price of P30.00 per share based on the latter's book value per share as at December 31, 2022 ("2022 BV/share"), or for a total subscription amount of P12,300 million;

- increase in the authorized capital stock of San Miguel Global Power by P1,774 million (comprising of 1,774,400,000 shares with par value of P1.00), or from P2,000 million, divided into 2,000,000,000 shares with par value of P1.00 to P3,774 million, divided into 3,774,400,000 shares with par value of P1.00 (the "ACS Increase"); and

- subscription by SMC to 443,600,000 common shares out of the ACS Increase in cash at a subscription price of P30.00 per share based on the 2022 BV/share, or for a total subscription amount of P13,308 million.

On August 7, 2023, San Miguel Global Power received the full payment of the P12,300 million subscription amount from SMC and the Subject Shares were issued on even date.

On September 7, 2023, the stockholders of San Miguel Global Power approved the aforesaid increase in authorized capital and amendment of the Articles of Incorporation to reflect the ACS Increase and ratified the said subscription by SMC out of the ACS Increase.

As at September 30, 2023, the Parent Company received the full payment of the P13,308 million subscription from SMC and presented this as "Deposit for future stock subscription" account under Equity in the consolidated statement of financial position upon filing of the application for increase in authorized capital stock with the Philippine SEC.

On October 24, 2023, the Philippine SEC approved the increase in authorized capital stock of the Parent Company.

SUBSEQUENT EVENTS

Availment of Term Loans

- SMGP BESS

  On October 27, 2023, SMGP BESS drew the first tranche amounting to P28,000 million from the P40,000 million Omnibus Loan and Security Agreement executed on October 23, 2023 with various local banks. The loan is subject to a fixed interest rate and will mature in October 2033.

  The proceeds from the first tranche shall be used (i) for the purchase of outstanding perpetual securities issued to SMC and reimbursement or repayment of reimbursable advances from San Miguel Global Power, (ii) to finance payments for interest, design, construction and the operation of its BESS projects, and (iii) cover transaction-related costs, fees and expenses.

- San Miguel Global Power

  On October 31, 2023, San Miguel Global Power availed of a US$50 million term loan from a Facility Agreement executed on October 24, 2023 with a foreign bank. The loan is subject to a floating interest rate and will mature in April 2025.

  The proceeds of the loan will be used to (a) refinance the US$50 million 3-year term loan drawn in April 2021 which matured in October 2023, and (b) payment of transaction related fees, cost and expenses in relation to the Facility Agreement.

Purchase by SMGP BESS of its RPS issued to SMC

On October 27, 2023, SMGP BESS purchased its outstanding RPS issued to SMC, for a total consideration of P21,669 million, pursuant to the terms of the RPS. The purchase was financed using in part the proceeds of the P28,000 million OLSA drawn by SMGP BESS.

Additional Subscription to San Miguel Global Power's Common Shares by SMC

On November 13, 2023, the BOD of San Miguel Global Power approved the subscription by SMC to 720,000,000 common shares of San Miguel Global Power at a subscription price of P30.00 per share, or for a total subscription amount of P21,600 million, to be fully paid on or before December 31, 2023.

II. FINANCIAL PERFORMANCE

2023 vs. 2022

	September 30		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2023**	2022	Amount	%	**2023**	2022
Revenues	**P125,213**	P166,147	(P40,934)	(25%)	**100%**	100%
Cost of power sold	**(97,464)**	(147,964)	(50,500)	(34%)	**(78%)**	(89%)
Gross profit	**27,749**	18,183	9,566	53%	**22%**	11%
Selling and administrative expenses	**(4,465)**	(3,909)	556	14%	**(3%)**	(2%)
Other operating income	**53**	8,938	(8,885)	(99%)	**0%**	5%
Income from operations	**23,337**	23,212	125	1%	**19%**	14%
Interest expense and other financing charges	**(12,354)**	(12,138)	216	2%	**(10%)**	(7%)
Interest income	**1,086**	718	368	51%	**1%**	0%
Equity in net losses of an associate and joint ventures	**(95)**	(331)	(236)	(71%)	**0%**	0%
Other charges - net	**(708)**	(15,042)	(14,334)	(95%)	**(1%)**	(9%)
Income before income tax	**11,266**	(3,581)	14,847	415%	**9%**	(2%)
Income tax expense (benefit)	**2,178**	(946)	3,124	330%	**2%**	0%
Net income (loss)	**P9,088**	(P2,635)	P11,723	445%	**7%**	(2%)

Revenues
The Group's consolidated revenues for the first three quarters of 2023 amounted to P125,213 million, down by 25% from P166,147 million in the same period last year. The decrease was mainly due to lower offtake volumes of 17,237 gigawatt hours (GWh) for the period, 19% below the offtake volumes in the same period last year, following the Group's cessation of power supply to Meralco under their 670 MW contract capacity and eventual termination of the said power supply agreement, anchored on a favorable decision from the higher court. However, the said decline was partially recovered from its 480 MW Emergency Power Supply Agreements (EPSA) with Meralco which took effect in April 2023. Moreover, 5 BESS facilities of SMGP BESS commenced commercial operations in August 2023, thereby contributing additional revenues from ancillary service which further mitigated the decline in bilateral revenues.

Cost of Power Sold
Cost of power sold decreased to P97,464 million for the period, which is 34% lower from the P147,964 million incurred for the same period last year. The decrease was mainly attributable to lower costs to supply on account of declining coal indices as well as the reduction in the Group's power purchases from the Philippine Wholesale Electricity Spot Market (WESM) following the suspension and eventual termination of the obligation to deliver the 670 MW contract capacity to Meralco pursuant to the decision issued by the Court of Appeals.

Selling and Administrative Expenses
Selling and administrative expenses increased by 14% or P556 million, from P3,909 million for the first three quarters of 2022 to P4,465 million for the same period in 2023. The increase was mainly due to: (i) higher taxes and licenses pertaining to documentary stamp taxes from various transactions and local business taxes of SPPC, SPI, San Miguel Global Power, LPI, and MPPCL, and (ii) increase in personnel-related expenses of the Group with its continuing business activities and expansion.

Other Operating Income
Lower other operating income by P8,885 million was due primarily to the gain on sale of properties previously acquired as potential sites for its several power plant expansion projects, that was executed in 2022 pursuant to the Group's normal course of business and in line with its asset optimization strategies.

Income from Operations
Consolidated income from operations of P23,337 million was almost at par with the same period last year with improved margins on contracted volumes, as the Group worked out a transition to fuel passthrough arrangements for most of its bilateral customers and with fuel prices going significantly lower.

Interest Expense and Other Financing Charges
Interest expense and other financing charges amounted to P12,354 million for the first three quarters of 2023. 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 loans drawn by San Miguel Global Power, partly offset by lower interest recognized on the declining principal balance of the Independent Power Producer Administration (IPPA) entities' lease liabilities to Power Sector Assets and Liabilities Management Corporation (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 P1,086 million for the first three quarters of 2023. 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 Losses of an Associate and Joint Ventures
Equity in net losses of an associate and joint ventures registered at P95 million for the first three quarters of 2023, lower than last year due mainly to the improvement in the financial performance of Angat Hydropower Corporation (AHC).

Other Charges - net
Other charges amounted to P708 million for the first three quarters of 2023, significantly lower compared to the P15,042 million losses for the same period last year. This was mainly due to lower net foreign exchange losses recognized on the revaluation of the Group's US Dollar-denominated net monetary liabilities, with the lower depreciation of the Philippine Peso against the US Dollar during the period.

Income Tax Expense (Benefit)
Provision for income tax made a complete turnaround from P946 million benefit in 2022 to P2,178 million expense in 2023. This resulted from the (i) recognition of deferred tax benefit on net operating loss carryover and unrealized foreign exchange losses in 2022, while (ii) higher deferred tax expenses was recognized by SPI and San Roque Hydropower Inc. (SRHI, formerly Strategic Power Devt. Corp.) on its respective lease-related temporary differences, and by MPPCL on the unrealized foreign exchange losses on its US-Dollar denominated borrowings in 2023.

Net Income (Loss)
Consequently, net income surged to P9,088 million, a significant turnaround from the net loss of P2,635 million reported in the same period last year which was likewise burdened with net unrealized foreign exchange losses.

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 three quarters of 2023, net generation of 4,934 GWh, at 63% net capacity factor rate, was lower by 6% than in the same period last year mainly driven by lower plant dispatch. This was attributable to the termination of the 330 MW PSA with Meralco starting July 24, 2023. However, this was offset by the increase in replacement power supplied to affiliate generators, thus the 12% increase in total offtake volume.

Revenues of P54,245 million slightly improved by 2% than the P53,295 million reported for the same period last year on account of the aforesaid higher offtake volume sold to affiliate generators to support Ilijan Power Plant in supplying the requirements of the 480 MW EPSA with Meralco. This, along with lower cost to supply brought by the decline in fuel cost with decreasing coal indices, resulted to the increase in operating income from P1,926 million in 2022 to P7,703 million in 2023.

b. **SRHI (IPPA of San Roque Power Plant)**

The San Roque Power Plant's net generation of 700 GWh for the first three quarters of 2023, at 31% net capacity factor rate, increased by 65% due to longer operating hours due to higher water inflows resulting to high water reservoir level. However, total offtake volumes of 1,524 GWh increased by 138% compared to the same period last year due to new bilateral contract which took effect in March 2022, the supply of which was partly sourced from affiliate generators.

Revenues of P11,747 million was up by 68% compared to same period last year due mainly to higher offtake volumes.

As a result, operating income for the first three quarters grew by 3% from P3,177 million in 2022 to P3,264 million in 2023.

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

The net generation of Ilijan Power Plant for the first three quarters of 2023 fell by 57%, due primarily to the plant’s extended outage since its turnover from PSALM in June 2022 up to June 2023 while it underwent retrofitting works to improve its fuel efficiency and reliability, and as it awaited the substantial completion of an adjacent full-scale LNG terminal that has been tolled on a long-term basis to receive, store and re-gassify LNG fuel for the Ilijan Power Plant. The said terminal started supplying LNG fuel to the Ilijan Power Plant in the latter part of May 2023.

Likewise, total offtake volumes of 3,640 GWh for the first three quarters of 2023 decreased by 26% compared to the same period last year due to the suspension and eventual termination of the obligation to supply the 670 MW PSA with Meralco, which was partially offset by the 480 MW and 330 MW EPSAs which took effect in March 26 and August 26, 2023, respectively.

Revenues of P25,299 million for the first three quarters of 2023 improved by 8% compared to the revenues reported in the same period of 2022 mainly on account of higher average realization price.

For the first three quarters of 2023, SPPC recognized an operating loss of P71 million, much lower compared to the P7,192 million operating loss for the same period last year. This was mainly due to lower power purchases incurred to serve its bilateral contract requirements.

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

Limay Greenfield Power Plant has a combined capacity of 600 MW. Total net generation of the plant from all operating units of 2,979 GWh for the first three quarters of 2023, at 85% net capacity factor rate, was slightly lower by 4% than last year at 3,115 GWh due to higher plant outages. LPI dispatched 1,508 GWh or 51% 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 volumes of 1,666 GWh went up from last year by 27% due to the increase in spot and replacement power sales volume. However, revenues slightly decreased by 3% from P10,568 million in 2022 to P10,235 million for the first three quarters of 2023 attributable to lower average realization price with the decrease in coal prices.

Operating income registering at P1,921 million in 2023 was 2% lower than the P1,965 million posted in 2022 due mainly on account of the lower average realization price.

e. **MPI, owner of Davao Greenfield Power Plant**

For the first three quarters of 2023, a total of 1,110 GWh was generated by the plant, at a capacity factor rate of 64%, lower than last year by 7% due to the decrease in bilateral nominations.

Likewise, revenues at P9,176 million dropped by 30% from last year due to lower bilateral offtake volumes on account of the aforesaid decline in bilateral nominations. As a result, operating income at P2,949 million was down by 41% compared to same period last year.

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

The Masinloc Power Plant's operating Units 1, 2, and 3 contributed a total net generation of 3,935 GWh for the first three quarters of 2023 with 3,651 GWh or 93% supplied to power generation customers while the rest was discharged to RES customers. This was 18% lower compared to the 4,809 GWh generated from last year as a result of higher outage days attributed to the scheduled preventive maintenance of the 3 units and the turbine retrofit of Unit 1.

Total offtake volumes of 3,997 GWh and revenues of P27,653 million fell from last year resulting primarily from lower customer nominations and spot sales volume. Consequently, operating income decreased to P5,295 million on account of lower average realization rates due to lower fuel charges passed-on to bilateral customers.

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

a. **LPI, RES**

For the first three quarters of 2023, total offtake volumes registered at 1,560 GWh. The total offtake volumes declined by 21% compared to last year's 1,964 GWh due to contracts that have ceased. As a result, revenues went down by 36% from P17,334 million last year to P11,121 million for the first three quarters of 2023.

Likewise, operating income of P1,042 million for the first three quarters of 2023 was down compared to the P2,364 million posted for the same period in 2022.

b. **MPPCL, RES and BESS**

Revenues, inclusive of ancillary revenues from the 10 MW BESS, and operating income decreased to P5,040 million and P963 million, respectively, due to lower customer requirements in the first three quarters of 2023.

c. **SMGP Kabankalan Power Co. Ltd. (SMGP Kabankalan; formerly "SMCGP Philippines Energy Storage Co. Ltd.), owner of Kabankalan I BESS**

The revenues of SMGP Kabankalan decreased by 38% compared to the same period of last year to reach P372 million for the first three quarters of 2023 on account of forced outage days resulting from the equipment breakdown and ongoing repair works. Consequently, operating income of P167 million was lower by 48% compared to the P319 million registered last year.

2022 vs. 2021

	September 30		**Horizontal Analysis Increase (Decrease)**		**Vertical Analysis**	
In Millions	**2022**	2021	Amount	%	**2022**	2021
Revenues	**P166,147**	P93,867	P72,280	77%	**100%**	100%
Cost of power sold	**(147,964)**	(62,036)	85,928	139%	**(89%)**	(66%)
Gross profit	**18,183**	31,831	(13,648)	(43%)	**11%**	34%
Selling and administrative expenses	**(3,909)**	(3,572)	337	9%	**(2%)**	(4%)
Other operating income	**8,938**	142	8,796	6,194%	**5%**	0%
Income from operations	**23,212**	28,401	(5,189)	(18%)	**14%**	30%
Interest expense and other financing charges	**(12,138)**	(13,785)	(1,647)	(12%)	**(7%)**	(14%)
Interest income	**718**	416	302	73%	**0%**	0%
Equity in net losses of an associate and joint ventures	**(331)**	(20)	311	1,555%	**0%**	0%
Other charges - net	**(15,042)**	(923)	14,119	1,530%	**(9%)**	(1%)
Income (loss) before income tax	**(3,581)**	14,089	(17,670)	(125%)	**(2%)**	15%
Income tax expense (benefit)	**(946)**	395	(1,341)	(339%)	**0%**	0%
Net income (loss)	**(P2,635)**	P13,694	(P16,329)	(119%)	**(2%)**	15%

Revenues

The Group's consolidated revenues for the first three quarters of 2022 registered at P166,147 million, 77% or P72,280 million higher than the same period in 2021 at P93,867 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 as Corona Virus Disease 2019 quarantine restrictions continue to loosen up, thereby increasing offtake volumes by 4% to 21,336 GWh from 20,531 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 139% or P85,928 million, from P62,036 million for the first three quarters of 2021 to P147,964 million for the same period of 2022. The increase was mainly attributable to the following: (i) higher generation costs on account of rising coal prices and increase in gas prices for the Ilijan Power Plant incurred prior to the turnover, (ii) higher volume of power purchased from WESM, due to the deration of the Ilijan Power Plant on account of Malampaya gas supply restriction until June 4, 2022 and the plant's shutdown for inspection, repairs, upgrades and retrofitting activities starting June 5, 2022; and (iii) continuing high WESM prices.

Specifically, SPI and SPPC incurred incremental supply costs of about P18,047 million with respect to their PSAs with Meralco due to unprecedented spikes in coal prices - from just US$65/metric ton (MT) at contract execution date to an average of US$354/MT for the period ended September 30, 2022, as well as the aforesaid significant derations in the capacity of the 1,200 MW Ilijan Plant.

Selling and Administrative Expenses
Selling and administrative expenses increased by 9% or P337 million, from P3,572 million for the first three quarters of 2021 to P3,909 million for the same period of 2022. The increase was mainly due to: (i) higher local business taxes of MPPCL, San Miguel Global Power, LPI; (ii) reversal of impairment losses on trade receivables in 2021 due to improvement in collections; and (iii) increase in personnel-related expenses of the Group.

Other Operating Income
Higher other operating income by P8,796 million or 6,194% was due primarily to the gain on sale of properties, previously acquired as potential sites for its several power plant expansion projects, recognized by the Group during the first three quarters of 2022.

Income from Operations
In spite of strong revenue growth, consolidated income from operations of P23,212 million for the first three quarters of 2022 declined by 18% from P28,401 million in 2021. This was 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 purchases prices.

Interest Expense and Other Financing Charges
Interest expense and other financing charges amounted to P12,138 million for the first three quarters of 2022, a decrease by 12% from same period in 2021, primarily due to lower interest recognized on the declining principal balances of the IPPA entities' lease liabilities especially following the expiration of the Ilijan IPPA Agreement in June 2022.

Interest Income
Interest income amounted to P718 million for the first three quarters of 2022, an increase by 73% from the same period in 2021, driven primarily by higher average interest rate and higher interest income for the period on shareholder advances granted to AHC.

Equity in Net Losses of an Associate and Joint Ventures
Equity in net losses of an associate and joint ventures amounted to P331 million for the first three quarters of 2022, higher than in 2021, due mainly to the decline in the financial performance of AHC.

Other Charges - net
Other charges amounted to P15,042 million for the first three quarters of 2022, higher compared with the P923 million reported in 2021. This was mainly due to the net foreign exchange losses amounting to P17,502 million recognized driven by the unprecedented depreciation of the Philippine Peso against the US Dollar during the period.

Income Tax Expense (Benefit)
The Group's income tax benefit posted in the first three quarters of 2022 amounting to P946 million was a complete turnaround from the income tax expense of P395 million reported in the same period in 2021. This resulted primarily from (i) the recognition of deferred tax benefit on net operating loss carryover and unrealized foreign exchange losses during the period, partly offset by (ii) higher deferred income tax expense on lease-related expenses of the IPPAs and SPPC, and (iii) higher taxable income of MPPCL, MPI and LPI.

Net Income (Loss)
The Group sustained a net loss for the first three quarters of 2022 amounting to P2,635 million compared with the net income in 2021 of P13,694 million. This was due primarily to lower gross margin and net unrealized foreign exchange losses amounting to P16,174 million for the first three quarters of 2022. Without the recognized net foreign exchange losses and the Corporate Recovery and Tax Incentives for Enterprises Act Law adjustments recognized in the first quarter of 2021, net income would have increased by 8% 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 three quarters of 2022, net generation of 5,266 GWh, at 70% net capacity factor rate was 47% higher than the same period in 2021. This was mainly due to fewer outages in 2022 as Sual Unit 2 was on extended outage for the repair of turbine blades and diaphragm, and Unit 1 on forced and maintenance shutdown during the first half of 2021. Likewise, total offtake volume increased to 6,554 GWh from 5,969 GWh for the same period in 2021 on account of higher Meralco nominations and the improvement in volumes sold to spot and affiliate generators for the first three quarters of 2022.

Revenues of P53,295 million was 100% higher than the P26,666 million reported in 2021. This was mainly attributable to improvement in average realization price of electric cooperatives driven by the increase in pass-on fuel charges, and higher spot market prices.

Operating income of P1,926 million was 76% lower than P7,878 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 425 GWh, at 19% net capacity factor rate, for the first three quarters of 2022 fell by 40% due to lower water inflows resulting to low water reservoir level. Moreover, total offtake volume of 640 GWh decreased by 16% compared to the same period in 2021 due to the lower spot sales volume.

Revenues of P6,973 million for the period was 78% higher than in 2021 mainly due to higher average realization price and volume of bilateral sales.

The foregoing factors contributed to the improvement of operating income by 64% from P1,935 million in 2021 to P3,177 million in 2022.

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

The net generation of Ilijan Power Plant for the first three quarters of 2022 fell by 46% due to its deration brought by the continued Malampaya gas supply restriction which started on March 17, 2021 until the expiration of the Ilijan IPPA Agreement with PSALM last June 4, 2022. Moreover, since its turnover on June 5, 2022, the plant was on shutdown for inspection, repairs, upgrades and retrofitting activities. Total offtake volume of 4,923 GWh decreased by 13% compared to the same period in 2021 on account of lower plant capacity.

Revenues of P23,515 million was 3% higher than in 2021 despite lower offtake volumes. This was mainly on account of the improved average realization prices for bilateral sales.

Operating loss of P7,192 million in 2022 was a significant drop from the operating income of P4,186 million of the same period in 2021. This was attributable to increased power purchases combined with higher average spot purchase price caused by high market demand during the period.

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

Limay Greenfield Power Plant has a combined capacity of 600 MW. Total generation of the plant from all operating units of 3,115 GWh at 89% net capacity factor rate for the first three quarters of 2022 was slightly higher than the 3,092 GWh reported in 2021. LPI dispatched 1,287 GWh of the plant’s net generation to its power generation customers while the rest was dispatched to its RES customers. Total offtake volume of 1,316 GWh fell from last year by 1% due to decline in both spot sales volume and replacement power.

For the first three quarters of 2022, revenues increased by 63% from P6,502 million in 2021 to P10,568 million primarily from increase in average realization price on account of increase in pass-on fuel rate as a result of rising fuel prices. Higher revenues from spot sales were also realized as a result of increase in spot rates.

Consequently, operating income registered at P1,965 million in 2022 was 27% lower than the P2,710 million posted in 2021 mainly due to higher generation cost as a result of significant increase in the cost of coal.

e. **MPI, owner of Davao Greenfield Power Plant**

For the first three quarters of 2022, a total of 1,197 GWh was generated by the plant at a capacity factor rate of 69% which was 13% lower compared to the net capacity factor rate registered in 2021. Revenues at P13,147 million grew by 75% 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 P5,011 million, 57% higher than the same period in 2021.

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

The Masinloc Power Plant operating Units 1, 2, and 3 contributed a total net generation of 4,809 GWh for the first three quarters of 2022 with 4,356 GWh supplied to power generation customers while the rest was discharged to RES customers. This was 3% higher compared to the 4,658 GWh generated last year as a result of higher plant availability during the current period.

Total offtake volume of 5,292 GWh fell from 2021 as a result of lower spot sales volume and replacement power sold to affiliate generators. Year to date revenues, and operating income increased to P44,421 million and P6,484 million, respectively, due to high bilateral rates to customers and spot market prices.

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

a. **LPI, RES**

For the first three quarters of 2022, the total offtake volumes registered at 1,964 GWh. This was 2% lower than the 1,998 GWh reported in 2021 due to lower bilateral sales. Revenues increased by 72% from P10,088 million in 2021 to P17,334 million due to higher bilateral rates. This was offset by higher generation cost as a result of rising coal prices.

Consequently, operating income registered at P2,364 million in 2022, 11% higher than the P2,132 million posted in the same period in 2021.

b. **MPPCL, RES and BESS**

For the three quarters of 2022, total offtake volumes and revenues, inclusive of ancillary revenues from the 10 MW BESS, more than doubled compared to the 1,117 GWh and P9,170 million, respectively, posted in 2021 attributable to new contestable customers. Consequently, operating income of P1,513 million, was higher compared to the same period in 2021.

c. **SMGP Kabankalan, owner of Kabankalan I BESS**

On January 6, 2022, the ERC granted provisional authority for the implementation of the Ancillary Service Procurement Agreement between the NGCP and SMGP Kabankalan commencing on January 26, 2022. SMGP Kabankalan reported revenues and operating income of P604 million and P319 million, for the three quarters of 2022, respectively.

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

Revenues of P4,171 million was 45% higher than 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 P792 million in 2022 was higher than the P160 million 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

In Millions	**September 30, 2023**	December 31, 2022	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2023**	2022
Cash and cash equivalents	**P28,318**	P22,726	P5,592	25%	**4%**	3%
Trade and other receivables - net	**116,502**	105,940	10,562	10%	**15%**	15%
Inventories	**15,848**	16,822	(974)	(6%)	**2%**	2%
Prepaid expenses and other current assets	**40,927**	43,293	(2,366)	(5%)	**5%**	6%
Total Current Assets	**201,595**	188,781	12,814	7%	**26%**	26%
Investments and advances - net	**9,982**	7,855	2,127	27%	**1%**	1%
Property, plant and equipment - net	**329,147**	304,412	24,735	8%	**43%**	43%
Right-of-use assets - net	**105,760**	106,610	(850)	(1%)	**14%**	15%
Goodwill and other intangible assets - net	**71,737**	71,765	(28)	(0%)	**10%**	10%
Deferred tax assets	**2,373**	2,280	93	4%	**0%**	0%
Other noncurrent assets	**46,229**	35,812	10,417	29%	**6%**	5%
Total Noncurrent Assets	**565,228**	528,734	36,494	7%	**74%**	74%
Total Assets	**P766,823**	P717,515	P49,308	7%	**100%**	100%
Loans payable	**P13,736**	P21,000	(P7,264)	(35%)	**2%**	3%
Accounts payable and accrued expenses	**93,402**	84,447	8,955	11%	**12%**	12%
Lease liabilities - current portion	**20,461**	19,185	1,276	7%	**3%**	2%
Income tax payable	**198**	326	(128)	(39%)	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**50,133**	63,722	(13,589)	(21%)	**6%**	9%
Total Current Liabilities	**177,930**	188,680	(10,750)	(6%)	**23%**	26%
Long-term debt - net of current maturities and debt issue costs	**185,019**	208,431	(23,412)	(11%)	**24%**	29%
Deferred tax liabilities	**19,768**	19,364	404	2%	**2%**	3%
Lease liabilities - net of current portion	**27,676**	40,773	(13,097)	(32%)	**4%**	6%
Other noncurrent liabilities	**7,301**	7,950	(649)	(8%)	**1%**	1%
Total Noncurrent Liabilities	**239,764**	276,518	(36,754)	(13%)	**31%**	39%
Total Liabilities	**417,694**	465,198	(47,504)	(10%)	**54%**	65%
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**1,660**	1,250	410	33%	**0%**	0%
Additional paid-in capital	**14,376**	2,490	11,886	477%	**2%**	0%
Deposit for future stock subscription	**13,308**	-	13,308	0%	**2%**	0%
Senior perpetual capital securities	**161,768**	161,768	-	0%	**21%**	23%
Redeemable perpetual securities	**122,767**	51,934	70,833	136%	**16%**	7%
Equity reserves	**(1,522)**	(1,559)	37	2%	**0%**	0%
Retained earnings	**35,858**	35,526	332	1%	**5%**	5%
	348,215	251,409	96,806	39%	**46%**	35%
Non-controlling Interests	**914**	908	6	1%	**0%**	0%
Total Equity	**349,129**	252,317	96,812	38%	**46%**	35%
Total Liabilities and Equity	**P766,823**	P717,515	P49,308	7%	**100%**	100%

The Group's consolidated total assets as at September 30, 2023, amounted to P766,823 million, higher by 7% or P49,308 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 P24,735 million as a result of the ongoing construction of the Masinloc Power Plant Units 4 and 5, BCCPP project, Mariveles Power Plant, rehabilitation of the Ilijan Power Plant, BESS projects, and major repair and additional construction works for Limay and Davao Greenfield Power Plants.

b. Increase in trade and other receivables by P10,562 million was mainly attributable to (i) SPPC's recognition of trade receivables in relation to its 480 MW and 330 MW EPSAs, and (ii) increase in trade receivables of SPI and SRHI.

c. Increase in other noncurrent assets by P10,417 million was mainly attributable to (i) net increase in advances to suppliers/contractors for ongoing projects, (ii) additional restricted cash set aside by MPPCL and LPI for its debt servicing requirements, (iii) additional shareholder loans granted to AHC, and (iv) investment properties recognized following the acquisition of Ilijan Primeline Industrial Estate Corp. in April 2023.

d. Increase in cash and cash equivalents by P5,592 million was due mainly to (i) proceeds from the issuances of Philippine Peso and US Dollar-denominated RPS by San Miguel Global Power and SMGP BESS, (ii) proceeds from the capital infusion of SMC in San Miguel Global Power completed in July and August 2023, and (iii) net proceeds from the US$100 million, P5,000 million and P2,500 million term loans drawn by San Miguel Global Power in March, June and August 2023, respectively. These were partly offset by the (i) payments of maturing short-term and long-term loans of San Miguel Global Power, MPI, LPI and MPPCL, (ii) redemption of Series B and Series G fixed rate bonds in July and August 2023, respectively, (iii) capital expenditures for Masinloc Power Plant Units 4 and 5, BCCPP, Mariveles Power Plant, BESS projects and Ilijan Power Plant; (iv) lease payments of SPI and SRHI to PSALM; and (v) distributions paid to the holders of capital securities.

e. Increase in investment and advances by P2,127 million was mainly attributable to the additional deposits made by SPI and San Miguel Global Power to landholding companies net of share in lower net losses of AHC.

f. Decrease in prepaid expenses and other current assets by P2,366 million was mainly attributable to the (i) decrease in restricted cash of MPPCL and LPI for debt servicing requirements, (ii) amortization of real property and business taxes, and (iii) application of advances relating to coal deliveries for the Masinloc Power Plant.

g. Decrease in inventories by P974 million was attributable primarily to the decline in coal prices, partly offset by the LNG supply delivered to the Ilijan Power Plant during the period.

The Group's consolidated total liabilities as at September 30, 2023, amounted to P417,694 million, 10% or P47,504 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 P37,001 million was attributable to the: (i) redemption of Series B and Series G fixed rate bonds in July and August 2023, respectively, and (ii) settlement of long-term debts of San Miguel Global Power, MPI, LPI and MPPCL, which were partly offset by (iii) San Miguel Global Power's availment of a US$100 million, P5,000 million and P2,500 million term loans in March, June and August 2023, respectively, (iv) unrealized foreign exchange loss recognized on the revaluation of US Dollar-denominated loans and (v) amortization of debt issue costs.

b. Decrease in lease liabilities (including current and noncurrent portions) by P11,821 million was mainly on account of lease payments made by the IPPA entities to PSALM, partly offset by the foreign exchange loss recognized for the period on the revaluation of US Dollar-denominated lease liabilities.

c. Decrease in loans payable by P7,264 million was mainly attributable to the net effect of the full settlement by San Miguel Global Power of its P16,000 million which matured in June 2023, and availment of an P8,750 million loan during the period.

d. Decrease in other noncurrent liabilities by P649 million was attributable mainly to settlement of US Dollar-denominated payables to contractors relating to the Group's ongoing construction projects.

e. Decrease in income tax payable by P128 million was mainly attributable to (i) lower taxable income for the period of MPI and MPPCL, partly offset by the (ii) income tax payable recognized by landholding subsidiaries on the second tranche of the installment sales of properties.

f. Increase in accounts payable and accrued expenses by P8,955 million was mainly attributable to higher trade-related payables mainly for the acquisition of LNG and fuel, energy fees, and power purchases.

The Group's consolidated total equity as at September 30, 2023, amounted to P349,129 million, higher by 38% or P96,812 million than the December 31, 2022 balance of P252,317 million. The increase is accounted for as follows:

a. Increase in capital stock, additional paid-in capital and deposit for future stock subscriptions by P25,604 million as a result of the additional capital infusion of SMC thru subscription to San Miguel Global Power's common stock in July and August 2023.

b. Increase in RPS by P70,833 million was attributable to the RPS issued by San Miguel Global Power and SMGP BESS to SMC. The proceeds of which were used for general corporate purposes, including capital expenditures and repayment by SMGP BESS of its advances from San Miguel Global Power, and refinancing of maturing obligations.

2022 vs. 2021

			Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**September 30, 2022**	December 31, 2021	Amount	%	**2022**	2021
Cash and cash equivalents	**P44,077**	P67,690	(P23,613)	(35%)	**6%**	11%
Trade and other receivables - net	**89,142**	47,272	41,870	89%	**13%**	7%
Inventories	**16,226**	10,018	6,208	62%	**2%**	2%
Prepaid expenses and other current assets	**39,686**	31,490	8,196	26%	**6%**	5%
Total Current Assets	**189,131**	156,470	32,661	21%	**27%**	25%
Investments and advances - net	**7,769**	10,839	(3,070)	(28%)	**1%**	2%
Property, plant and equipment - net	**294,650**	211,859	82,791	39%	**41%**	33%
Right-of-use assets - net	**107,860**	157,160	(49,300)	(31%)	**15%**	25%
Goodwill and other intangible assets - net	**74,668**	72,943	1,725	2%	**11%**	11%
Deferred tax assets	**2,842**	1,447	1,395	96%	**0%**	0%
Other noncurrent assets	**36,967**	25,006	11,961	48%	**5%**	4%
Total Noncurrent Assets	**524,756**	479,254	45,502	9%	**73%**	75%
Total Assets	**P713,887**	P635,724	P78,163	12%	**100%**	100%
Loans payable	**P15,440**	P1,530	P13,910	909%	**2%**	0%
Accounts payable and accrued expenses	**76,885**	56,055	20,830	37%	**11%**	9%
Lease liabilities - current portion	**19,369**	21,677	(2,308)	(11%)	**3%**	3%
Income tax payable	**223**	25	198	792%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**72,652**	30,185	42,467	141%	**10%**	5%
Total Current Liabilities	**184,569**	109,472	75,097	69%	**26%**	17%
Long-term debt - net of current maturities and debt issue costs	**217,002**	192,736	24,266	13%	**30%**	30%
Deferred tax liabilities	**18,876**	20,183	(1,307)	(6%)	**3%**	3%
Lease liabilities - net of current portion	**46,932**	56,536	(9,604)	(17%)	**7%**	9%
Other noncurrent liabilities	**7,551**	5,069	2,482	49%	**1%**	1%
Total Noncurrent Liabilities	**290,361**	274,524	15,837	6%	**41%**	43%
Total Liabilities	**474,930**	383,996	90,934	24%	**67%**	60%

Forward

In Millions	**September 30, 2022**	December 31, 2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2022**	2021
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**1,250**	1,062	188	18%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**167,767**	167,767	-	0%	**24%**	27%
Redeemable perpetual securities	**32,752**	32,752	-	0%	**4%**	5%
Equity reserves	**(1,517)**	(1,536)	19	1%	**0%**	0%
Retained earnings	**35,288**	48,248	(12,960)	(27%)	**5%**	8%
	238,030	250,783	(12,753)	(5%)	**33%**	40%
Non-controlling Interests	**927**	945	(18)	(2%)	**0%**	0%
Total Equity	**238,957**	251,728	(12,771)	(5%)	**33%**	40%
Total Liabilities and Equity	**P713,887**	P635,724	P78,163	12%	**100%**	100%

The Group's consolidated total assets as at September 30, 2022 amounted to P713,887 million, higher by 12% or P78,163 million than December 31, 2021 balance of P635,724 million. The increase was attributable to the following factors:

a. Increase in property, plant and equipment by P82,791 million as a result of the (i) ongoing construction of the BCCPP project, Mariveles Power Plant and BESS projects; (ii) acquisition of landholding subsidiaries - Multi-ventures Investment Holdings, Inc. (MVIHI) and Bluelight Industrial Estate, Inc. (Bluelight), and (iii) turnover of the Ilijan Power Plant following the expiration of the Ilijan IPPA agreement in June 2022.

b. Increase in trade and other receivables by P41,870 million was mainly attributable to higher trade customer balances from power sales as the Group recovers in part the increase in generation and supply cost, brought by higher coal prices and deration of Ilijan Power Plant, coupled with higher overall offtake volumes as demand improves.

c. Increase in other noncurrent assets by P11,961 million was mainly attributable to the long-term receivables on the sale of various properties and subsidiaries, offset by application of advances to progress billings for the ongoing construction of the BCCPP and Mariveles Power Plant projects.

d. Increase in prepaid expenses and other current assets by P8,196 million was mainly attributable to additional input taxes on vatable purchases of the Group, additional creditable withholding taxes recognized on sales, and higher restricted cash balances of MPPCL as required under its credit facility agreement.

e. Increase in inventories by P6,208 million was mainly due to higher prices for coal inventories, with the rising coal indices, and the purchase of neat diesel fuel of SPPC from PSALM stored at the Ilijan Power Plant following its turnover.

f. Increase in deferred tax assets by P1,395 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.

g. Decrease in right-of-use assets by P49,300 million was mainly due to reclassification of the Ilijan Power Plant to "Property, plant and equipment - net" account following the expiration of the Ilijan IPPA Agreement in June 2022, and amortization in 2022, partially offset by additional land and office spaces leased in 2022.

h. Decrease in cash and cash equivalents by P23,613 million was due mainly to the (i) capital expenditures for BCCPP, BESS and Mariveles Power Plant projects; (ii) lease payments of SPI, SRHI and SPPC to PSALM; (iii) redemption of the Series H Bonds of San Miguel Global Power amounting to P13,845 million in April 2022; (iv) distributions paid to the holders of capital securities; (v) payments of maturing long-term loans of MPPCL, LPI, MPI and San Miguel Global Power. These were partly offset by the proceeds from the P40,000 million fixed-rate bonds issued in July 2022 and from various short and long-term loans availed in 2022 by San Miguel Global Power.

i. Decrease in investment and advances by P3,070 million was mainly due to the consolidation of deposits made by San Miguel Global Power to MVHI and Bluelight following the acquisition of such entities in August 2022.

The Group's consolidated total liabilities as at September 30, 2022 amounted to P474,930 million, 24% or P90,934 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 P42,467 million was attributable to the: (i) reclassification from noncurrent of the Group's term loans and bonds maturing within one year; (ii) unrealized foreign exchange loss recognized on the revaluation of US Dollar-denominated loans; and (iii) partly offset by the redemption by San Miguel Global Power of its Series H Bonds amounting to P13,845 million in April 2022, and payments of principal amortizations made by MPPCL, LPI and MPI in 2022.

b. Increase in long-term debt - net of current maturities and debt issue costs by P24,266 million was attributable to (i) the various long-term loans availed by San Miguel Global Power in January, May and August 2022; (ii) issuance of the P40,000 million fixed-rate bonds in July 2022; (iii) unrealized foreign exchange loss for the revaluation of US Dollar-denominated loans; and (iv) partly offset by the reclassification to current of MPPCL and San Miguel Global Power's various term loans and bonds maturing within one year.

c. Increase in accounts payable and accrued expenses by P20,830 million was mainly attributable to higher outstanding trade payables of IPPA entities, SPPC, APEC, and MPI for energy fees, power and coal purchases as spot and coal prices continue to surge, increase in output VAT from vatable sales, additional payables recognized for the Mariveles Power Plant construction and San Miguel Global Power's accrued interest mainly from borrowings drawn in 2022.

d. Increase in loans payable by P13,910 million was due to the Philippine Peso-denominated short-term loans drawn by San Miguel Global Power and unrealized foreign exchange loss recognized, offset by the partial settlement made by MPPCL in March and September 2022.

e. Increase in other noncurrent liabilities by P2,482 million was mainly due to recognition of retention payables relating to the Group's construction projects.

f. Increase in income tax payable by P198 million was primarily due to higher taxable income of LPI and MPPCL in 2022.

g. Decrease in lease liabilities (including current portion) by P11,912 million was mainly on account of lease payments made by the IPPA entities to PSALM, partly offset by the foreign exchange loss revaluation in 2022.

h. Decrease in deferred tax liabilities by P1,307 million was mainly due to provision for deferred income tax benefit recognized on the net operating loss carryover of SPI and SPPC, offset by the provision for deferred income tax expense arising from lease-related expenses of SPI.

The Group's consolidated total equity as at September 30, 2022 amounted to P238,957 million, lower by 5% or P12,771 million than the December 31, 2021 balance of P251,728 million. The decrease is accounted for as follows:

a. Decrease in retained earnings by P12,960 million was mainly attributable to distributions to capital securities holders and the net loss recognized in 2022.

b. Increase in capital stock by P188 million was due to the collection of subscription receivable of San Miguel Global Power from SMC.

IV. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	September 30	
	2023	2022
Net cash flows provided by (used in) operating activities	**P29,249**	(P413)
Net cash flows used in investing activities	**(38,276)**	(48,057)
Net cash flows provided by financing activities	**14,265**	23,578

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

Net cash flows used in investing activities are as follows:

(in Millions)	September 30	
	2023	2022
Cash from newly acquired subsidiary, net	**P99**	(P12)
Proceeds from sale of properties	**-**	872
Proceeds from disposal of subsidiaries, net of cash disposed of	**-**	506
Additions to intangible assets	**(52)**	(206)
Additions to investments and advances	**(2,898)**	(782)
Increase in other noncurrent assets	**(5,717)**	(11,187)
Advances paid to suppliers and contractors	**(7,338)**	(3,906)
Additions to property, plant and equipment	**(22,370)**	(33,342)

Net cash flows provided by financing activities are as follows:

(in Millions)	**September 30**	
	2023	2022
Proceeds from short-term borrowings	**P76,486**	P40,182
Proceeds from the issuance of RPS	**70,833**	-
Proceeds from long-term debts	**21,141**	72,312
Deposit for future stock subscription	**13,308**	-
Proceeds from issuance of capital stock	**12,296**	-
Collection of subscription receivable	**-**	188
Distributions paid to RPS holder	**-**	(1,617)
Payments of stock issuance costs	**(29)**	(139)
Distributions paid to SPCS holders	**(8,720)**	(8,588)
Payments of interest expense and other financing charges	**(13,751)**	(13,532)
Payments of lease liabilities	**(14,348)**	(19,543)
Payments of long-term debts	**(59,201)**	(18,729)
Payments of short-term borrowings	**(83,750)**	(26,956)

The effect of exchange rate changes on cash and cash equivalents amounted to P354 million and P1,279 million on September 30, 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)	**September 2023**	December 2022	**September 2023**	December 2022
(A) Current Assets	**201,595**	188,781	**201,595**	188,781
(B) Current Liabilities	**177,930**	188,680	**157,600**	169,608
Current Ratio (A) / (B)	**1.13**	1.00	**1.28**	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 September 30, 2023 and December 31, 2022, current portion of lease liabilities to PSALM amounted to P20,330 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)	**September 2023**	December 2022
(A) Net Debt [(2)]	**234,896**	293,872
(B) Total Equity [(3)]	**348,533**	252,707
Net Debt-to-Equity Ratio (A) / (B)	**0.67**	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)	**September 2023**	December 2022	**September 2023**	December 2022
(A) Total Assets	**766,823**	717,515	**670,385**	618,399
(B) Total Equity	**349,129**	252,317	**349,129**	252,317
Asset-to-Equity Ratio (A) / (B)	**2.20**	2.84	**1.92**	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 September 30, 2023 and December 31, 2022, the carrying amount of the IPPA power plant assets amounted to P96,438 million and P99,116 million, respectively.

PROFITABILITY RATIO

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

(in Millions Peso)	**September 2023**	December 2022
(A) Net Income [(5)]	**14,856**	3,134
(B) Total Equity	**349,129**	252,317
Return on Equity (A) / (B)	**4.3%**	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)	**September 2023**	December 2022
(A) EBITDA *(6)*	**33,829**	34,494
(B) Interest Expense *(7)*	**13,633**	13,170
Interest Coverage Ratio (A) / (B)	**2.48**	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 September 30	
(in GWh)	**2023**	2022
(A) Current Period Offtake Volume	**17,237**	21,336
(B) Prior Period Offtake Volume	**21,336**	20,531
Volume Growth (Decline) [(A / B) – 1]	**(19.2%)**	3.9%

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

	Periods Ended September 30	
(in Millions Peso)	**2023**	**2022**
(A) Current Period Revenue	**125,213**	166,147
(B) Prior Period Revenue	**166,147**	93,867
Revenue Growth (Decline) [(A / B) – 1]	**(24.6%)**	77.0%

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

(in Millions Peso)	Periods Ended September 30 2023	2022
(A) Income from Operations	**23,337**	23,212
(B) Revenues	**125,213**	166,147
Operating Margin (A) / (B)	**18.6%**	14.0%

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 passthrough* mechanisms allowed under some of its existing PSAs and 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 PSAs. 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 starting 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 Philippine National Oil Company (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. The management of SPPC 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 the adjacent full-scale LNG terminal currently undergoing commissioning activities and the supply of the contract capacities by the Ilijan Power Plant to the Grid.

c. Commitments
The outstanding purchase commitments of the Group amounted to P108,532 million and P138,587 million as at September 30, 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.