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. C5 Road Bo. Ugong Pasig City 1604 Metro Manila

(Business Address: No. Street City/Town/Province)

Contact Person	Company Telephone Number
Julie Ann B. Domino-Pablo	0917-1010354

Month	Day	FORM TYPE	Month	Day
12	31	SEC Form 20-IS Definitive Information Sheet	06	1st Tues.

Annual Meeting (First Tuesday of)

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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STAMPS

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Remarks = Pls. Use black ink for scanning purposes

San Miguel Global Power

San Miguel Global Power Holdings Corp.

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

June 6, 2023

The Annual Meeting of the Stockholders of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP**.[1] (formerly known as "SMC GLOBAL POWER HOLDINGS CORP." and hereinafter referred to as the "Company" or "San Miguel Global Power") will be held on **June 6, 2023 (Tuesday) at 2:00 p.m., which will be presided by the Chairman at No. 40 San Miguel Avenue, Mandaluyong City. Stockholders are requested to attend through videoconference through the Zoom Meeting ID 915 7442 5183.**

The Agenda of the Meeting is as follows:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Annual Stockholders' Meeting held on June 7, 2022
3. Approval of the 2022 Audited Financial Statements
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers,
5. Appointment of External Auditors
6. Election of the Board of Directors
7. Approval of Directors' Fee
8. Other Matters
9. Adjournment

A copy of the Minutes of the Annual Stockholders' Meeting held on June 7, 2022 is included in this Definitive Information Statement and is available for viewing on the Company's website *www.smcglobalpower.com.ph*.

Due to CoVID-19 health concerns, the Company will not hold a physical meeting and will instead conduct the meeting through videoconferencing. Stockholders can attend the meeting by videoconferencing. Stockholders intending to attend the meeting by videoconferencing should notify the Company by email to *ASM@smcgph.sanmiguel.com.ph* by **May 29, 2023** at 12 noon. The procedure and further details for attending the meeting, participation therein and casting of votes are set forth in Appendix 1 and shall be included in the Definitive Information Statement.

Votes will be cast through ballots or proxies. The deadline for the submission of ballots and proxies is on **May 22, 2023**. For your convenience, a sample of a ballot/proxy is attached to this Definitive Information Statement. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its Corporate Secretary's certification setting the representative's authority to represent the corporation in the meeting. Ballots and proxies may be sent through email at *ASM@smcgph.sanmiguel.com.ph* or by personal delivery to the Office of the Corporate Secretary at the 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila. Proxies need

[1] On March 22, 2023, the Securities and Exchange Commission ("SEC") approved the change of name of "SMC Global Power Holdings Corp." to "San Miguel Global Power Holdings Corp.".

not be notarized. Validation of ballots and proxies will be on **May 29, 2023** at 2:00 p.m. at the Office of the Corporate Secretary at the above-mentioned address. Hard copies of the ballots and proxies and notarized Secretary's Certificates will be immediately sent as soon as reasonable to do so.

Questions and comments to the Board of Directors and/or Management may be sent in advance by email to ASM@smcgph.sanmiguel.com.ph.

Mandaluyong City, May 16, 2023.

Virgilio S. Jacinto
Corporate Secretary and
Compliance Officer

Appendix 1

PROCEDURE FOR THE 2023 ANNUAL STOCKHOLDERS' MEETING OF SAN MIGUEL GLOBAL POWER HOLDINGS CORP. THROUGH VIDEOCONFERENCING

1. The Chairman shall preside the 2023 Annual Stockholders' Meeting at No. 40 San Miguel Avenue, Mandaluyong City.
2. Stockholders of record as of May 9, 2023 who intend to attend the meeting through videoconferencing are requested to notify the Company by email to ASM@smcgph.sanmiguel.com.ph by May 29, 2023 at 12 noon.
3. For validation purposes, the email should contain the following information: (i) name, (ii) address, (iii) email address, (iv) Zoom user name that the stockholder will be using and (v) a scanned copy of any valid government-issued identification (ID) card with photo of the stockholder.
4. Only the stockholders who have notified the Company of their intention to participate through videoconferencing as above-described and have been validated to be stockholders of record of the Company will be considered in computing stockholder attendance at the meeting, together with the stockholders attending through proxies.
5. On June 5, 2023, the Corporate Secretary and/or the Assistant Corporate Secretary shall inform the stockholders of the password for the videoconferencing by email.
6. On June 6, 2023, 1:45 p.m., the stockholders participating via videoconferencing shall each click on the link provided. The stockholder will need to input the password provided and click join meeting. Thereafter, the stockholder will have to wait until the meeting host will let him/her in to the meeting.
7. Votes of all stockholders can only be cast through ballots or proxies submitted on or before May 22, 2023. A sample of the ballot and proxy is included in this Definitive Information Statement.
8. All ballots and proxies should be received by the Corporate Secretary on or before May 22, 2023 by email sent to ASM@smcgph.sanmiguel.com.ph or by personal delivery to the Office of the Corporate Secretary at the 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila.
9. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its corporate secretary's certification stating the representative's authority to represent the corporation in the meeting. Validation of ballots and proxies will be on May 29, 2023 at 2:00 p.m. at the Office of the Corporate Secretary at the above-mentioned address.
10. The nominees for election to the Board were submitted in writing to the Board of Directors through the Corporate Secretary. The Corporate Governance Committee is tasked to pre-screen and evaluate the qualifications of the nominees in accordance with the Amended Manual on Corporate Governance of the Company.
11. The voting procedure for all items in the Agenda, including the election of the members of the Board, are set out in this Definitive Information Statement.
12. Stockholders may send their questions and/or comments during the meeting, or prior thereto by email to ASM@smcgph.sanmiguel.com.ph. Questions and comments may also be written in the space provided in the sample ballot/proxy form.
13. The proceedings of the meeting will be recorded.

Should you have questions or requests for clarification on the procedure for the 2023 Annual Stockholders' Meeting, please email them to ASM@smcgph.sanmiguel.com.ph.

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
ANNUAL STOCKHOLDERS' MEETING
JUNE 6, 2023
2:00 p.m. via Videoconferencing
("2023 Annual Stockholders' Meeting")

Please mark as applicable:

☐ **Vote by ballot:** The undersigned stockholder of San Miguel Global Power Holdings Corp. (formerly known as "San Miguel Global Power Holdings Corp." and hereinafter referred to as the "Company") casts his/her vote on the agenda items for the 2023 Annual Stockholders' Meeting, as expressly indicated with **"X"** below in this ballot.

☐ **Vote by proxy:** The undersigned stockholder of the Company hereby appoints ______________________________or, in his/her/its absence, the Chairman of the meeting, as attorney and proxy, to represent and vote all the shares registered in his/her/its name at the 2023 Annual Stockholders' Meeting and any of its adjournment(s), as fully as the undersigned can do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with **"X"** below. If the undersigned fails to indicate his/her/its vote on the agenda items specified below, his/her/its proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 1, and a "FOR" vote for proposals 2 through 5.

PROPOSAL	**ACTION**			
	VOTE FOR ALL	WITHHOLD FOR ALL	VOTE ONLY FOR	FULL DISCRETION OF PROXY (IF FORM USED AS PROXY)
1. Election of Directors				
The nominees are: a. Ramon S. Ang b. John Paul S. Ang c. Aurora T. Calderon d. Virgilio S. Jacinto e. Jack G. Arroyo, Jr. *(Independent Director)* f. Consuelo M. Ynares-Santiago *(Independent Director)* g. Josefina Guevara-Salonga *(Independent Director)*			a. b. c. d. e. f. g.	
	FOR	AGAINST	ABSTAIN	
2. Approval of the Minutes of the 2022 Annual Stockholders' Meeting				
3. Approval of the 2022 Audited Financial Statements				
4. Ratification of all Acts of the Board of Directors and Corporate Officers since the 2022 Annual Stockholders' Meeting				
5. Appointment of External Auditors for 2023				
6. Approval of Directors' Fees				

Signed this _______day of _____________2023 at _____________________.

___________________________________ ____

PRINTED NAME OF STOCKHOLDER *SIGNATURE OF STOCKHOLDER/AUTHORIZED SIGNATORY*

Questions/Comments to the Board of Directors and/or Management:

____

____

NOTE: This ballot/proxy should be received by the Office of the Corporate Secretary on or before May 22, 2023 by email sent to *ASM@smcgph.sanmiguel.com.ph* or by mail sent to the Office of the Corporate Secretary at the 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila. This ballot/proxy, when properly executed, will be voted in the manner as marked/directed herein by the stockholder. If no direction is made in the proxy, such proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting as recommended by the management or the Board of Directors. A stockholder giving a proxy has the power to revoke it either in an instrument in writing duly presented to and recorded with the Corporate Secretary on or before 12:00 p.m. of May 29, 2023. Notarization of this proxy is not required. For an individual, his/her ballot/proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by a certification issued by its corporate secretary setting the representative's authority to represent the corporation in the 2023 Annual Stockholders Meeting ("Secretary's Certificate"). Validation of ballots and proxies will be on May 29, 2023 at 2:00 p.m. at the above-mentioned address of the Office of the Corporate Secretary. For ballots, proxies and Secretary's Certificates sent to the Office of the Corporate Secretary via email, the hard copies of the ballots, proxies, and notarized Secretary's Certificate should be immediately sent to the Office of the Corporate Secretary as soon as reasonably possible.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [✔] Definitive Information Statement

2. Name of Registrant as specified in its charter **San Miguel Global Power Holdings Corp.**

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

4. SEC Identification Number **CS2008-01099**

5. BIR Tax Identification Code **006-960-000-000**

6. **5th Floor, C5 Office Building Complex,**
   #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong,
   Pasig City, Metro Manila **1604**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(63) 917-1010354**

8. **June 6, 2023, 2:00 p.m., No. 40 San Miguel Avenue, Mandaluyong City (venue where meeting will be presided by Chairman. Stockholders are requested to attend via videoconference in view of COVID-19 health concerns)**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **May 16, 2023**

10. Name of Person Filing the Statement: **San Miguel Global Power Holdings Corp.**
    Address and Telephone No.: **5th Floor, C5 Office Building Complex,**
    #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong,
    Pasig City 1604, Metro Manila
    (63) 917-1010354

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
    Php 15 Billion worth of Fixed Rate Bonds issued in July 2016
    Php 20 Billion worth of Fixed Rate Bonds issued in December 2017
    Php 15 Billion worth of Fixed Rate Bonds issued in August 2018
    Php 30 Billion worth of Fixed Rate Bonds issued in April 2019
    Php 40 Billion worth of Fixed Rate Bonds issued in July 2022

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (**as of March 31, 2023**)
Common Shares	**1,250,004,000**
Consolidated Total Liabilities (in Thousands)	**Php 436,642,097**

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes [ ] No [✔]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: **N/A**

INFORMATION STATEMENT
GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders

The annual stockholders' meeting of **San Miguel Global Power Holdings Corp.**[2] (formerly known as "*SMC Global Power Holdings Corp.*" and hereinafter referred to as the "Company" or "San Miguel Global Power") will be held **on June 6, 2023 at 2:00 p.m. and will be presided by the Chairman at No. 40 San Miguel Avenue, Mandaluyong City. Due to COVID-19 health concerns, the stockholders are requested to attend through videoconferencing using the Zoom Meeting ID 915 7442 5183.**

Stockholders intending to attend the meeting by videoconferencing should notify the Company by email to ASM@smcgph.sanmiguel.com.ph by **May 29, 2023** at 12 noon. The procedure and further details for attending the meeting, participation therein and casting of votes are set forth in Appendix 1 of the Notice and shall be included in the Definitive Information Statement.

Votes will be cast through ballots or proxies. The deadline for the submission of ballots and proxies is on **May 22, 2023**. For your convenience, a sample of a ballot/proxy is attached to this Definitive Information Statement. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its Corporate Secretary's certification setting the representative's authority to represent the corporation in the meeting. Ballots and proxies may be sent through email at ASM@smcgph.sanmiguel.com.ph or by personal delivery to the Office of the Corporate Secretary at the 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila. Proxies need not be notarized. Validation of ballots and proxies will be on **May 29, 2023** at 2:00 p.m. at the Office of the Corporate Secretary at the above-mentioned address. Hard copies of the ballots and proxies and notarized Secretary's Certificates will be immediately sent as soon as reasonably possible.

Questions and comments to the Board of Directors and/or Management may be sent in advance by email to ASM@smcgph.sanmiguel.com.ph.

The complete mailing address of the principal office of the Company is **5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila.**

The information statement is first to be sent to the stockholders on **May 16, 2023**.

THE COMPANY IS NOT SOLICITING ANY PROXIES FROM ITS STOCKHOLDERS.

Dissenters' Right of Appraisal

Under Title X of the Revised Corporation Code of the Philippines (the "Revised Corporation Code"), stockholders dissenting from and voting against the following corporate actions may demand payment of the fair market value of their shares as of the date prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action, namely: (i) any amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of shortening the term of corporate existence; (ii) sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate

[2] On March 22, 2023, the Securities and Exchange Commission ("SEC") approved the change of name of "SMC Global Power Holdings Corp." to "San Miguel Global Power Holdings Corp.".

property and assets as provided in the Revised Corporation Code; (iii) merger or consolidation; and (iv) investment of corporate funds in another corporation or business or for any other purpose other than the primary purpose for which the corporation was organized, as provided under Section 80 of the Revised Corporation Code.

There are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided under the aforementioned pertinent provisions of the Revised Corporation Code.

Interest of Certain Persons in Matters to be Acted Upon

No director, officer, or nominee for election as director of the Company, or any of their associates, at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect, by security holdings or otherwise in any matter to be acted upon in the meeting, other than their election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

RATIONALE AND BRIEF DISCUSSION OF THE AGENDA OF THE 2023 ANNUAL STOCKHOLDERS' MEETING

1. Certification of Notice and Quorum

    a. Call to Order

    The Chairman of the Board of Directors (or the Chairman of the meeting, as the case may be) (the "Chairman") will call the meeting to order.

    b. Notice and Quorum

    The Corporate Secretary (or the Secretary of the meeting, as the case may be) (the "Secretary") will certify the date when the written notice of the 2023 Annual Stockholders' Meeting will be sent to the stockholders as of record date of May 9, 2023.

    The Secretary will likewise certify the presence of a quorum. Under the Company's Amended By-laws, the holders of a majority of the issued and outstanding capital stock of the Company entitled to vote shall, if present in person or by proxy, constitute a quorum for the transaction of business.

    c. Voting and Voting Procedure

    i. A stockholder may vote the number of common shares held in his name in the Company's stock and transfer books as of May 9, 2023. Holders of common shares have the right to vote on all matters requiring stockholders' approval, and are entitled to vote at the meeting by submission of the ballots or proxies in accordance with the procedure set out in the Notice.

    ii. Every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock registered in his name in the books of the Company, on all items in the Agenda except for election of directors (which is set out in the next succeeding paragraph).

    iii. With respect to the election of directors, a stockholder may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle as among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of common shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.

    The total number of votes that may be cast by a stockholder of the Company computed as follows: number of common shares held on record as of record date multiplied by seven (7) directors.

    iv. Counting of the votes will be done by the Corporate Secretary or Assistant Corporate Secretary with the assistance of the independent auditors.

2. Approval of the Minutes of the Annual Stockholders' Meeting held on June 7, 2022

A copy of the Minutes of the Annual Stockholders' Meeting held on June 7, 2022 (the "2022 Annual Stockholders' Meeting") is included in this Definitive Information Statement (attached as **Annex "G"**) and is available for viewing on the Company's website *www.smcglobalpower.com.ph*. The stockholders will be requested to approve the Minutes of the 2022 Annual Stockholders' Meeting.

3. Approval of the 2022 Audited Financial Statements

   a. The Management of the Company will deliver the report on the performance of the Company for 2022 and present for approval of the stockholders the 2022 Audited Financial Statements of the Company.

   b. The Secretary will advise the stockholders of the holding of an open forum after the Approval of the 2022 Audited Financial Statements. Stockholders may raise their questions and/or comments during the meeting, or prior thereto by email to ASM@smcgph.sanmiguel.com.ph. Questions and comments may also be written in the space provided in the ballot/proxy form.

   c. Duly authorized representatives of R. G. Manabat & Co., the external auditors for 2022, will be present at the 2023 Annual Stockholders' Meeting to respond to appropriate questions concerning the 2022 Audited Financial Statements of the Company.

   d. After the open forum, the stockholders will then be requested to approve the 2022 Audited Financial Statements.

4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers

The acts and proceedings of the Board of Directors and corporate officers since the 2022 Annual Stockholders' Meeting, as reflected in the minutes of meetings, are set out in this Definitive Information Statement. The acts of Management and corporate officers were taken in furtherance of the conduct of the business of the Company and in the implementation of the matters approved by the Board of Directors. The relevant disclosures relating thereto submitted to the SEC and the Philippine Dealing & Exchange Corp. are posted on the Company's website *www.smcglobalpower.com.ph*.

The stockholders will be requested to ratify all acts of the Board of Directors and Management since the 2022 Annual Stockholders' Meeting.

5. Appointment of External Auditors

The Audit and Risk Oversight Committee shall endorse the re-appointment of R. G. Manabat & Co. as the external auditor of the Company for 2023. The relevant background and description on the extent of the audit services, tax advisory and other related services rendered by the external auditor, including their fees, are provided in this Definitive Information Statement.

The stockholders will be requested to approve the re-appointment of R. G. Manabat & Co. for fiscal year 2023.

6. Election of the Board of Directors for the Ensuing Term

In accordance with the Company's Amended By-laws, the nominations for the election of all directors by the stockholders were submitted in writing to the Board of Directors through the Corporate Secretary. The Corporate Governance Committee has pre-screened and evaluated the qualifications of the nominees in accordance with the Amended Manual on Corporate Governance of the Company in its meeting held on May 2, 2023. The Board of Directors during its regular meeting held on May 2, 2023 has determined that all the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Section 2, Article III of the Company's Amended By-laws.

The seven (7) nominees, who are all incumbent members of the Board of Directors, will be submitted for re-election to the Board of Directors by the stockholders at the 2023 Annual Stockholders' Meeting. The profiles of the nominees, as well as the certification of their qualifications, are provided in this Definitive Information Statement.

7. Approval of Directors' Fees

In compliance with Section 29 of the Revised Corporation Code, the Directors' Fees for independent directors, representing per diem allowance for their attendance in meetings, will be submitted for ratification and approval by the stockholders.

8. Other Matters

The Chairman will inquire whether there are other relevant matters and concerns to be discussed. The Chairman shall accordingly respond to other matters that may be raised by the stockholders.

9. Adjournment

Upon determination that there are no other relevant matters to be discussed, the meeting will be adjourned on motion duly made and seconded.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

As of **May 12, 2023**, the Company has only one (1) class of securities, consisting of 1,250,004,000 issued and outstanding common shares of stock. The common shares of the Company are neither traded in any public trading market, nor subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

Holders of common shares have the right to vote on all matters requiring stockholders' approval. The record date for the determination of security holders entitled to vote is **May 9, 2023**. Only stockholders of records at the close of business on **May 9, 2023** will be entitled to vote at the meeting. A stockholder entitled to vote at the meeting has the right to vote in person or by proxy. Every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock registered in his name in the books of the Company. However, with respect to the election of directors in accordance with Section 23 of the Revised Corporation Code, a stockholder may vote the number of common shares held in his name in the Company's stock and transfer books as of **May 9, 2023**, and may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle as among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of common shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.

The total number of votes that may be cast by a stockholder of the Company computed as follows: **number of common shares held on record as of record date multiplied by seven (7) directors**.

In accordance with the Company's Amended By-laws, the deadline for submission of proxies is on **May 22, 2023**, which is at least ten (10) working days before the time set for the annual stockholders' meeting.

At the annual stockholders' meeting, seven (7) directors will be elected, three (3) of whom are independent directors.

The beneficial owner of more than five percent (5%) of the Company's voting securities as of **May 12, 2023**, are as follows:

Title of Class	**Name, Address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**No. of Shares Held by the Beneficial Owners (includes Common Shares held by their nominees)**	**% out of Total Outstanding Shares**
Common	San Miguel Corporation No. 40 San Miguel Ave., Mandaluyong City (Parent Company)	San Miguel Corporation (SMC)	Filipino	1,250,000,500	100%
Common	Ramon S. Ang No. 40 San Miguel Ave., Mandaluyong City (Director)	Nominee-director of SMC in the Board	Filipino	500	0%
Common	John Paul L. Ang No. 40 San Miguel Ave., Mandaluyong City (Director)	Nominee-director of SMC in the Board	Filipino	500	0%
Common	Aurora T. Calderon No. 40 San Miguel Ave., Mandaluyong City (Director)	Nominee-director of SMC in the Board	Filipino	500	0%
Common	Virgilio S. Jacinto No. 40 San Miguel Ave., Mandaluyong City (Director)	Nominee-director of SMC in the Board	Filipino	500	0%
	Total:			**1,250,002,500**	

The principal stockholder of San Miguel Global Power is San Miguel Corporation ("SMC"), which owns approximately 100% of the issued and outstanding capital stock of San Miguel Global Power. SMC is one of the largest and most diversified conglomerates in the Philippines in terms of revenues and assets and its shares are listed on the Philippine Stock Exchange. Originally founded in

1890 as a single brewery in the Philippines, SMC currently owns market-leading businesses in vital industries that support the economic development of the country, including food and beverages, packaging, fuel and oil, infrastructure, property and investments in car distributorship and banking, in addition to its power business.

Under the stewardship of SMC, the Company has become one of the market leaders in the Philippine power industry.

The other stockholders of the Company are its directors, the details of their shareholdings in the Company, as well as their profiles, are set out below.

As regards security ownership of management, the table below sets out the details of the voting securities in the name of the director, executive officers, and nominees for election as directors, of the Company as of **May 12, 2023**:

Title of Class	Name of Record Owner	Position in the Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Total No. of Shares	% out of Total Outstanding Shares
Common	Ramon S. Ang	Chairman & Chief Executive Officer and President & Chief Operating Officer	SMC; Nominee-director of SMC in the Board	Filipino	500	0%
Common	John Paul L. Ang	Vice Chairman	SMC; Nominee-director of SMC in the Board	Filipino	500	0%
Common	Aurora T. Calderon	Director	SMC; Nominee-director of SMC in the Board	Filipino	500	0%
Common	Virgilio S. Jacinto	Director	SMC; Nominee-director of SMC in the Board	Filipino	500	0%
Common	Jack G. Arroyo, Jr.	Independent Director	Jack G. Arroyo, Jr.	Filipino	500	0%
Common	Consuelo M. Ynares-Santiago	Independent Director	Consuelo M. Ynares-Santiago	Filipino	500	0%
Common	Josefina Guevara-Salonga	Independent Director	Josefina Guevara-Salonga	Filipino	500	0%

The aggregate number of shares owned of record by the directors of the Company as a group as of **May 12, 2023** is 3,500 common shares, which is less than 1% of the outstanding shares of the Company.

Voting Trust Holders of 5% or More

None of the stockholder holding more than 5% of the voting securities of the Company are under a voting trust or similar agreement.

Changes in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company.

Parent Company

The parent company of San Miguel Global Power is SMC. As of **December 31, 2022**, SMC owns approximately 100% of the issued and outstanding capital stock of San Miguel Global Power. On the other hand, Top Frontier Investment Holdings, Inc. owns 61.78% of the outstanding common stock of SMC as of **December 31, 2022**.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

The overall management and supervision of San Miguel Global Power is undertaken by the Board of Directors. The Board is composed of seven (7) members of the Board, three (3) of whom are independent directors. Pursuant to Section 2, Article III of the Company's Amended By-laws, the directors are elected at each regular stockholders' meeting by stockholders entitled to vote. The term of a director is one (1) year from date of election until their successors are elected and qualified.

As of **May 12, 2023**, the following are the incumbent members of the Board of Directors of the Company, all of whom are nominees for re-election as directors at the meeting:

Name	Age	Citizenship	Position	Year Appointed
Ramon S. Ang	69	Filipino	Chairman	2010
John Paul L. Ang	43	Filipino	Vice Chairman	2021
Aurora T. Calderon	68	Filipino	Director	2010
Virgilio S. Jacinto	66	Filipino	Director	2011
Jack Arroyo, Jr.	64	Filipino	Independent Director	2011
Consuelo M. Ynares-Santiago	83	Filipino	Independent Director	2011
Josefina Guevara-Salonga	81	Filipino	Independent Director	2017

As of **May 12, 2023**, the following are the incumbent executive officers of the Company:

Name	Age	Citizenship	Position	Year Position was Assumed
Ramon S. Ang	69	Filipino	Chairman & Chief Executive Officer and President & Chief Operating Officer	2010 & 2017
John Paul L. Ang	43	Filipino	Vice Chairman	2021
Virgilio S. Jacinto	66	Filipino	Corporate Secretary & Compliance Officer	2010 & 2011
Elenita D. Go	62	Filipino	General Manager	2011
Paul Bernard D. Causon	45	Filipino	Vice President & Chief Finance Officer	2018 & 2017
Ramon U. Agay	65	Filipino	Assistant Vice President & Comptroller	2015 & 2011
Irene M. Cipriano	48	Filipino	Assistant Corporate Secretary	2010
Maria Floreselda S. Abalos-Sampaga	58	Filipino	Data Privacy Officer	2019
Reynaldo S. Matillano	62	Filipino	Internal Audit Manager	2017
Jeciel B. Campos	65	Filipino	Assistant Vice President and Sales and Marketing Manager	2018
Jose Ferlino P. Raymundo	64	Filipino	Assistant Vice President and Energy Sourcing and Trading Manager	2018
Danilo T. Tolarba	54	Filipino	Assistant Vice President and Human Resources Group Manager	2018
Julie Ann B. Domino-Pablo	41	Filipino	Assistant Vice President and General Counsel	2020
Gonzalo B. Julian, Jr.	56	Filipino	Assistant Vice President, Sales and Marketing Manager-RES, and Head of the Battery Business	2020

The following is a brief description of the business experience of each of the directors and executive officers of the Company over the past five (5) years.

Ramon S. Ang is the incumbent Chairman of the Board and Chief Executive Officer of San Miguel Global Power since August 31, 2010, and concurrently, the President and Chief Operating Officer (now, Chief Executive Officer) of the Company since April 30, 2017. He is also the Chairman of the Executive Committee of SAN MIGUEL Global Power since September 2, 2011. He is the President and Chief Operating Officer of SMC since March 6, 2002 and Vice Chairman since 1999. He is the Chairman and President of several subsidiaries of San Miguel Global Power such as Sual Power Inc. (formerly known as "San Miguel Energy Corporation" and hereinafter referred to as "SPI"), San Miguel Electric Corp. ("SMELC"), South Premiere Power Corp ("SPPC"), San Roque Hydropower Inc. (formerly known as "Strategic Power Devt. Corp." and hereinafter referred to as "SRHI"), Limay Power Inc. (formerly known as "SMC Consolidated Power Corporation" and hereinafter referred to "LPI"), Malita Power Inc. (formerly known as "San Miguel Consolidated Power Corporation" and hereinafter referred to as "MPI"), Universal Power Solutions, Inc., Central Luzon Premiere Power Corp. ("CLPPC"), Lumiere Energy Technologies Inc. ("LETI") and KWPP Holdings Corporation; Chairman of Angat Hydropower Corporation ("AHC"); and the Chairman and President and CEO of Mariveles Power Generation Corporation ("MPGC"). He also holds, among others, the following positions in other listed and public companies: President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. and Petron Corporation; President of Ginebra San Miguel Inc.; Chairman of the Board of San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia), and Eagle Cement Corporation; and Vice Chairman of the Board, President and Chief Executive Officer of San Miguel Food and Beverage, Inc. He is the Chairman of the Board of San Miguel Brewery Inc., San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Sea Refinery Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, and Philippine Diamond Hotel & Resort, Inc. He is the President and Chief Executive Officer of Northern Cement Corporation; and the Chairman and President of San Miguel Properties, Inc., San Miguel Holdings Corp., San Miguel Equity Investments Inc. and San Miguel Aerocity Inc. He is the Chairman of the Board and Chief Executive Officer of SMC Asia Car Distributors Corp. He is also the sole director and shareholder of Master Year Limited, and the Chairman of the Board and President of Privado Holdings, Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation; President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang holds directorships in various domestic and international subsidiaries of SMC. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University. Mr. Ang attended corporate a governance training seminar conducted by the Center for Global Best Practices on November 11, 2022.

John Paul L. Ang is a Director and Vice Chairman of San Miguel Global Power since June 1, 2021. He is a member of the Executive Committee, Corporate Governance Committee, Audit and Risk Oversight Committee and Related Party Transaction Committee of SAN MIGUEL Global Power. He is also the President and Chief Executive Officer of Eagle Cement Corporation since 2008 and Southwestern Cement Corporation since 2017. He is also currently a member of the Board of Directors of Top Frontier Investment Holdings, Inc., SMC, Petron Corporation, San Miguel Food and Beverage, Inc., and KB Space Holdings, Inc. He was the Managing Director of Sarawak ClinkerSdn. Bhd. Malaysia and the Purchasing Officer of Basic Cement. He graduated from the Ateneo de Manila University with a Bachelor of Arts degree in Interdisciplinary Studies. On September 7, 2022, he attended a corporate governance training seminar conducted by SGV & Co.

Aurora T. Calderon is a Director of San Miguel Global Power since August 31, 2010. Ms. Calderon is also a member of the Executive Committee, Audit and Risk Oversight Committee and Related Party Transaction Committee of San Miguel Global Power. She is a Director of several subsidiaries of San Miguel Global Power. She is the Senior Vice President Senior Executive Assistant to the President and Chief Operating Officer of SMC since January 20, 2011 and has served as a director of SMC since June 10, 2014. In December 2022, the designation of Ms. Calderon in SMC was also changed to Senior Executive Assistant to the President and Chief Executive Officer in line with the change of designation of Mr. Ang. She holds the following positions in other publicly listed companies: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., Petron Corporation and Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia). She is also a member of the Board of Directors of Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Co. Ltd., San Miguel Equity Investments Inc., SMC Asia Car Distributors Corp., San Miguel Yamamura Packaging Corp. and San Miguel Aerocity Inc. She was formerly a Director of PAL Holdings, Inc., Philippine Airlines, Inc., Trustmark Holdings Corporation, Zuma Holdings and Management Corporation, Air Philippines Corporation, and Manila Electric Company. A certified public accountant, Ms. Calderon graduated magna cum laude from the University of the East with a degree in BS Business Administration, major in Accountancy. In addition, Ms. Calderon holds directorships in various domestic and international subsidiaries of SMC. She attended corporate governance training seminars conducted by SGV & Co on September 16, 2022 and Center for Global Best Practices on November 11, 2022.

Virgilio S. Jacinto is the Corporate Secretary of San Miguel Global Power since August 31, 2010, a Director, and its Compliance Officer since September 2, 2011. He is also a member of the Corporate Governance Committee of San Miguel Global Power. He is the Senior Vice-President, General Counsel, Corporate Secretary and Compliance Officer of SMC (since October 2010). He is also the Corporate Secretary of several subsidiaries of San Miguel Global Power such as SPI, SMELC, SPPC, SRHI, LPI, and MPI. He is also the Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc., and Ginebra San Miguel, Inc. He is a Director of Petron Corporation and is a Director and Corporate Secretary of various domestic and international subsidiaries and affiliates of SMC. He was formerly the Vice President and First Deputy General Counsel of SMC. He was a Director and Corporate Secretary of United Coconut Planters Bank, and a Partner at Villareal Law Offices. Atty. Jacinto is an Associate Professor at the University of the Philippines, College of Law. He obtained his law degree from the University of the Philippines *cum laude* where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Masters of Laws degree from Harvard Law School. He holds directorships in various domestic and international subsidiaries of SMC. On September 7, 2022, he attended a corporate governance training seminar conducted by SGV & Co.

Jack G. Arroyo, Jr. is an Independent Director of San Miguel Global Power since September 2, 2011. He is also the Chairperson of the Audit and Risk Oversight Committee, and a member of the Corporate Governance Committee and Related Party Transaction Committee of San Miguel Global Power. He is a medical doctor and who specializes in Ophthalmology, and a sub-specialist in refractive surgery. He is currently affiliated with The American Eye Center, The Medical City, and Eye Referral Center. He is also a member of the Board of Directors of the Philippine Healthcare Educators, Inc., and the Philippine Health Insurance Corporation, representing the Elected Local Chief Executives. He is also a member of the Board of Trustees and Treasurer of Philippine Society of Cataract and Refractive Surgery, and the Vice-President for the National Capital Region of Centrist Democratic Political Educators, Inc. He is also currently the President of Casino Español de Manila. Dr. Arroyo obtained his Doctor of Medicine degree from the University of the Philippines College of Medicine. On November 11, 2022, he attended a corporate governance training seminar conducted by Center for Global Best Practice.

Consuelo M. Ynares-Santiago is an Independent Director of San Miguel Global Power since September 2, 2011. She is also the Chairperson of the Corporate Governance Committee, and a member of the Audit and Risk Oversight Committee and Related Party Transaction Committee of SAN MIGUEL Global Power. She is also an Independent Director of Top Frontier Investment Holdings, Inc., SMC SLEX Inc. (formerly, "South Luzon Tollway Corporation"), Anchor Insurance Brokerage Corporation, and Phoenix Petroleum Phil. Inc. She served as an Associate Justice of the Supreme Court of the Philippines; Associate Justice of the Court of Appeals of the Philippines; and a Regional Trial Court Judge of Makati City. She graduated from the University of the Philippines College of Law. On November 11, 2022, she attended a corporate governance training seminar conducted by Center for Global Best Practices.

Josefina Guevara-Salonga is an Independent Director of San Miguel Global Power since November 7, 2017. She is also the Chairperson of the Related Party Transaction Committee and a member of the Corporate Governance Committee and Audit and Risk Oversight Committee of San Miguel Global Power. She is a former Associate Justice of the Court of Appeals. Previously, she was an Executive Judge of the Makati Regional Trial Court. She is currently a trustee of the Tahanan Outreach Program since 2010 and a member of the following associations: San Pedro, Laguna Lawyer's Association, University of the Philippines Women Lawyer's Circle since 1966 and Philippine Women's Judges Association. She also served as a trustee of the Society for Judicial Excellence from 2007 to 2014. She obtained her law degree from the University of the Philippines. On November 11, 2022, she attended a corporate governance training seminar conducted by Center for Global Best Practices.

Elenita D. Go is the General Manager of San Miguel Global Power since December 14, 2011. She joined San Miguel Global Power in June 2011 as Head of its Sales and Trading Group. She is currently the General Manager of several subsidiaries of the Company, including SPI, SPPC, SRHI, LPI, MPI, CLPPC and LETI, and is the Chairman in other subsidiaries of San Miguel Global Power. She is also the President of SMGCP Philippines Power Foundation Inc., the Managing Partner and Chief Executive Officer of MPPCL and SMCGP Philippines Energy, and the Chief Operating Officer of MPGC. She has also been a director of Angat Hydropower Corporation since November 18, 2014, Treasurer and member of the Board of Directors of the Philippine Electricity Market Corporation since June 2018 and member of the Board of Trustees of the Philippine Independent Power Producers Association Inc. since 2011. Previously, she was a Director of Manila Electric Company and Head of the Corporate Procurement Unit of SMC. She graduated with a degree in Bachelor of Science in Electrical Engineering from Mapua Institute of Technology. On November 11, 2022, she attended a corporate governance training seminar conducted by Center for Global Best Practices.

Paul Bernard D. Causon is the Chief Finance Officer of San Miguel Global Power since March 30, 2017 and was appointed Vice President of the Company on June 5, 2018. Mr. Causon is concurrently the Chief Finance Officer and Treasurer of Angat Hydropower Corporation. He is also the Chief Finance Officer of MPPCL and SMCGP Philippines Energy, and the Chief Financial Officer of SMGCP Philippines Power Foundation Inc. He is the Treasurer and Chief Finance Officer of MPGC and the General Manager of SMELC. He previously served as Vice President, Head of Treasury and Head of Special Projects of Philippine Airlines Inc. and Air Philippines Corporation; Chief Finance Officer and Treasurer of Liberty Telecoms Holdings, Inc. and Wi-Tribe Telecoms Inc.; Partner, Audit Banks and Other Financial Institutions of Manabat Sanagustin & Co., CPAs; and Vice President and Comptroller of China Banking Corporation. He graduated *magna cum laude* from the University of the Philippines with a degree in Bachelor of Science in Business Administration and Accountancy and placed fourth in the Certified Public Accountant Licensure Examination in 2000. On November 11, 2022, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Ramon U. Agay is the Comptroller of San Miguel Global Power since September 2, 2011, and was appointed Assistant Vice President on March 25, 2015. He is also the Finance Manager of the various subsidiaries of San Miguel Global Power, such as SPI, SMELC, SPPC, SRHI, LPI, MPI, CLPPC and LETI, and the Treasurer of Mantech Power Dynamics Services Inc., Safetech Power Services Corp. and several other subsidiaries of San Miguel Global Power. He is the Executive Vice President and Treasurer of Alpha Water and the Comptroller of MPGC. He had previously held finance positions in SMC and its subsidiaries. He obtained a degree in Bachelor of Science in Commerce, major in Accounting from San Sebastian College. On November 11, 2022, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Irene M. Cipriano is the Assistant Corporate Secretary of San Miguel Global Power since 2010. She is an Assistant Vice President and Associate General Counsel of SMC. She is also the Assistant Corporate Secretary of Top Frontier Investment Holdings, Inc., and the Corporate Secretary and Assistant Corporate Secretary of various subsidiaries of San Miguel Global Power and SMC. Atty. Cipriano was formerly the Assistant Corporate Secretary of PAL Holdings, Inc. and Philippine Airlines Inc. She is a Certified Public Accountant and holds a degree in B.S. Accountancy from De La Salle University. She completed her Bachelors of Law degree from San Beda College of Law in 2000. In 2021, she completed the Executive Management Development Program of the Asian Institute of Management. On November 11, 2022, she attended a corporate governance training seminar conducted by Center for Global Best Practices.

Reynaldo S. Matillano is the Audit Manager of San Miguel Global since November 1, 2015 and was appointed as Internal Audit Manager on June 6, 2017. Prior thereto, he was part of the audit team of San Miguel Yamamura Packaging Corporation and SMC. He holds a degree in Bachelor in Business Administration, major in Accounting from Saint Paul University in Dumaguete City. On November 11, 2022, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Maria Floreselda S. Abalos-Sampaga was appointed as the Data Protection Officer of the San Miguel Global Power on March 11, 2019 after having joined the Company as a regulatory compliance specialist on May 1, 2018. She is also the Data Protection Officer of the subsidiaries of San Miguel Global Power. Prior thereto, she held positions in several agencies of the government such as the ERC, the National Wages and Productivity Commission and the Department of Labor and Employment. She obtained her Bachelor of Laws from the Manuel L. Quezon University. On November 11, 2022, she attended a corporate governance training seminar conducted by Center for Global Best Practices.

Jeciel B. Campos is the Sales and Marketing Manager of San Miguel Global Power since September 1, 2011 and was appointed Assistant Vice President on June 5, 2018. Mr. Campos is a registered Mechanical Engineer and previously worked as a Marketing & Commercial Relations Officer for Central Luzon at the National Power Corporation Regional Office. He graduated from Mapua Institute of Technology with a Bachelor of Science degree in Mechanical Engineering. On November 11, 2022, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Jose Ferlino P. Raymundo is the Energy Sourcing & Trading Manager of San Miguel Global Power since September 1, 2011 and was appointed Assistant Vice President on June 5, 2018. Mr. Raymundo and is a Professional Electrical Engineer with over 32 years of experience in the power sector having worked for the Power Sector Assets and Liabilities Management Corporation and National Power Corporation prior to joining San Miguel Global Power. He holds a Bachelor of Science in Electrical Engineering degree from Mapua Institute of Technology. On November 11, 2022, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Danilo T. Tolarba has been the Head of the Human Resources Division of San Miguel Global Power since 2015 and was appointed Assistant Vice-President and Human Resources Group Manager of the Company on June 5, 2018. Previously, Mr. Tolarba was the Manager of HR Services, Employee Relations, HR Technology, Organization Development and Recruitment of SMC Corporate Human Resources; and also held other various senior human resources positions in SMC and its subsidiaries prior thereto. He holds a Bachelor of Science in Business Management degree from the Polytechnic University of the Philippines. On November 11, 2022, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Julie Ann B. Domino-Pablo is the Assistant Vice President and General Counsel of San Miguel Global Power effective July 1, 2020, after having served as its Legal Officer since 2014. She is also the Corporate Secretary of various subsidiaries of San Miguel Global Power. She was admitted to the Philippine Bar and the New York State Bar in 2009 and is a Certified Public Accountant. Prior to San Miguel Global Power, Atty. Domino-Pablo was the Chief-of-Staff of the Office of the President & CEO and the concurrent Corporate Planning Department Manager of Power Sector Assets and Liabilities Management Corporation and a consultant to the Office of the General Counsel of the Asian Development Bank.She also worked for Picazo Buyco Tan Fider & Santos Law Offices until 2010 and for Sycip Gorres Velayo & Co. as an auditor until 2004. She obtained her Masters of Law degree from the University of Pennsylvania Law School and completed the Wharton Business and Law Certificate Program at the Wharton School of Business in 2013. On November 11, 2022, she attended a corporate governance training seminar conducted by Center for Global Best Practices.

Gonzalo B. Julian, Jr. is the Assistant Vice President, the Sales and Marketing Manager - RES, and the Head of the Battery Business of San Miguel Global Power effective March 1, 2020. Prior to the acquisition of MPPCL and other entities of the Masinloc Group, he was the Managing Partner and CEO of MPPCL and the Assistant Vice President — Commercial of SMCGP Philippines Inc. He was also a member of the Board of Directors of the Grid Management Committee of the Philippines in 2019 representing the Large Generating Companies sector and has held various positions therein from 2014 to 2019, including Chairman of the Grid Code Compliance Subcommittee and Vice Chairman of Grid Reliability Subcommittee, among others. Mr. Julian was also the Energy Manager of Holcim Philippines, Inc. and the representative of Holcim Philippines, Inc. in the Board of Directors of Trans-Asia Power Generation Corp. in 2012. He also worked in the Asset Management and Planning Division of MERALCO from 1989 to 2008. He is a licensed electrical engineer, a graduate of the Mapua Institute of Technology and a holder of Master of Science in Electrical Engineering Degree (Major in Power Systems) from the University of the Philippines. At present, he is completing his Doctor of Philosophy in Electrical and Electronics Engineering Degree in the University of the Philippines. On November 11, 2022, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Term of Office

Pursuant to the Company's Amended By-laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director shall hold office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

The nominees for election to the Board of Directors on **June 6, 2023** are as follows:

1. Ramon S. Ang
2. John Paul L. Ang
3. Aurora T. Calderon
4. Virgilio S. Jacinto
5. Jack G. Arroyo, Jr. – Independent Director
6. Consuelo M. Ynares-Santiago – Independent Director
7. Josefina Guevara-Salonga – Independent Director

Independent Directors

The incumbent independent directors of the Company are as follows:

1. Jack G. Arroyo, Jr.
2. Consuelo M. Ynares-Santiago
3. Josefina Guevara-Salonga

The incumbent independent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the Securities Regulation Code, as amended ("SRC"). The Certifications of the Independent Directors of the Company are attached hereto as **Annexes "A-1", "A-2**" **and "A-3**", respectively, in accordance with Securities and Exchange Commission ("SEC") Memorandum Circular No. 5, Series of 2017.

The nominees for re-election as independent directors of the Board of Directors on June 6, 2023 are as follows:

Nominee for Independent Director (a)	Person/Group recommending nomination (b)	Relationship of (a) and (b)
Jack G. Arroyo, Jr.	Ramon S. Ang	None
Consuelo M. Ynares-Santiago	Ramon S. Ang	None
Josefina Guevara-Salonga	Ramon S. Ang	None

In approving the nominations for independent directors, the Corporate Governance Committee took into consideration the guidelines and procedures on the nomination of independent directors prescribed in SRC Rule 38 and the Amended Manual for Corporate Governance of the Company.

Under Amended Manual on Corporate Governance, the Board's independent directors shall serve for a maximum cumulative term of nine (9) years. Upon reaching this limit, an independent director should be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Company needs to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justifications and seek shareholders' approval during the annual shareholders' meeting.

Each of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago have been serving the Company as an independent director for more than nine (9) years. The Company's Corporate Governance Committee has evaluated their independence and determined that they possess all the qualifications and none of the disqualifications to act as independent director of the Company, in accordance with the Amended Manual on Corporate Governance. Accordingly, the necessary endorsements for Board approval were made in the meetings held on May 2, 2023. Upon favorable endorsement by the Company's Corporate Governance Committee, the Board, upon finding meritorious reasons for such re-election, approved and endorsed for the vote of the stockholders of the Company the re-election of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago in the 2023 Annual Stockholders' Meeting, in compliance with the provisions of the Amended Manual on Corporate Governance.

Re-election of Jack G. Arroyo, Jr.

Serving as an independent director, Jack G. Arroyo, has brought high standards of corporate governance to the Company and objectively contributed providing his insights to the Audit and Risk Oversight Committee which he chairs, the Corporate Governance Committee and the Related Party Transaction Committee where he is a member, and to the Board of Directors of the Company. His years of experience and expertise in his profession and in various organizations have enhanced the corporate values of the Company.

Re-election of Consuelo M. Ynares-Santiago

Serving as an independent director, Consuelo M. Ynares-Santiago, has brought high standards of corporate governance to the Company and objectively contributed providing her insights to the Corporate Governance Committee which she chairs, the Audit and Risk Oversight Committee and the Related Party Transaction Committee where she is a member, and to the Board of Directors of the Company. Her years of experience and expertise in the judiciary, the administration of justice and the legal profession, including her contributions to the various organizations she is a member, have enhanced the corporate values of the Company.

On the basis of the foregoing, the Board of Directors found that the independence of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago have not been diminished or impaired by their long years of service in the Company as members of the Board of Directors. The Board of Directors has full trust and confidence that Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago will continue to be independent and will be able to perform their respective duties to the Board as independent directors with the same zeal, diligence, and vigor as they have consistently done all these years.

The nominations for the election of all directors by the stockholders were submitted in writing to the Board of Directors through the Corporate Secretary in accordance with the provisions of the Amended By-laws and were forwarded to the Corporate Governance Committee. In its meeting held on May 2, 2023, the Corporate Governance Committee pre-screened the qualifications of the nominees and prepared a final list of nominees eligible for election. No other nominations were entertained after the final list of candidates was prepared.

Under Section 2, Article III of the Company's Amended By-laws, (i) any stockholder having at least five hundred (500) shares registered in his name may be elected director, and (ii) a person engaged in any business which competes with or is antagonistic to that of the Company as defined in Section 2, Article III of the Company's Amended By-laws is not qualified or eligible for nomination or election to the Board of Directors.

All the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Section 2, Article III of the Company's Amended By-laws.

Significant Employees

While all employees are expected to make a significant contribution to the Company, there is no one particular employee, not an executive officer, expected to make a significant contribution to the business of the Company on his own.

Family Relationships

John Paul L. Ang, the Vice-Chairman of the Board of Directors, is the son of Ramon S. Ang, the Company's Chairman and Chief Executive Officer and President and Chief Operating Officer. Other than the foregoing, there are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors and/or executive officers or persons of the Company nominated or chosen by the Company to become its directors and executive officers.

Involvement of Directors and Officers in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

Certain Relationships and Related Transactions

See Note 19, Related Party Disclosures, of the Notes to the 2022 Audited Consolidated Financial Statements of the Company, hereto attached as **Annex "B"**. No director is engaged in any self-dealing or related party transaction with the Company.

Meeting Attendance

The directors' attendance in meetings of the Board Committees, the Board of Directors and the Stockholders since the 2022 Annual Stockholders' Meeting up to the date of this Definitive Information Statement are set out in the attached **Annex "C"**.

Performance Appraisal

Pursuant to the Amended Manual on Corporate Governance and the respective Board Committee Charters of the Company, the Board of Directors and the Board Committees shall assess their respective performances through self-rating forms duly approved by the Board and the Board Committees during their respective March 9, 2023 meetings, with the end in view of ensuring that its performance accords with best practices and meets its objectives thereunder.

Attached hereto as **Annex "H"** are the results of the self-assessment on the performance of each Board Committees, the Board of Directors, and management for calendar year 2022, based on the self-rating forms approved by the Board of Directors in its March 9, 2023 meeting. The results have been validated by the Corporate Governance Committee and the Compliance Officer of the Company and have been reported to the Board of Directors during its meeting held on May 2, 2023.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Executive Compensation

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer, President and Chief Operating Officer and Senior Executive Officers of the Company are as follows:

Name	Year	Salary (in millions)	Bonus (in millions)
Total compensation of the Chief Executive Officer, President and Chief Operating Officer and Senior Executive Officers *(The Chief Executive Officer, President & Chief Operating Officer, and the Senior Officers of the Company are Ramon S. Ang, Elenita D. Go, Paul Bernard D. Causon, and Ramon U. Agay)*	2023 (estimated)	₱77.1	₱27.9
	2022	₱76.3	₱24.5
	2021	₱73.9	₱24.2
All other Officers and Directors as a group unnamed	2023 (estimated)	₱42.6	₱25.7
	2022	₱47.1	₱29.6
	2021	₱43.6	₱26.1

Standard Arrangements on Directors' Compensation

The Amended By-Laws of the Company provides that the directors, as such, shall not receive any stated salary for their services, but by resolution of the Board, each director, shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. The Amended By-Laws of the Company further provides that a director shall not be precluded from serving the Company in any other capacity as an officer, agent or otherwise, and receiving compensation therefore. The Company provides its independent directors a per diem allowance of ₱40,000.00, ₱45,000.00, and ₱20,000.00.00 for their attendance to each regular board and stockholders' meeting, special board meeting, and board committee meetings, respectively. Each of the independent directors, namely: Jack G. Arroyo, Jr., Consuelo M. Ynares-Santiago, and Josefina Guevara Salonga, received a total of ₱600,000.00 in 2022 for their attendance in the board meetings, annual stockholders' meeting, and board committee meetings held in 2022. Other than the aforesaid per diem allowance for the independent directors of the Company, all the directors of the Company have not received any salary or compensation for their services as directors and for their committee participations for the periods indicated.

There are no other special arrangements pursuant to which any director was or is to be compensated. There is no compensatory plan or arrangement for the termination, resignation, or retirement of a member of the Board.

Employment Contract

There is no special employment contract between the Company and a named Executive Officer. There were neither compensatory plan nor arrangement with respect to a named Executive Officer.

Warrants or Options Outstanding

There are no warrants or options held by any of the directors or executive officers of the Company.

Other Arrangements

Except as described above, there are no other arrangements pursuant to which any of the directors and executive officers of the Company were compensated, or is to be compensated, directly or indirectly.

INDEPENDENT PUBLIC ACCOUNTANTS

The accounting firm of R.G. Manabat & Co. served as the Company's external auditors for the last thirteen (13) fiscal years. The Board of Directors will again nominate R.G. Manabat & Co. as the Company's external auditors for this fiscal year.

Representatives of R.G. Manabat & Co. are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire. R.G. Manabat & Co., then known as Manabat Sanagustin & Co., has been the Company's external auditors since 2010. In 2017, R.G. Manabat & Co. changed the signing partner assigned to the Company, in compliance with SRC Rule 68 (3) (b) (iv) in respect of the engagement of R.G. Manabat & Co.

FINANCIAL AND OTHER INFORMATION

Brief Description of the General Nature and Business of the Company

Company Overview

San Miguel Global Power Holdings Corp. ("San Miguel Global Power" or the "Company") is a wholly-owned subsidiary of San Miguel Corporation, one of the largest and most diversified conglomerates in the Philippines, founded in 1890 that is listed on the Philippine Stock Exchange. San Miguel Corporation has market-leading businesses in various sectors, including beverages, food, packaging, fuel and oil, energy, infrastructure, property development and leasing, cement, and investments in car distributorship and banking services.

San Miguel Global Power, together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 4,719 MW of combined capacity as of December 31, 2022. The Company benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and battery energy storage systems ("BESS"). Based on the total installed generating capacities reported in the Energy Regulatory Commission ("ERC") Resolution on Grid Market Share Limitation, the Company believes that its combined installed capacity comprises approximately 19% of the National Grid, 26% of the Luzon Grid and 7% of the Mindanao Grid, in each case, as of December 31, 2022. Market share is computed by dividing the installed generating capacity of the Company with the installed generating capacity of Luzon Grid, Mindanao Grid or National Grid (17,077,537 kW, 4,201,042 kW and 24,651,219 kW, respectively based on data provided under the ERC Resolution on Grid Market Share Limitation). In addition, the Company is engaged in distribution and retail electricity services and has various power projects in the pipeline.

San Miguel Corporation entered the power industry in 2009 following the acquisition of rights to administer the output produced by Independent Power Producers ("IPPs") in privatization auctions conducted by the Government through the Power Sector Assets and Liabilities Management Corporation, The following companies under the San Miguel Corporation group became the

Independent Power Producer Administrator ("IPPA") of the following plants: (1) Sual Power Inc.[3] (formerly known as "San Miguel Energy Corporation" and hereinafter referred to as "SPI") became the IPPA for the Sual Power Plant, a coal-fired thermal power plant located in Sual, Pangasinan, in November 2009; and (2) San Roque Hydropower Inc. (formerly known as "Strategic Power Devt. Corp." and hereinafter referred to as "SRHI")[4] became the IPPA for the San Roque Power Plant, a hydroelectric power plant located in San Manuel, Pangasinan, in January 2010 (the Sual Power Plant and San Roque Power Plant are collectively referred to as the "IPPA Power Plants"). SPI and SRHI are collectively referred to as the "IPPA Subsidiaries". 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.

An IPPA under the relevant IPPA agreement has the right to sell electricity generated by the power plants owned and operated by the relevant IPPs without having to bear any of the large upfront capital expenditures for power plant construction or maintenance. As an IPPA, each of SPI and SRHI also has the ability to manage both market and price risks by entering into bilateral contracts with offtakers while capturing potential upside from the sale of excess capacity through the wholesale electricity spot market ("WESM").

In September 2010, San Miguel Corporation consolidated its power generation business through the transfer of its equity interests in SPI, SRHI and SPPC to San Miguel Global Power. San Miguel Global Power also became a wholly-owned subsidiary of San Miguel Corporation. Since then, S San Miguel Global Power has controlled the 2,545 MW combined contracted capacity of the IPPA Power Plants and the Ilijan Power Plant through the IPPA agreements executed by SPI, SRHI and SPPC, respectively.

Building on its experience as an IPPA since San Miguel Corporation's transfer of interests in SPI, SRHI and SPPC, San Miguel Global Power embarked on the development of its own greenfield power projects. In 2013, San Miguel Global Power initiated two greenfield power projects, namely, the construction of the 2 x 150 MW Davao Greenfield Power Plant which is owned by Malita Power Inc.[5] (formerly known as "San Miguel Consolidated Power Corporation" and hereinafter referred to as "MPI"), its wholly-owned subsidiary, and the 4 x 150 MW Limay Greenfield Power Plant which is owned by Limay Power Inc.[6] (formerly known as "SMC Consolidated Power Corporation" and to be hereinafter referred to as "LPI"), another wholly-owned subsidiary. Units 1, 2, 3 and 4 of the Limay Greenfield Power Plant commenced commercial operations in May 2017, September 2017, March 2018 and July 2019, respectively while Units 1 and 2 of the Davao Greenfield Power Plant commenced commercial operations in July 2017 and February 2018, respectively.

San Miguel Global Power also pursued strategic acquisitions to increase its energy portfolio. In November 2014, San Miguel Global Power, through its subsidiary PowerOne Ventures Energy Inc. ("PVEI"), acquired a 60% stake in Angat Hydropower Corporation ("AHC"), the owner and operator of the 218 MW Angat Hydroelectric Power Plant.

In March 2018, San Miguel Global Power completed the acquisition of 51% and 49% of the equity interests in SMCGP Masin Pte. Ltd. ("SMCGP Masin", formerly Masin AES Pte. Ltd.) from AES Phil Investment Pte. Ltd. ("AES Phil") and Gen Plus B.V., respectively. SMCGP Masin indirectly owns, through its subsidiaries, at the time of such acquisition, Masinloc Power Partners Co. Ltd.

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[3] On March 9, 2023, the SEC approved the change of name of "San Miguel Energy Corporation" to "Sual Power Inc.".

[4] On March 31, 2023, the SEC approved the change of name of "Strategic Power Devt. Corp." to "San Roque Hydropower Inc.".

[5] On March 9, 2023, the SEC approved the change of name of "San Miguel Consolidated Power Corporation" to "Malita Power Inc.".

[6] On February 7, 2023, the SEC approved the change of name of "SMC Consolidated Power Corporation" to "Limay Power Inc.".

(“MPPCL”) and SMCGP Philippines Energy Storage Co. Ltd. (“SMCGP Philippines Energy”), formerly AES Philippine Energy Storage Co. Ltd., (SMCGP Masin and its subsidiaries are collectively referred to as the “Masinloc Group”). MPPCL owns, operates and maintains the 1 x 330 MW (Unit 1), 1 x 344 MW (Unit 2) coal- fired power plant and 1 x 351.75 MW (Unit 3) which commenced commercial operations on September 2020 (together, comprising the “Masinloc Power Plant”), and the 10 MWh battery energy storage system project (the “Masinloc BESS”), all located in Masinloc, Zambales, while SMCGP Philippines Energy owns the 20 MWh battery energy storage system facility in Kabankalan, Negros Occidental (the “Kabankalan BESS”). The capacity of Phase 1 of the Kabankalan BESS is contracted under an Ancillary Service Procurement Agreement (“ASPA”) with the National Grid Corporation of the Philippines with a term of 5 years which commenced in January 2022.

On September 19, 2018, Prime Electric Generation Corporation (“PEGC”), and Oceantech Power Generation Corporation (“OPGC”), both wholly-owned subsidiaries of San Miguel Global Power, purchased the entire partnership interests in SMCGP Philippines Energy from subsidiaries of SMCGP Masin. SMC Global Power was admitted as an additional limited partner of SMCGP Masinloc Partners Co. Ltd. in 2019 (“MAPACO”) and a limited partnership under the Masinloc Group) and of MPPCL in June 2020. In 2022, San Miguel Global Power was also admitted as a partner of SMCGP Masinloc Powers Co. Ltd. (“MAPOCO” and a limited partnership under the Masinloc Group) and now owns 99.96% partnership interest in MAPACO after SMCGP Masin’s 50.68% partnership interest in MAPACO and 60% partnership interest in MAPOCO were transferred to San Miguel Global Power following the approval of SMCGP Masin’s petition for withdrawal of its license to operate by the Securities and Exchanges Commission in August 2022.

In July 2018, PEGC acquired the entire equity interest of ALCO Steam Energy Corp. in Alpha Water Realty & Services Corporation (“Alpha Water”), representing 60% of the outstanding capital stock of Alpha Water. As a result, San Miguel Global Power now effectively owns 100% of Alpha Water through its subsidiaries, PEGC and MPPCL. Alpha Water is the owner of the land on which the current site of the Masinloc Power Plant and Masinloc BESS in Zambales Province is located.

On June 2, 2022, San Miguel Global Power acquired 50% interest in Isabel Ancillary Services Co. Ltd. (“IASCO”) through the acquisition by Power Ventures Generation Corporation of 49.31% limited partnership interest in IASCO and the acquisition by PEGC of 50% equity interest in Isabel AS Holdings Corp., the sole general partner which owns 1.38% partnership interest in IASCO. IASCO is the operator of the 70MW Modular Diesel Engine Power Plant in Isabel, Leyte.

San Miguel Global Power, through Mariveles Power Generation Corporation (“MPGC”), is also currently constructing a 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities in Mariveles, Bataan. The ownership interest of San Miguel Global Power in MPGC has increased from 91.98% to 94.55% in December 2022 following the increase of the authorized capital stock of MPGC.

San Miguel Global Power, through its subsidiaries SPI, SRHI, SPPC, AHC, LPI, MPI, SEDI and MPPCL, sells power through offtake agreements directly to customers, including the Manila Electric Company (“Meralco”) and other distribution utilities, electric cooperatives and industrial customers, or through the WESM. The majority of the consolidated sales of San Miguel Global Power are through long-term take-or-pay offtake contracts most of which have provisions for passing on fuel costs, foreign exchange differentials and certain other fixed costs.

San Miguel Global Power is also engaged in distribution and retail electricity services. In April 2013, San Miguel Global Power, through SMC Power Generation Corp. (“SPGC”), acquired 35% equity stake in Olongapo Electric Distribution Company, Inc. (“OEDC”). In October 2013, San Miguel Global Power entered into a concession agreement for the operation and maintenance of Albay Electric Cooperative, Inc. (“ALECO”), which is the franchise holder for the distribution of electricity in the province of Albay in Luzon. All rights, interests and obligations of San Miguel Global Power under the concession agreement with ALECO were assumed by its wholly-owned subsidiary, Albay Power and Energy Corp. (“APEC”) on November 2013. The concession agreement was terminated on November 21, 2022.

San Miguel Global Power has also expanded its sale of power to a broader range of customers, including retail customers. In particular, certain of San Miguel Global Power’s subsidiaries were issued retail electricity supplier (“RES”) licenses allowing it to enter into contracts with contestable customers and expand its customer base.

In addition, San Miguel Global Power, through SMEC and its subsidiaries, Bonanza Energy Resources, Inc., Daguma Agro-Minerals, Inc. and Sultan Energy Phils. Corp., owns coal exploration, production and development rights over approximately 17,000 hectares of land in Mindanao. SPI sold its ownership interests in and transferred control over BERI, DAMI and SEPC in December 2022.

Financial Statements

1. the Audited Consolidated Financial Statements as of and for the year ended December 31, 2022 (with comparative figures as of and for the year ended December 31, 2021), including the Company’s Statement of Management’s Responsibility and the Notes to the 2022 Audited Consolidated Financial Statements (the “***2022 Audited Consolidated Financial Statements***), are collectively attached hereto as **Annex “B”**.

   The following components of the 2022 Audited Consolidated Financial Statements required by the SEC under SRC Rule 68, as amended, are likewise attached to this Definitive Information Statement, as follows:

   a. Legal matter paragraph in the Auditor's Report or separate reports of auditor on each of the components required under SRC Rule 68, including the following, attached hereto as **Annex** “**B-1**”:

      a.1 Map of the conglomerate or group of companies showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates (Part 1, 5(g)); and
      a.2 Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 5 (b)).

   b. A schedule showing financial soundness indicators in two comparative periods as follows: 1) current/liquidity ratios; 2) solvency ratios, debt-to-equity ratio; 3) asset-to-equity ratio; 4) interest rate coverage ratio; 5) profitability ratio and 6) other relevant ratio as the Commission may consider as necessary, attached hereto as **Annex** “**B-2**” (Part 1, 5 (c)).

2. the Unaudited Consolidated Financial Statements as of and for the period ended March 31, 2023 (with comparative figures as of December 31, 2022 and for the period ended March 31, 2022) and the Selected Notes to the Unaudited Consolidated Financial Statements, are collectively attached hereto as **Annex “D”**, comprising of the following components as required by the SEC under SRC Rule 68, as amended:

   a. Statements of Financial Position;
   b. Statements of Comprehensive Income;

c. Statements of Cash Flows; and
d. Statements of Changes in Equity.

Management Discussion and Analysis

The Management's Discussion and Analysis or Plan of Operation of the Company as of December 31, 2022 and March 31, 2023 are attached hereto as **Annexes "E" and "F"**, respectively.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has no disagreements with R.G. Manabat & Co. on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Audit and Audit Related Fees

The aggregate fees billed by R.G. Manabat & Co. amounted to ₱7.3 million, ₱8.8 million and ₱9.1 million in 2022, 2021 and 2020, respectively. Said fees include compensation for audit services, tax advisory and other related services such as review and agreed-upon procedures. There were no fees paid to the independent auditors for accounting, compliance, planning, and other services other than for those services described above.

The Audit and Risk Oversight Committee has an existing policy to review and pre-approve audit and non-audit services rendered by the independent auditors of the Company. The Audit and Risk Oversight Committee does not allow San Miguel Global Power to engage independent auditors for certain non-audit services expressly prohibited by SEC regulations to be performed by an independent auditor for its audit clients. This is to ensure that such independent auditors maintain the highest level of independence from San Miguel Global Power, both in fact and appearance.

Market Price of and Dividends on the Company's Common Equity and Related Stockholder Matters

The Company has an authorized capital stock of ₱2,000,000,000.00 comprised of 2,000,000,000 common shares with par value of ₱1.00 per common share. As of **May 12, 2023**, the Company has issued and outstanding 1,250,004,000 common shares. The common shares of the Company are neither traded in any public trading market, nor subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

As of **May 12, 2023**, the Company has eight (8) stockholders, seven (7) of whom are individuals with five hundred (500) shares each. The following sets out the shareholdings of the stockholders of the Company and the approximate percentages of their respective shareholdings to the total outstanding capital stock of the Company:

Name of Stockholder	Class of Securities	Number of Shares	% of Outstanding Shares
San Miguel Corporation	Common	1,250,000,500	100%
Ramon S. Ang	Common	500	0%
John Paul L. Ang	Common	500	0%
Aurora T. Calderon	Common	500	0%
Virgilio S. Jacinto	Common	500	0%
Jack G. Arroyo, Jr.	Common	500	0%
Consuelo M. Ynares-Santiago	Common	500	0%
Josefina Guevara-Salonga	Common	500	0%
Total	Common	1,250,004,000	100%

Dividend Policy

The Company and its subsidiaries are allowed under Philippine laws to declare dividends, subject to certain requirements. These requirements include, for example, that the Board is authorized to declare dividends only from its unrestricted retained earnings. Dividends may be payable in cash, shares or property, or a combination of the three, as the Board shall determine. A cash dividend declaration does not require any further approval from stockholders. The declaration of stock dividends is subject to the approval of stockholders holding at least two-thirds of the outstanding capital stock of the Company. The Board may not declare dividends which will impair its capital.

The Company and its subsidiaries declare dividends as determined by the Board, taking into consideration factors such as the implementation of business plans, debt service requirements, operating expenses, budgets, funding for new investments and acquisitions and appropriate reserves and working capital.

However, under existing loan facilities, the Company and certain major subsidiaries of the Company are not allowed to distribute any cash dividends to its shareholders, or to purchase, call for redemption or redeem, retire or otherwise acquire for value any shares (including options, warrants or other rights to acquire such shares of common stock) of the Company, any of its subsidiaries or any direct or indirect parent of the Company held by any persons or entity other than the Company or any wholly owned material subsidiary, unless certain conditions are complied with.

There were no cash dividend declarations during the year ended December 31, 2022, 2021, and 2020.

Distributions to Senior Perpetual Capital Securities (SPCS) Holders

San Miguel Global Power paid ₱15,362 million, ₱12,191 million and ₱7,018 million to the SPCS holders in 2022, 2021 and 2020 as distributions in accordance with the terms and conditions of their respective subscription agreements.

Further, San Miguel Global Power paid distributions to SPCS holders amounting to US$16.91 million (equivalent to ₱1,232 million, inclusive of tax), US$25.34 million (equivalent to ₱1,892 million, inclusive of tax), US$25.45 million (equivalent to ₱1,893 million, inclusive of tax) and US$14.64 million (equivalent to ₱1,080 million, inclusive of tax), on January 21, 2023, April 21, 2023, April 25, 2023, and May 4, 2023, respectively.

Distributions to Redeemable Perpetual Securities (RPS) Holder

San Miguel Global Power paid ₱1,617 million, ₱1,996 million and ₱2,016 million to the RPS holder in 2022, 2021 and 2020 as distributions in accordance with the terms and conditions of the relevant subscription agreement.

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

San Miguel Global Power has not sold unregistered or exempt securities nor has it issued securities constituting an exempt transaction within the past 3 years, except the following:

1. RPS

Name of Security Sold	Underwriter	Date of Issuance	Amount of Securities	Basis for Exemption
RPS	N/A	March 16, 2018	US$650,000,000.00	Section 10.1(k) of the SRC
RPS	N/A	November 8, 2022	US$85,000,000.00	Section 10.1(k) of the SRC
RPS	N/A	March 10, 2023	US$500,000,000.00	Section 10.1(k) of the SRC
RPS	N/A	May 2, 2023	US$145,000,000.00	Section 10.1(k) of the SRC

2. SPCS issued and listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"):

Name of Security Sold	Underwriter	Date of Sale	Amount of Securities	Basis for Exemption
SPCS	N/A	April 25, 2019	US$500,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	July 3, 2019	US$300,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	November 5, 2019	US$500,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	January 21, 2020	US$600,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	October 21, 2020	US$400,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	December 15, 2020	US$350,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	June 9, 2021	US$600,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	September15, 2021	US$150,000,000.00	Section 10.1(l) of the SRC
			US$3,400,000,000.00	

On November 4, 2022, the Corporation completed the conduct of tender offers to holders of the above-listed SPCS listed with the SGX-ST and has accepted all valid tender offers of Securities from Securityholders representing an aggregate principal amount of $123,934,000.

The Company has not filed a notice with the SEC and has not obtained confirmation for the foregoing exempt transaction.

Compliance with Leading Practice on Corporate Governance

On August 19, 2011, the Board of Directors adopted the Company's Manual on Corporate Governance pursuant to the Revised Code of Corporate Governance issued by the SEC under its Memorandum Circular No. 6, Series of 2009. On April 11, 2016, the Board approved the adoption of the Amended Manual on Corporate Governance of San Miguel Global Power (the "Amended Manual"), incorporating therein, among others, the amendments pursuant to SEC Memorandum Circular 9, Series of 2014. In compliance with SEC Memorandum Circular No. 9, Series of 2016, the Board approved the adoption of further amendments to the Amended Manual on May 5, 2017 (the "2nd Amended Manual"). San Miguel Global Power's Amended By-laws was also further amended to incorporate the relevant provisions under the 2nd Amended Manual. The aforesaid amendments were approved by the SEC on December 20, 2017. The Amended By-laws of the Company now provides that the 2nd Amended Manual and the Charters of the Board Committees, as may be amended from time to time, shall be suppletory to the same. The 2nd Amended Manual was further revised by the Company on May 12, 2020, and filed with the SEC on June 30, 2020 (the "3rd Amended Manual") to comply with SEC Memorandum Circular No. 24, Series of 2019, otherwise known as Code of Corporate Governance for Public Companies and Registered Issuers (the "CG Code for PCs and RIs").

The duty to conduct the evaluation by San Miguel Global Power to measure and determine the level of compliance of the Board of Directors and top-level management with the 3rd Amended Manual is vested by the Board of Directors on the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the 3rd Amended Manual. Pursuant to the 3rd Amended Manual and the respective Board Committee Charters of San Miguel Global Power, the Board of Directors and the Board Committees must also assess their respective performances through self-rating forms duly approved by the Board and the Board Committees during their respective meetings on March 9, 2023, with the end in view of ensuring that its performance accords with best practices and meets its objectives thereunder.

Under the CG Code for PCs and RIs, San Miguel Global Power is now required to submit an Annual Corporate Governance Report (ACGR). Pursuant to SEC Memorandum Circular No. 13, Series of 2021 ("SEC MC No. 13"), every public company ("PC") and registered issuer ("RI") shall be required to submit its ACGR with the SEC on or before June 30 of the following year for every year that the company qualifies as a PC or RI. The first submission of the ACGR covered the period from January – December 2021. The Company filed its ACGR for 2021 on June 30, 2022 in compliance with SEC MC No. 13.

Pursuant to its commitment to good governance and business practice, San Miguel Global Power continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance, which it determines to be in the best interests of San Miguel Global Power, its stockholders and other stakeholders. In addition, in keeping abreast of the latest best practices in corporate governance and complying with applicable legal requirements, including SEC Memorandum Circular No. 13 (Series of 2013), directors and officers of San Miguel Global Power regularly attend corporate governance training seminars. For 2022, its directors and officers attended at least one (1) of the following corporate governance training seminars: seminars: (i) by SGV & Co. on September 7 and 16, 2022, and (ii) by Center for Global Best Practices on November 11, 2022.

With regard to the adequacy of the Corporation's internal control, the Board of Directors, during its meeting held on March 9, 2023, confirmed and certified that a sound internal audit, control and compliance system is in place and working effectively.

ACTION WITH RESPECT TO REPORTS

The approval of the following will be considered and acted upon at the meeting:

1. Minutes of the Annual Stockholders' Meeting held on June 7, 2022 (the "2022 Annual Stockholders' Meeting") with the following items:

   a. Certification of Quorum
   b. Approval of the Minutes of the Annual Stockholders' Meeting held on June 1, 2021
   c. Approval of the 2021 Audited Financial Statements
   d. Ratification of Acts, Proceedings, and Resolutions of the Board of Directors and Corporate Officers
   e. Appointment of External Auditors
   f. Election of the Board of Directors
   g. Other Matters
   h. Adjournment

A copy of the Minutes of the Annual Stockholders' Meeting held on June 7, 2022 is hereto attached as **Annex "G"** and is available for viewing on the Company's website www.smcglobalpower.com.ph.

The said minutes contain the following information, among others:

   i. Voting and vote tabulation procedures used in the 2022 meeting;
   ii. Opportunity given to stockholders or members to ask questions;
   iii. The matters discussed and resolutions reached;
   iv. A record of the voting results for each agenda item; and
   v. A list of the directors, officers and stockholders who attended the meeting.

2. Approval of the 2022 Audited Financial Statements;

3. Ratification of all acts, proceedings and resolutions of the Board of Directors and Corporate Officers since the 2022 Annual Stockholders' Meeting, which include:

   a. Approval of the following matters:

      i. Minutes of Previous Meetings;
      ii. Quarterly financial performance and financial position of the Company;
      iii. Distributions to the holders of the USD650 Million Redeemable Perpetual Securities which the Company issued on March 15, 2018;
      iv. Capital securities distribution to holders of the USD750 Million SPCS which the Company issued on October 21, 2020;
      v. Capital securities distribution to holders of the USD800 Million SPCS which the Company issued on April 25, 2019;
      vi. Capital securities distribution to holders of the USD500 Million SPCS, which the Company issued on 05 November 2019;
      vii. Capital Securities Distribution to holders of the USD750 Million SPCS which the Corporation issued on 09 June 2021;
      viii. Capital Securities Distribution to holders of the USD600 Million SPCS which the Corporation issued on 21 January 2020;
      ix. The conduct tender offers, at such terms and conditions as Management may determine, for an aggregate principal amount of up to USD400,000,000 to the holders of its US Dollar-denominated SPCS that are listed with the SGX-ST as follows:

a) USD 800,000,000 6.50% SPCS issued on 25 April 2019 (ISIN: XS1896598908);
b) USD 500,000,000 5.95% SPCS issued on 05 November 2019 (ISIN: XS2072777381);
c) USD 600,000,000 5.70% SPCS issued on 21 January 2020 (ISIN: XS2098881654);
d) USD 750,000,000 7.00% SPCS issued on 21 October 2020 (ISIN: XS2239056174); and
e) USD 750,000,000 5.45% SPCS issued on 09 June 2021 (ISIN: XS2346954873).

x. Issuance of US Dollar-denominated redeemable perpetual securities amounting to USD 85 Million in favor of SMC;
xi. Change in the corporate name of the Corporation from "SMC Global Power Holdings Corp." to "San Miguel Global Power Holdings Corp.", and the amendment of the Amended Articles of Incorporation and Amended By-laws of the Corporation to reflect the aforementioned change in the corporate name of the Corporation,
xii. Amendment of the Omnibus Refinancing Agreement, dated December 28, 2012, by and between MPPCL, as the Borrower, with various lenders;
xiii. Issuance by the Corporation of redeemable perpetual securities equivalent to up to USD500 Million, in favor of SMC under such terms and conditions determined by Management to be most beneficial to the Corporation;
xiv. Approval of the 2022 Internal Audit Plan;
xv. Approval of the 2022 Self-Rating Forms;
xvi. Issuance of up to USD145 Million (or its equivalent in Philippine Peso) redeemable perpetual securities under such terms and conditions determined by Management to be most beneficial to the Corporation;
xvii. Details of the 2023 Annual Stockholders' Meeting of the Company, including the internal procedures for the conduct of 2023 Annual Stockholders' Meeting via remote communication through videoconferencing, in accordance with existing rules and guidelines promulgated by the SEC;
xviii. Report on the qualifications of the nominees for the election to the Board of Directors of the Company to be held on the 2023 Annual Stockholders' Meeting; and
xix. Report on the validation of the results by the Corporate Governance Committee and the Compliance Officer of the Company of the Performance Assessments of the Board Committees, the Board of Directors and Management of the Company for 2022.

b. Election and Appointment of officers and Lead Independent Director;

c. Appointment of the members of the Board Committees; and

d. Designation of depository banks, appointment of authorized signatories for banking and other corporate transactions.

4. Appointment of R.G. Manabat & Co. as external auditors of the Company for fiscal year 2023,

5. Election of the Board of Directors, and

6. Approval of Directors' Fee.

The Minutes of the 2022 Annual Stockholders' Meeting, and the Minutes of the Board of Directors Meetings beginning June 7, 2022, will be available for examination by the stockholders of the Company during office hours at the Office of the Corporate Secretary.

VOTING PROCEDURES

For the election of directors, the seven (7) nominees with the greatest number of votes will be elected as directors.

Considering that the 2023 Annual Stockholders' Meeting will be held via videoconference, votes of all stockholders on any or all of the proposals or matters submitted at the meeting can be cast through ballots or proxies submitted on or before May 22, 2023 by email sent to ASM@smcgph.sanmiguel.com.ph or by personal delivery to the Office of the Corporate Secretary at No. 40 San Miguel Avenue, Mandaluyong City. A sample of the ballot and proxy is included in this Definitive Information Statement.

For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its corporate secretary's certification stating the representative's authority to represent the corporation in the meeting. Validation of ballots and proxies will be on May 29, 2023 at 2:00 p.m. at the Office of the Corporate Secretary at the above-mentioned address.

In all proposals or matters for approval except for election of directors, each share of stock entitles its registered owner (who is entitled to vote on such particular matter) to one (1) vote. In case of election of directors, cumulative voting as set out in pages 11, 13 and 14 of this Definitive Information Statement shall be adopted. Counting of the votes will be done by the Corporate Secretary or Assistant Corporate Secretary with the assistance of the independent auditors.

UNDERTAKING

The Company undertakes to post the full version of this Definitive Information Statement under SEC Form 20-IS, together with all its annexes on the Company's website www.smcglobalpower.com.ph upon its approval by the SEC.

The Company undertakes to provide any requesting stockholder, free of charge, a printed or electronic copy of its 2022 Annual Report under SEC Form 17-A and the 1st Quarter 2023 Financial Report under SEC Form 17-Q, at the stockholder's option, upon written request addressed to the Office of the Corporate Secretary, San Miguel Global Power Holdings Corp., 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Mandaluyong City on May 16, 2023.

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.

By:

Virgilio S. Jacinto
Corporate Secretary and Compliance Office

ANNEX "A-1"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CONSUELO M. YNARES-SANTIAGO**, Filipino, of legal age and a resident of No. 4 Queensville cor. Derby Streets, White Plains, Quezon City City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.** (formerly "SMC Global Power Holdings Corp.") and has been its independent director since 2 September 2011.

2. I am affiliated with the following companies or organizations:

Company/Organization	*Position/Relationship*	*Period of Service*
Top Frontier Investment Holdings, Inc.	Independent Director	2013 to present
Anchor Insurance Brokerage Corporation	Independent Director	2012 to present
SMC SLEX Inc. (formerly "South Luzon Tollway Corporation")	Independent Director	2015 to present
Phoenix Petroleum Phil. Inc.	Independent Director	2013 to Present
National Sandigan Foundation of the Philippines	Member	2009 to present
Tahanan Outreach Program Services (TOPS)	Member, Board of Directors	2014 to present
UP Women Lawyers' Circle (WILOCI)	Consultant	2002 to present
Women's Lawyers' Association of the Philippines	Member	1990 to present
Federacion International de Abogados	Member	1990 to present
Apostleship of Prayer Association	Member	2002 to present
Retired Supreme Court Justices Association of the Philippines	Member	2009 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC Issuances.

4. I am not related to any director/officer/substantial shareholder of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.** and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or any Government-Owned or Controlled Corporation (GOCC).

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.** of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this 02 May 2023 at Mandaluyong City.

CONSUELO M. YNARES-SANTIAGO
Affiant

SUBSCRIBED AND SWORN to before me this MAY - 2 2023 at Mandaluyong City, affiant personally appeared before me and exhibited to me her Philippines Passport with Passport No. P9683307A issued on November 23, 2018 at DFA Manila.

Doc. No.: 349;
Page No.: 71;
Book No.: II;
Series of 2023.

JOSE ANGELITO M. ILANO
Commission No. 0520-23
Notary Public for Mandaluyong City
Until December 31, 2024
SMC, 40 San Miguel Ave., Mandaluyong City
Roll of Attorneys No. 62172
PTR No. 5111178; 01/05/23; Mandaluyong City
IBP Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. VII-0016522; 04/28/22; Pasig City

JOSE ANGELITO M. ILANO
NOTARY PUBLIC
ROLL NO. 62172
MANDALUYONG CITY, PHILS.

ANNEX "A-2"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOSEFINA GUEVARA-SALONGA**, Filipino, of legal age and a resident of 44 Magallanes Avenue, Magallanes Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.** (formerly "SMC Global Power Holdings Corp.") and has been its independent director since 7 November 2017.

2. I am affiliated with the following companies or organizations:

Company/Organization	*Position/ Relationship*	*Period of Service*
Tahanan Outreach Program and Service (TOPS)	Trustee	2010-2022
San Pedro, Laguna Lawyers' Association	Member	Present
WILOCI (U.P.) Lawyers' Association	Member	1966-Present
Philippine Women Judges' Association	Member	Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.** and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or any Government-Owned or Controlled Corporation (GOCC).

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.** of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this 02 May 2023 at Mandaluyong City.

Josefina Guevara- Salonga
Affiant

SUBSCRIBED AND SWORN to before me this MAY - 2 2023 at Mandaluyong City, affiant personally appeared before me and exhibited to me her Philippines Passport with Passport No. P8640089A issued on September 6, 2018 at DFA Manila.

Doc. No.: 390;
Page No.: 79;
Book No.: II;
Series of 2023.

JOSE ANGELITO M. ILANO
Commission No. 0520-23
Notary Public for Mandaluyong City
Until December 31, 2024
SMC, 40 San Miguel Ave., Mandaluyong City
Roll of Attorneys No. 62172
PTR No. 5111173; 01/05/23; Mandaluyong City
IBP Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. VII-0016522; 04/28/22; Pasig City

JOSE ANGELITO M. ILANO
NOTARY PUBLIC
ROLL NO. 62172
MANDALUYONG CITY, PHILS.

ANNEX "A-3"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JACK G. ARROYO, JR.**, Filipino, of legal age and a resident of C-302 Galeria de Magallanes, Lapu-Lapu St., Magallanes Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.** (formerly "SMC Global Power Holdings Corp.") and has been its independent director since 2 September 2011.

2. I am affiliated with the following companies or organizations:

Company/Organization	*Position/Relationship*	*Period of Service*
Casino Español de Manila	President Member of the Board	2015 to present 2010 to present
Philippine Society of Cataract and Refractive Surgery (PSCRS)	Member of the Board of Trustees and Treasurer	2001 to present
Centrist Democratic Political Educators, Inc. (CDPI)	Vice President of the National Capital Region	December 2016 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.** and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or any Government-Owned or Controlled Corporation (GOCC).

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.** of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this 02 May 2023 at Mandaluyong City.

JACK G. ARROYO, JR.
Affiant

SUBSCRIBED AND SWORN to before me this MAY - 2 2023 at Mandaluyong City, affiant personally appeared before me and exhibited to me his Philippines Passport with Passport No. P7252861A issued on May 22, 2016 at DFA Manila.

Doc. No.: 388;
Page No.: 79;
Book No.: II;
Series of 2023.

JOSE ANGELITO M. ILANO
Commission No. 0520-23
Notary Public for Mandaluyong City
Until December 31, 2024
SMC, 40 San Miguel Ave., Mandaluyong City
Roll of Attorneys No. 62172
PTR No. 5111178; 01/05/23; Mandaluyong City
IBP Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. VII-0016522; 04/28/22; Pasig City

JOSE ANGELITO M. ILANO
NOTARY PUBLIC
ROLL NO. 62172
MANDALUYONG CITY, PHILS.

Annex B

SECURITIES AND EXCHANGE COMMISSION

The following document has been received:

Receiving: Mark Anthony Oseña
Receipt Date and Time: April 17, 2023 04:44:44 PM

Company Information

SEC Registration No.: CS200801099
Company Name: SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
Industry Classification: J66940
Company Type: Stock Corporation

Document Information

Document ID: OST10417202381018217
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2022
Submission Type: Consolidated, Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

C C V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number: C S 2 0 0 8 0 1 0 9 9

COMPANY NAME

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

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	5317-1000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	June / 1st Tuesday	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Paul Bernard D. Causon	pcauson@smcgph.sanmiguel.com.ph	5317-1000	N/A

CONTACT PERSON's ADDRESS

5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road
Bo. Ugong, Pasig City 1604, Metro Manila

Note 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.

(Formerly SMC Global Power Holdings Corp.)
(A Wholly-owned Subsidiary of San Miguel Corporation)

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022, 2021 and 2020

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Global Power Holdings Corp.
(Formerly SMC Global Power Holdings Corp.)
5th Floor, C5 Office Building Complex
#100 E. Rodriguez Jr. Ave., C5 Road
Bo. Ugong, Pasig City 1604, Metro Manila

Opinion

We have audited the consolidated financial statements of San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.) and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, is of most significance in our audit of the consolidated financial statements of the current period. This matter is addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of Goodwill (P68,953 million)
Refer to Note 3, Significant Accounting Policies, Note 4, Use of Judgments, Estimates and Assumptions and Note 14, Goodwill and Other Intangible Assets.

The risk -

The Group recognized a significant amount of goodwill arising from the acquisition of Masinloc Group. The annual impairment test on goodwill was significant to our audit since the assessment process is complex and judgmental by nature as it is based on assumptions on future market and/or economic conditions including future cash flow projections, growth rate and discount rate.

Our response -

We performed the following audit procedures, among others, on the valuation of goodwill:

- We tested the integrity and reasonableness of the discounted cash flow model used by the Group. This involved using our own valuation specialist to assist us in evaluating the model used and assumptions applied and comparing these assumptions to externally derived data as well as our own assessments in relation to key inputs such as projected revenues, discount rate and terminal growth rate, as well as performing our own sensitivity analysis on the assumptions.

- We also assessed the Group's disclosures on key assumptions and the sensitivity of the outcome of the impairment assessment to changes in key assumptions used in the valuation.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A as at and for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A as at and for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Darwin P. Virocel.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
  covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
  Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563863
  Issued January 3, 2023 at Makati City

April 14, 2023
Makati City, Metro Manila

San Miguel Global Power

San Miguel Global Power Holdings Corp.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **San Miguel Global Power Holdings Corp.** (formerly **"SMC Global Power Holdings Corp."** or the **"Company"**) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors (BOD) is responsible for overseeing the Company's financial reporting process.

The BOD reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

RAMON S. ANG
Chairman of the Board & CEO
President & COO

PAUL BERNARD D. CAUSON
Chief Finance Officer

Signed this 9th day of March 2023.

ACKNOWLEDGMENT

Republic of the Philippines)
Pasig City) S.S.

Before me, a Notary Public for and in Pasig City, this 9th day of March 2023, personally appeared the following:

Name	Passport No.	Date/Place of Issue
Ramon S. Ang	P2247667B	05-22-19 / DFA-MANILA
Paul Bernard D. Causon	P8120059A	07-27-18 / DFA-NCR East

known to me to be the same persons who executed the foregoing instrument and that they acknowledged to me that the same is their free and voluntary act and deed and that of the corporation they represent.

IN WITNESS WHEREOF, I have hereunto affixed my notarial seal on the date and place first above written.

BEATRIZ [illegible] DENISE C. ALAZAS
Appointment No. 169 (2022-2023)
Notary Public for Pasig City
Until December 31, 2023
5th Floor, 109 Eulogio Rodriguez Jr. Avenue,
C5 Road (North Bound), Pasig City 1604
Roll No. 58448
PTR No. 0112547 / 01-04-2023 / Pasig City
IBP OR No. 270458 / 01-05-2023 / IBP-Makati Chapter
MCLE Compliance No. VII - 0019534; 03-30-2022, Pasig C[illegible]

NA DENISE C. ALAZAS
NOTARY PUBLIC
ROLL NO. 58448
PHILIPPINES

Doc. No.: 290 ;
Page No.: 59 ;
Book No.: I ;
Series of 2023

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
DECEMBER 31, 2022 AND 2021
(In Thousands)

	Note	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*7, 30, 31*	**P22,726,236**	P67,690,161
Trade and other receivables - net	*4, 6, 8, 19, 30, 31*	**105,939,341**	47,272,302
Inventories	*4, 6, 9, 19*	**16,822,159**	10,017,822
Prepaid expenses and other current assets	*6, 10*	**43,292,852**	31,489,882
Total Current Assets		**188,780,588**	156,470,167
Noncurrent Assets			
Investments and advances - net	*4, 11*	**7,854,591**	10,838,846
Property, plant and equipment - net	*4, 6, 12*	**304,412,525**	211,858,532
Right-of-use assets - net	*6, 13*	**106,809,844**	157,159,661
Goodwill and other intangible assets - net	*4, 6, 14*	**71,764,559**	72,943,146
Deferred tax assets	*4, 27*	**2,280,281**	1,447,415
Other noncurrent assets	*15, 19, 30, 31*	**35,612,345**	25,006,433
Total Noncurrent Assets		**528,734,145**	479,254,033
		P717,514,733	P635,724,200

	Note	2022	2021
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*16, 30, 31*	**P21,000,000**	P1,529,970
Accounts payable and accrued expenses	*17, 19, 30, 31*	**84,447,174**	56,055,228
Lease liabilities - current portion	*4, 6, 30, 31*	**18,185,366**	21,677,035
Income tax payable		**326,144**	24,754
Current maturities of long-term debt - net of debt issue costs	*18, 30, 31*	**63,721,744**	30,185,416
Total Current Liabilities		**188,680,446**	109,472,403
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*18, 30, 31*	**208,430,860**	192,736,025
Deferred tax liabilities	*27*	**19,364,348**	20,182,639
Lease liabilities - net of current portion	*4, 6, 30, 31*	**40,772,724**	56,536,324
Other noncurrent liabilities	*4, 6, 19, 20, 30, 31*	**7,949,774**	5,068,211
Total Noncurrent Liabilities		**276,517,728**	274,523,199
Total Liabilities		**465,198,174**	383,995,602

Forward

	Note	2022	2021
Equity	*21*		
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**P1,250,004**	P1,062,504
Additional paid-in capital		**2,490,000**	2,490,000
Senior perpetual capital securities		**161,767,709**	167,767,364
Redeemable perpetual securities		**51,934,069**	32,751,570
Equity reserves	*20, 31*	**(1,558,960)**	(1,536,280)
Retained earnings		**35,526,185**	48,247,948
		251,409,017	250,783,106
Non-controlling interests	*11*	**907,542**	945,492
Total Equity		**252,316,559**	251,728,598
		P717,514,733	P635,724,200

See Notes to the Consolidated Financial Statements

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 YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(In Thousands, Except Per Share Data)

	Note	2022	2021	2020
REVENUES	*19, 22, 33*	**P221,388,788**	P133,710,171	P115,028,651
COST OF POWER SOLD	*19, 23*	**198,370,980**	92,161,341	69,314,197
GROSS PROFIT		**23,017,808**	41,548,830	45,714,454
SELLING AND ADMINISTRATIVE EXPENSES	*19, 24*	**(5,739,882)**	(4,916,271)	(6,210,237)
OTHER OPERATING INCOME	*11, 12, 19, 28*	**11,807,696**	207,010	86,483
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*6, 12, 16, 17, 18, 20*	**(15,287,880)**	(18,260,192)	(18,582,926)
INTEREST INCOME	*7, 11, 19*	**1,211,414**	617,100	1,007,235
EQUITY IN NET LOSSES OF AN ASSOCIATE AND JOINT VENTURES - Net	*11*	**(400,100)**	(117,348)	(472,694)
OTHER INCOME (CHARGES) - Net	*6, 12, 26*	**(7,240,818)**	(1,192,643)	5,264,675
INCOME BEFORE INCOME TAX		**4,168,399**	17,876,494	26,796,990
INCOME TAX EXPENSE	*27, 28*	**1,034,751**	1,900,167	7,923,452
NET INCOME		**P3,133,648**	P15,976,327	P18,873,538
Attributable to:				
Equity holders of the Parent Company	29	**P3,162,545**	P16,056,084	P18,840,154
Non-controlling interests		**(28,897)**	(79,757)	33,384
		P3,133,648	P15,976,327	P18,873,538
Basic/Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company	29	**(P11.73)**	P0.66	P5.60

See Notes to the Consolidated Financial Statements.

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 YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(In Thousands)

	Note	2022	2021	2020
NET INCOME		P3,133,648	P15,978,327	P18,873,538
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurements gain (loss) on net defined benefit retirement plan	20	(15,387)	11,817	4,868
Income tax expense	27	(3,615)	(193)	(523)
Share in other comprehensive income (loss) of a joint venture and an associate - net	11	(2,069)	1,238	1
		(21,071)	12,862	4,346
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations		37,418	3,380,769	(1,656,800)
Net gain (loss) on cash flow hedges	31	(40,038)	55,962	(7,243)
		(2,620)	3,436,731	(1,664,043)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		(23,691)	3,449,593	(1,659,697)
TOTAL COMPREHENSIVE INCOME - Net of tax		P3,109,957	P19,427,920	P17,213,841
Attributable to:				
Equity holders of the Parent Company		P3,136,854	P19,507,677	P17,180,457
Non-controlling interests		(26,897)	(79,757)	33,384
		P3,109,957	P19,427,920	P17,213,841

See Notes to the Consolidated Financial Statements.

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 YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(In Thousands)

		Equity Attributable to Equity Holders of Parent Company												
							Equity Reserves							
	Note	Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Undated Subordinated Capital Securities	Equity Reserve	Translation Reserve	Reserve for Retirement Plan	Hedging Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2022		P1,062,504	P2,490,000	P163,767,364	P32,751,570	P -	(P2,379,442)	P880,548	(P46,109)	P5,808	P48,247,948	P250,753,106	P945,452	P251,698,558
Net income (loss)		-	-	-	-	-	-	-	-	-	3,162,545	3,162,545	(28,897)	3,133,648
Other comprehensive income (loss) - net of tax	20, 21	-	-	-	-	-	-	37,458	(31,071)	(49,038)	-	(42,651)	-	(42,651)
Total comprehensive income (loss)		-	-	-	-	-	-	37,458	(31,071)	(49,038)	3,162,545	3,119,894	(28,897)	3,090,997
Issuance of redeemable perpetual securities	21, 32	-	-	-	19,152,498	-	-	-	-	-	-	19,152,498	-	19,152,498
Repurchase of senior perpetual capital securities	21, 32	-	-	(6,699,888)	-	-	-	-	-	-	1,997,240	(4,702,648)	-	(4,702,648)
Share issuance costs		-	-	-	-	-	-	-	-	-	(307,339)	(307,339)	(4,009)	(311,348)
Decrease in noncontrolling interest	11, 27	-	-	-	-	-	1,028	-	-	-	-	1,028	(1,028)	-
Collection of subscription receivable	27	187,500	-	-	-	-	-	-	-	-	-	187,500	-	187,500
Distributions:														
Senior perpetual capital securities	21	-	-	-	-	-	-	-	-	-	(15,362,868)	(15,362,868)	-	(15,362,868)
Redeemable perpetual securities	21	-	-	-	-	-	-	-	-	-	(1,696,926)	(1,696,926)	-	(1,696,926)
Transactions with owners		187,500	-	(6,699,888)	19,152,498	-	1,028	-	-	-	(15,369,893)	(2,728,755)	(5,037)	(2,733,792)
As at December 31, 2022		P1,250,004	P2,490,000	P157,067,476	P51,904,068	P -	(P2,378,414)	P918,006	(P77,180)	(P43,230)	P36,040,600	P244,144,245	P911,518	P245,055,763
As at January 1, 2021		P1,062,504	P2,490,000	P130,199,732	P32,751,570	P13,022,488	(P1,621,661)	(P2,500,158)	(P59,061)	(P49,284)	P47,179,650	P222,476,280	P1,025,915	P223,502,195
Net income (loss)		-	-	-	-	-	-	-	-	-	16,058,086	16,058,086	(79,757)	15,978,329
Other comprehensive income - net of tax	20, 21	-	-	-	-	-	-	3,380,706	12,952	55,092	-	3,448,750	-	3,448,750
Total comprehensive income (loss)		-	-	-	-	-	-	3,380,706	12,952	55,092	16,058,086	19,506,836	(79,757)	19,427,079
Issuance of senior perpetual capital securities	21, 32	-	-	33,567,632	-	-	-	-	-	-	-	33,567,632	-	33,567,632
Redemption of undated subordinated capital securities	21, 32	-	-	-	-	(13,022,488)	(758,009)	-	-	-	-	(13,780,497)	-	(13,780,497)
Share issuance costs		-	-	-	-	-	-	-	-	-	(145,180)	(145,180)	-	(145,180)
Decrease in noncontrolling interest	11, 27	-	-	-	-	-	228	-	-	-	-	228	(706)	(478)
Distributions:														
Senior perpetual capital securities	21	-	-	-	-	-	-	-	-	-	(12,191,210)	(12,191,210)	-	(12,191,210)
Redeemable perpetual securities	21	-	-	-	-	-	-	-	-	-	(1,896,455)	(1,896,455)	-	(1,896,455)
Undated subordinated capital securities	21	-	-	-	-	-	-	-	-	-	(858,168)	(858,168)	-	(858,168)
Transactions with owners		-	-	33,567,632	-	(13,022,488)	(757,781)	-	-	-	(14,989,788)	4,797,575	(706)	4,796,869
As at December 31, 2021		P1,062,504	P2,490,000	P163,767,364	P32,751,570	P -	(P2,379,442)	P880,548	(P46,109)	P5,808	P48,247,948	P250,753,106	P945,452	P251,698,558

Forward

		Equity Attributable to Equity Holders of Parent Company													
							Equity Reserves								
	Note	Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Undated Subordinated Capital Securities	Equity Reserve	Translation Reserve	Reserve for Retirement Plan	Hedging Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2020		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net income		-		-	-	-	-	-	-		16,840,154	16,840,154	33,384	[illegible]
Other comprehensive income (loss) - net of tax	20, 31	-	-	-	-	-	-	[illegible]	4,348	[illegible]	-	[illegible]	-	[illegible]
Total comprehensive income (loss)		-		-	-			[illegible]	4,348	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Issuance of senior perpetual capital securities	21	-	-	66,314,187	-	-	-	-	-	-	-	[illegible]	-	[illegible]
Share issuance costs		-			-	-	-			-	[illegible]	[illegible]	-	[illegible]
Distributions:														
Senior perpetual capital securities	21	-		-	-	-	-	-		-	[illegible]	[illegible]	-	[illegible]
Redeemable perpetual securities	21	-			-						[illegible]	[illegible]	-	[illegible]
Undated subordinated capital securities	21	-			-	-	-		-		[illegible]	[illegible]		[illegible]
Transactions with owners		-	-	66,314,187	-	-	-	-	-	-	[illegible]	[illegible]	-	[illegible]
As at December 31, 2020		P1,062,504	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

See Notes to the Consolidated Financial Statements.

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
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AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(In Thousands)

	Note	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P4,168,399**	P17,878,494	P26,796,990
Adjustments for:				
Interest expense and other financing charges	*6, 16, 18*	**18,284,120**	18,263,484	18,575,630
Depreciation and amortization	*6, 12, 13, 14, 23, 24*	**[illegible]**	11,374,200	10,566,173
Unrealized foreign exchange losses (gains) - net		**7,493,127**	1,842,094	(3,808,291)
Equity in net losses of an associate and joint ventures	*11*	**400,130**	117,348	472,694
Retirement cost	*20*	**161,761**	23,756	25,095
Impairment losses on trade and other receivables	*8, 24*	**52,865**	44,006	306,829
Impairment losses on property, plant and equipment	*12, 26*	**34,991**	34,991	35,010
Impairment losses on concession assets	*6, 23*	**-**	-	90,810
Reversal of impairment losses on trade and other receivables	*8, 24, 26*	**(22,924)**	(410,433)	(137,551)
Interest income	*7, 11*	**(1,211,414)**	(617,100)	(1,007,236)
Operating income before working capital changes		**41,262,726**	48,350,840	51,914,171
Increase in:				
Trade and other receivables - net	*8*	**(58,393,512)**	(9,316,447)	(7,288,105)
Inventories	*9*	**(6,705,378)**	(4,375,044)	(802,370)
Prepaid expenses and other current assets	*10*	**(13,723,242)**	(7,214,739)	(2,169,920)
Accounts payable and accrued expenses	*17*	**29,865,291**	11,872,484	3,491,750
Other noncurrent liabilities and others		**2,781,788**	4,272,950	1,208,675
Cash generated from (used in) operations		**(4,941,327)**	43,391,046	49,566,201
Interest income received		**927,762**	578,408	1,028,767
Income taxes paid		**(496,619)**	(253,054)	(1,686,492)
Interest expense and other financing charges paid		**(18,349,112)**	(18,277,655)	(19,938,843)
Net cash flows provided by (used in) operating activities		**(22,858,166)**	25,438,742	28,968,633

Forward

	Note	2022	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of properties	12, 19, 25	P1,186,888	P -	P -
Proceeds from disposal of subsidiaries, net of cash disposed of	11, 19, 25	494,302	-	-
Acquisition of subsidiaries, net of cash acquired	11	(11,862)	-	-
Additions to intangible assets	6, 14	(254,017)	(168,046)	(246,606)
Additions to investments and advances	11	(938,686)	(990,157)	(97,217)
Advances paid to suppliers and contractors	15	(6,013,237)	(14,173,577)	(2,564,829)
Decrease (increase) in other noncurrent assets	15	(3,645,641)	2,225,807	4,550,814
Additions to property, plant and equipment	12	(48,475,898)	(39,594,597)	(26,771,409)
Net cash flows used in investing activities		(58,658,031)	(52,725,570)	(25,129,347)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from long-term debts	18, 32	72,312,000	21,886,000	2,179,240
Proceeds from short-term borrowings	15, 32	51,181,875	29,077,030	5,728,725
Proceeds from issuances of redeemable perpetual securities	21, 32	19,182,499	-	-
Proceeds from collection of subscription receivable	21	187,500	-	-
Proceeds from issuances of senior perpetual capital securities	21, 32	-	35,567,632	80,314,167
Distributions paid to undated subordinated capital securities holders	21	-	(658,169)	(1,448,718)
Redemption of undated subordinated capital securities	21	-	(14,531,600)	-
Payments of share issuance costs		(210,361)	(145,116)	(168,207)
Distributions paid to redeemable perpetual securities holder	21	(1,816,926)	(1,996,495)	(2,015,813)
Repurchase of senior perpetual capital securities	21, 32	(4,702,640)	-	-
Distributions paid to senior perpetual capital securities holders	21	(15,362,068)	(12,191,210)	(7,018,006)
Payments of lease liabilities	6, 32	(24,220,192)	(24,464,357)	(22,828,718)
Payments of long-term debts	18, 32	(30,681,714)	(23,136,723)	(6,261,421)
Payments of short-term borrowings	16, 32	(32,373,126)	(29,332,530)	(6,227,025)
Net cash flows provided by (used in) financing activities		33,796,848	(19,873,937)	28,455,225

Forward

	Note	2022	2021	2020
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**756,434**	4,233,230	(1,531,012)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(44,963,915)**	(43,027,535)	30,763,499
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**67,690,151**	110,717,686	79,954,187
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**P22,726,236**	P67,690,151	P110,717,686

See Notes to the Consolidated Financial Statements

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

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, including 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 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 (SRC) and whose shares are listed on The Philippine Stock Exchange, Inc. (PSE).

On December 22, 2021, the Philippine SEC approved the change of the Parent Company's principal office from 155 EDSA, Brgy. Wack-Wack, Mandaluyong City, Metro Manila to 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila.

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. Basis of Preparation

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the BOD on March 9, 2023.

Basis of Measurement
The consolidated financial statements of the Group have been prepared on a historical cost basis except for the following items which are measured on an alternative basis on each reporting date:

Items	Measurement Basis
Financial assets at fair value through profit or loss (FVPL)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine Peso, which is the functional currency of the Parent Company. All financial information are rounded off to the nearest thousand (P000), except when otherwise indicated.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries. The major subsidiaries include the following:

	Percentage of Ownership	
	2022	**2021**
Power Generation		
Sual Power Inc. (SPI) (formerly San Miguel Energy Corporation) [(a)]	100	100
South Premiere Power Corp. (SPPC)	100	100
San Roque Hydropower Inc. (SRHI) (formerly Strategic Power Devt. Corp.) [(b)]	100	100
SMC PowerGen Inc.	100	100
Limay Power Inc. (LPI) (formerly SMC Consolidated Power Corporation) [(c)]	100	100
Malita Power Inc. (MPI) (formerly San Miguel Consolidated Power Corporation) [(d)]	100	100
Central Luzon Premiere Power Corp.	100	100
Lumiere Energy Technologies Inc. (LETI)	100	100
PowerOne Ventures Energy Inc. (PVEI) [(e)]	100	100
Prime Electric Generation Corporation (PEGC) [(f)]	100	100
Oceantech Power Generation Corporation (OPGC)	100	100
Masinloc Power Partners Co. Ltd. (MPPCL) [(g)]	100	100
Premiere Energy Resources, Inc. (formerly Masinloc Energy Resources Inc. [MERI]) [(h)]	100	100
Power Ventures Generation Corporation (PVGC) [(i)]	100	100
TopGen Energy Development Inc.	100	100
Universal Power Solutions, Inc. (UPSI)	100	100
Mariveles Power Generation Corporation (MPGC) [(j)]	95	92
Everest Power Development Corporation	100	100
SMC Global Light and Power Corp. (SGLPC)	100	100
Prestige Power Resources Inc.	100	100
Reliance Energy Development Inc.	100	100
Ascend Power Resources Inc.	100	100
Converge Power Generation Corp.	100	100
EnergyCore Resources Inc.	100	100
Strategic Energy Development Inc. (SEDI) [(k)]	-	100
Excellent Energy Resources Inc. (EERI)	100	100

Forward

	Percentage of Ownership	
	2022	2021
Retail and Other Power-related Services		
SMCGP Philippines Energy Storage Co. Ltd. (SMCGP Philippines Energy) [(k)]	**100**	100
San Miguel Electric Corp. (SMELC)	**100**	100
Albay Power and Energy Corp. (APEC)	**100**	100
SMC Power Generation Corp. (SPGC) [(l)]	**100**	100
Others		
Mantech Power Dynamics Services Inc.	**100**	100
Safetech Power Services Corp.	**100**	100
Ondarre Holding Corporation (OHC) [(j)]	**100**	100
Grand Planters International, Inc. (GPII)	**100**	100
Golden Quest Equity Holdings Inc.	**100**	100
SMCGP Transpower Pte. Ltd. (SMCGP Transpower)	**100**	100
SMCGP Philippines Inc. (SPHI)	**100**	100
Dewsweeper Industrial Park, Inc. (DIPI)	**100**	100
Soracil Prime Inc. (Soracil) [(j)(m)]	**-**	100
Multi-Ventures Investment Holdings, Inc. (MVIHI) [(n)]	**100**	-
Bluelight Industrial Estate, Inc. (Bluelight) [(n)]	**100**	-
Daguma Agro-Minerals, Inc. (DAMI) [(o)]	**-**	100
Sultan Energy Phils. Corp. (SEPC) [(o)]	**-**	100
Bonanza Energy Resources, Inc. (BERI) [(o)]	**-**	100

(a) *On March 9, 2023, the Philippine SEC approved the change in the corporate name to "Sual Power Inc.".*

(b) *On March 31, 2023, the Philippine SEC approved the change in the corporate name to "San Roque Hydropower Inc.".*

(c) *Owner of the 4 x 150 megawatts (MW) Circulating Fluidized Bed (CFB) coal-fired power plant in Limay, Bataan (Phase I and II Limay Greenfield Power Plant). On February 7, 2023, the Philippine SEC approved the change in the corporate name to "Limay Power Inc.".*

(d) *Owner of the 2 x 150 MW CFB coal-fired power plant in Malita, Davao (Davao Greenfield Power Plant). On March 9, 2023, the Philippine SEC approved the change in the corporate name to "Malita Power Inc.".*

(e) *PVEI owns 60% of the outstanding capital stock of Angat Hydropower Corporation (AHC) and KWPP Holdings Corporation (KWPP) as joint ventures (Note 11).*

(f) *On June 2, 2022, the Parent Company acquired 50% interests in Isabel Ancillary Services Co. Ltd. (IASCO) through the acquisition by PVGC of 49.31% limited partnership interest in IASCO and the acquisition by PEGC of 50% equity interests in Isabel AS Holdings Corp. (Isabel AS), the sole general partner which owns 1.38% partnership interest in IASCO. IASCO operates the 70MW Modular Engine Power Plant in Isabel, Leyte (Note 11).*

(g) *Co-owned by the Parent Company with its subsidiaries, SMCGP Masinloc Power Company Limited (MaPoCo) and PVGC, and owner of the Masinloc Power Plant (Notes 11 and 12).*

(h) *On November 22, 2021, the Philippine SEC approved the change in the corporate name to "Premiere Energy Resources, Inc.".*

(i) *The Parent Company subscribed to additional unissued common shares of MPGC in December 2022, thereby increasing its ownership interest from 91.96% to 94.55% as at December 31, 2022. Non-controlling interests represent the 5.24% and 0.21% held by Meralco PowerGen Corporation (MGen) and by Zygnet Prime Holdings, Inc. (Zygnet), respectively. It has not yet started commercial operations as at December 31, 2022 (Notes 11 and 19).*

(j) *In August 2022, the Parent Company sold its investments in OHC and Soracil to San Miguel Properties Inc. (SMPI), an entity under common control, and in SEDI to a third party (Note 11).*

(k) *Indirectly owned by the Parent Company, through its wholly-owned subsidiaries PEGC and OPGC, and owner of the battery energy storage system (BESS) facility in Kabankalan, Negros Occidental. SMCGP Philippines Energy started its commercial operations on January 26, 2023 (Note 12).*

(l) *SPGC owns 35% of the outstanding capital stock of Olongapo Electricity Distribution Company, Inc. (OEDC) as an associate (Note 11).*

(m) *Acquired on March 15, 2021 (Note 11).*

(n) *Acquired on August 25, 2022 (Note 11).*

(o) *In December 2022, SPI sold its investments in DAMI, SEPC and BERI to a third party (Note 11).*

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in MPGC as at December 31, 2022 and 2021 (Note 11).

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statements of income; and (iii) reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

The FSRSC approved the adoption of a number of new and amendments to standards as part of PFRS.

Adoption of Amended Standards

The Group has adopted the following amendments to PFRS effective January 1, 2022 and accordingly, changed its accounting policies in the following areas:

- Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of an entity's ordinary activities, the amendments require the entity to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statements of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statements of income.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

- Annual Improvements to PFRS 2018-2020. This cycle of improvements contains amendments to four standards, of which only the following are applicable to the Group:

  - Fees in the '10 percent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 percent' test for derecognition of financial liabilities, the fees paid net of fees received include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16, *Leases*). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

- Reference to the Conceptual Framework (Amendments to PFRS 3, *Business Combinations*). The amendments:

  - replaced a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirements;

- added a requirement that, for transactions and other events within the scope of PAS 37 or International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

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

New and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2022 and have not been applied in preparing the consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new and amendments to standards on the respective effective dates:

- 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 (estimation 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.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- 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.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- 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 amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16). 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 period;

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

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

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

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

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). 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 reporting 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 of these amendments until the IASB 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.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

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

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 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 asset 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 7, 8, 10, 15, 30 and 31).

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 10, 15, 30 and 31).

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes 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 10, 30 and 31).

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 designated as cash flow hedge are classified under this category (Notes 17, 30 and 31).

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 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 6, 16, 17, 18, 30 and 31).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

The Group has outstanding derivative assets accounted for as cash flow hedge as at December 31, 2022 and 2021 (Notes 10, 15, 30 and 31).

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.

The Group has no embedded derivatives as at December 31, 2022 and 2021.

Inventories
Inventories are valued at the lower of cost and net realizable value. Cost is determined using specific identification method and weighted average method for coal inventories and weighted average method for fuel oil and other consumables, and spare parts. Net realizable value is the current replacement cost.

Any write-down of inventories to net realizable value and all losses of inventories are recognized as expense in the year of write-down or loss occurrence. The amount of reversals of write-down of inventories arising from an increase in net realizable value, if any, are recognized as reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

Prepaid Expenses and Other Current Assets
Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in the consolidated statements of income as they are consumed or expire with the passage of time.

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Business Combination
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Selling and administrative expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of income.

- *Goodwill in a Business Combination*
  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units.

  Each unit or group of units to which the goodwill is allocated:

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

  - is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

  Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

- *Intangible Assets Acquired in a Business Combination*
  The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

  Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

  An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

Business Combinations under Common Control
The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interests method.

The assets and liabilities of the combining entities are reflected in the consolidated statements of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments are those to align accounting policies between the combining entities.

No new goodwill is recognized as a result of the business combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is recognized in equity.

The consolidated statements of income reflect the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had been combined for the period that the entities were under common control.

Acquisition of an Entity that does not Constitute a Business
If the Group acquires an entity that does not constitute a business, then the transaction is outside the scope of PFRS 3. The transaction is accounted for as asset acquisition in which the cost of acquisition is allocated between the individual identifiable assets and liabilities in the group based on their relative fair values at the date of acquisition. The transaction does not give rise to goodwill.

The Group recognized the related non-controlling interest based on proportionate share of net assets.

Non-controlling Interests
The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

Investments in Shares of Stock of an Associate and Joint Ventures
An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in shares of stock of an associate and joint ventures are accounted for using the equity method.

Under the equity method, the investment in shares of stock of an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of an associate or joint venture is recognized as "Equity in net losses of an associate and joint ventures" account in the consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate or joint venture arising from changes in the associate or joint venture's other comprehensive income. The Group's share on these changes is recognized as "Share in other comprehensive income (loss) of a joint venture and an associate" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in the shares of stock of an associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in shares of stock of an associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in shares of stock of an associate or joint venture and then recognizes the loss as part of "Equity in net losses of an associate and joint ventures" account in the consolidated statements of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in an associate or joint venture upon loss of significant influence or joint control, and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of income.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less impairment in value, if any.

The initial cost of property, plant and equipment comprises of its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes related asset retirement obligation (ARO), if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Power plants	5 - 42
Leasehold improvements	5 - 25 or term of the lease, whichever is shorter
Other equipment	2 - 20
Building	5 - 25

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of income in the period of retirement and disposal.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset; and
- the Group has the right to direct the use of the identified asset.

Group as Lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term as follows:

	Number of Years
Land	2 - 30
Buildings and improvements	2 - 5
Powerplants	29 - 43

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

Group as Lessor
The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15, *Revenue from Contracts with Customers*, to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the following estimated useful lives of other intangible assets with finite lives:

	Number of Years
Power concession right	25
Computer software and licenses	3
Other rights	27

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

Service Concession Arrangements
Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entity in the Group can provide with the infrastructure, to whom it can provide them, and at what price; and (b) the grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement are accounted for under Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of the Interpretation if the conditions in (a) are met.

The Interpretation applies to both: (i) infrastructure that the entity in the Group construct or acquire from a third party for the purpose of the service arrangement; and (ii) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of the Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of the contractual arrangements within the scope of the Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

The Group's power concession right is carried at cost less accumulated amortization and any accumulated impairment losses.

The useful life of power concession right is assessed to be either finite or indefinite. Power concession right arising from a service concession arrangement is amortized using straight-line method over the concession period, which is 25 years from the first day of the commencement of operations, or the estimated useful lives of the infrastructure, whichever is shorter, and assessed for impairment whenever there is an indication that the asset may be impaired. The amortization period and method are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of income in the expense category consistent with the function of the concession assets.

The power concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the power concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

An entity recognizes and measures revenue in accordance with PFRS 15 for the services it performs. If an entity performs more than one service under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative stand-alone selling prices of the services delivered.

When an entity provides construction or upgrade services, the consideration received or receivable by the entity is recognized at fair value. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date, to estimated total costs for each contract.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entity has contractual obligations to fulfill as a condition of its license: (i) to maintain the infrastructure to a specified level of serviceability; or (ii) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures the contractual obligations in accordance with PAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date.

In accordance with PAS 23, *Borrowing Costs*, borrowing costs attributable to the arrangement are recognized as expenses in the period in which they are incurred unless the applicable entities have a contractual right to receive an intangible asset (a right to charge users of the public service). In this case, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement.

Concession payable is recognized at the date of inception of the concession agreement. Fixed concession fees are recognized at present value using the discount rate at the inception date. This account is debited upon payment of fixed fees and such payments are apportioned between interest payment and payment of the principal. Interest arising from the accretion of concession payable is presented under "Interest expense and other financing charges" account in the consolidated statements of income.

Concession payable that are expected to be settled within 12 months after the reporting date are classified as current liabilities. Otherwise, these are classified as noncurrent liabilities.

Mining Rights
The Group's mining rights have finite lives and are carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in the consolidated statements of income as incurred.

Amortization of mining rights is recognized in the consolidated statements of income based on the units of production method utilizing only recoverable coal reserves as the depletion base. In applying the units of production method, amortization is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proved and probable reserves.

The amortization of mining rights will commence upon commercial operations.

Gain or loss from derecognition of mining rights is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

<u>Deferred Exploration and Development Costs</u>
Deferred exploration and development costs comprise of expenditures which are directly attributable to:

- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Deferred exploration and development costs also include expenditures incurred in acquiring mining rights, entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration assets are reassessed on a regular basis and tested for impairment provided that at least one of the following conditions is met:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

If the project proceeds to development stage, the amounts included within deferred exploration and development costs are transferred to property, plant and equipment.

Impairment of Non-financial Assets
The carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, deferred exploration and development costs and intangible assets with finite useful lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

Fair Value Measurements
The Group measures 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 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.

Provisions
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

ARO. The Group records a provision for asset retirement costs of its power plants. Asset retirement costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of right-of-use assets. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the retirement liability. The unwinding of the discount is expensed as incurred and recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income. The estimated future costs of asset retirement are reviewed annually and adjusted prospectively. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the right-of-use assets. If the decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognized immediately in the consolidated statements of income.

Capital Stock, Additional Paid-in Capital and Reserves

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Equity Reserve

The equity reserve includes the effect of transactions with non-controlling interests and equity adjustments arising from group restructuring transactions.

Translation Reserve

The translation reserve comprises of all foreign currency differences arising from the translation of the financial statements of foreign operations.

Reserve for Retirement Plan

The reserve for retirement plan represents re-measurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest).

Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability

The hedging reserve also includes cost of hedging which reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts, time value of options and foreign currency basis spread which are initially recorded in other comprehensive income.

Senior Perpetual Capital Securities (SPCS), Redeemable Perpetual Securities (RPS) and Undated Subordinated Capital Securities (USCS)

SPCS, RPS and USCS are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or financial liabilities with another person or entity that is potentially unfavorable to the issuer.

Incremental costs directly attributable to the issuance of SPCS, RPS and USCS are recognized as a deduction from equity, net of tax. The proceeds received, net of any directly attributable transaction costs, are credited to SPCS, RPS and USCS.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Revenue
The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenues are inclusive of pass-through charges, net of value-added tax (VAT) and other fees collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Power
Revenue from Power Generation and Trading. Revenue from power generation and trading is recognized over time when actual power or capacity is generated, transmitted and/or made available to the customers, net of related discounts and adjustments.

Retail and Other Power-related Services. Revenue from retail and other power-related services is recognized over time upon the supply of electricity to the customers. The Uniform Filing Requirements on the rate unbundling released by the Energy Regulatory Commission (ERC) on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) system loss charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) currency exchange rate adjustments, where applicable and (h) interclass and life subsidies. Feed-in tariffs allowance, VAT and universal charges are billed and collected on behalf of the national and local government and do not form part of the Group's revenue. Generation, transmission and system loss charges, which are part of revenues, are pass-through charges.

Revenue from Other Services
Revenue from other services is recognized when the related services are rendered.

Other Operating Income
Rent Income. Rent income from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Management Income. Management income is recognized when earned in accordance with the terms of the agreement.

Other Income
Interest Income. Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

Construction Revenue. Construction revenue related to the Group's recognition of intangible asset on the right to operate and maintain a franchise, which is the fair value of the intangible asset, is earned and recognized as the construction progresses. The Group recognizes the corresponding amount as intangible asset as it recognizes the construction revende. The Group assumes no profit margin in earning the right to operate and maintain its franchise.

The Group uses the cost to cost percentage-of-completion method to determine the appropriate amount of revenue to be recognized in a given period. The stage of completion is measured by reference to the costs incurred related to the construction of infrastructure up to the end of the reporting period as a percentage of total estimated cost of the construction.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost of power sold is debited for the direct costs related to power generation, retail and distribution of electricity, and/or trading. Expenses are recognized when incurred.

Interest Expense and Other Financing Charges. Interest expense and other financing charges comprise finance charges on lease liabilities, loans, concession payable, premium on option liabilities and other borrowings. Finance charges on lease liabilities, loans, concession payable and premium on option liabilities are recognized in the consolidated statements of income using the effective interest method.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs
The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

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

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of income. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

<u>Foreign Currency</u>

Foreign Currency Translations

Transactions in foreign currencies are initially recorded in the respective functional currency of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation, which are recognized in other comprehensive income.

Foreign Operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine Peso at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Philippine Peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity.

Taxes
Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets", "Accounts payable and accrued expenses" or "Income tax payable" accounts in the consolidated statements of financial position.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings (Loss) Per Common Share
Basic earnings (loss) per share is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of distributions to the holders of SPCS, RPS and USCS, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted earnings (loss) per share is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Operating Segments
The Group's operating segments are organized and managed separately according to the services provided, with each segment representing a strategic business unit that offers different economic characteristic and activities. Financial information on operating segments is presented in Note 5 to the consolidated financial statements.

The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

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

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

Events After the Reporting Date
Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the accounting policies, the Group has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the consolidated financial statements:

Determining whether a Contract Contains a Lease. The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Lease Commitments - Group as Lessor. The Group has entered into various lease agreements as a lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized under "Other operating income" account in the consolidated statements of income amounted to P29,299, P11,717 and P12,901 in 2022, 2021 and 2020, respectively (Notes 6 and 25).

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P59,968,110 and P78,213,359 as at December 31, 2022 and 2021, respectively (Notes 6, 30, 31 and 32).

Identification of Distinct Performance Obligation. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group has determined that it has distinct performance obligations other than the sale of power such as the provision of technical support and lease of equipment to its customers and allocates the transaction price into these several performance obligations.

Determining Whether the Group is acting as a Principal or Agent in a Revenue Transaction. The determination whether the Group is a principal or agent in a contract is made by identifying each specified goods or services promised to the customers in the contract and evaluating whether the Group obtains control of the specified goods and services before it is transferred to the customer.

For the sale of power and retail and other power-related services, the Group has the obligation to provide a recurring service to the customer over the contract term and transfers control upon delivery, hence, the Group has determined that it is acting as principal in these revenue arrangements with customers.

Applicability of Philippine Interpretation IFRIC 12. In accounting for the Group's transactions in connection with its Concession Agreement, significant judgment was applied to determine the most appropriate accounting policy to use.

Management used Philippine Interpretation IFRIC 12 as guide and determined that the Concession Agreement is within the scope of the interpretation. Management determined that the consideration receivable, in exchange for the fulfillment of the Group's obligation under the Concession Agreement, is an intangible asset in the form of a right (license) to charge fees to users. Judgment was further exercised by management in determining the costs components of acquiring the right (Notes 3, 8 and 14).

Difference in judgment in respect to the accounting treatment of the transactions would materially affect the assets, liabilities and operating results of the Group.

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms, and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in AHC, KWPP, Isabel AS and IASCO as joint ventures (Note 11).

Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 31.

Contingencies. The Group is currently involved in various pending claims and cases which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and cases has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and cases will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 33).

Estimates and Assumptions
The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment of ECL on Trade and Other Receivables. The Group, in applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade and other receivables. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer to reflect the effects of current and forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on trade and other receivables is not material because substantial amount of trade and other receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade and other receivables.

In 2022 and 2021, the Group recognized impairment losses on trade and other receivables amounting to P52,855 and P44,006, respectively (Notes 8 and 24). The allowance for impairment losses on trade and other receivables amounted to P2,690,984 and P2,672,082 as at December 31, 2022 and 2021, respectively (Notes 8 and 30). The carrying amount of trade and other receivables amounted to P105,939,341 and P47,272,302 as at December 31, 2022 and 2021, respectively (Notes 8, 30, 31).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2022 and 2021. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2022	2021
Cash and cash equivalents (excluding cash on hand)	7	P22,724,545	P67,688,162
Noncurrent receivables (including Amounts owed by related parties included under "Other noncurrent assets" account)	15	13,996,196	1,513,704
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	10, 15	7,698,458	4,430,396
	30, 31	P44,419,199	P73,632,262

Fair Value Measurements. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3 and 31).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Note 31.

Write-down of Inventory. The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The Group assessed that no write-down of inventories to net realizable value is necessary as at December 31, 2022 and 2021.

The carrying amount of inventories amounted to P16,322,159 and P10,017,822 as at December 31, 2022 and 2021, respectively (Note 9).

Estimated Useful Lives of Property, Plant and Equipment and Right-of-Use Assets. The Group estimates the useful lives of property, plant and equipment and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and right-of-use assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment and right-of-use assets is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment and right-of-use assets would increase the recorded cost of power sold and selling and administrative expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation and amortization, amounted to P304,622,490 and P212,033,508 as at December 31, 2022 and 2021, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P27,756,125 and P20,667,921 as at December 31, 2022 and 2021, respectively (Note 12).

Right-of-use assets, net of accumulated depreciation and amortization, amounted to P106,609,844 and P157,159,661 as at December 31, 2022 and 2021, respectively. Accumulated depreciation and amortization of right-of-use assets amounted to P15,314,709 and P16,228,779 as at December 31, 2022 and 2021, respectively (Note 13).

Estimated Useful Lives of Intangible Assets. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives, such as computer software and licenses, mining and other rights, net of accumulated amortization, amounted to P1,811,337 and P1,869,946 as at December 31, 2022 and 2021, respectively. Accumulated amortization of computer software and licenses, and other rights amounted to P411,361 and P318,112 as at December 31, 2022 and 2021, respectively (Note 14). The mining rights have been derecognized following the sale of SPI's 100% shareholdings in DAMI, SEPC and BERI in December 2022 (Notes 11, 14 and 25).

Estimated Useful Lives of Intangible Assets - Power Concession Right. The Group estimates the useful life of power concession right based on the period over which the assets are expected to be available for use. The Group has not included any renewal period on the basis of uncertainty of the probability of securing renewal contract at the end of the original contract term as at the reporting date.

The amortization period and method are reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset.

The carrying amount of power concession right amounted to P1,119,976 as at December 31, 2021 (Notes 6 and 14). In 2022, APEC has derecognized its power concession right as a result of the termination of the Concession Agreement with Albay Electric Cooperative, Inc. (ALECO) in November 2022 (Notes 6 and 14).

Impairment of Goodwill. The Group determines whether the goodwill acquired in a business combination is impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The recoverable amount of goodwill arising from the acquisition of SMCGP Masin Pte. Ltd., SMCGP Transpower and SMCGP Philippines Inc. (collectively referred to as Masinloc Group) in 2018, has been determined based on the value in use using discounted cash flows. Assumptions used in the discounted cash flows include discount rates of 11.0% in 2022 and 9.0% in 2021 and 2020, and terminal growth rates of 5.0% in 2022 and 2021 and 4.0% in 2020 (Note 14).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

No impairment loss was recognized in 2022, 2021 and 2020 in relation to the goodwill arising from the acquisition of the Masinloc Group, which accounts for almost 100% of the goodwill in the consolidated statements of financial position as at December 31, 2022 and 2021.

The carrying amount of goodwill amounted to P69,953,222 as at December 31, 2022 and 2021 (Note 14).

Acquisition Accounting. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The Group has determined that the acquisition of the Masinloc Group represents a business due to the presence of the integrated set of activities acquired while the acquisition of MPGC, DIPI, Sorecil, MVIHI and Bluelight represents an asset acquisition since it does not meet the requirements of being a business as set out in PFRS 3 (Note 11).

The carrying amount of goodwill arising from business combinations amounted to P69,953,222 as at December 31, 2022, and 2021 (Note 14).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Certain deferred tax assets arising from MCIT and NOLCO have not been recognized by the Parent Company and certain subsidiaries because the management believes that it is not probable that future taxable income will be available against which the Group can utilize the benefits therefrom (Note 27).

Deferred tax assets from temporary differences amounted to P2,280,281 and P1,447,415 as at December 31, 2022 and 2021, respectively (Note 27).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, right-of-use assets, intangible assets with finite useful lives, and deferred exploration and development costs when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on property, plant and equipment amounted to P209,965 and P174,874 as at December 31, 2022 and 2021, respectively (Note 12).

The combined carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, intangible assets with finite useful lives, and deferred exploration and development costs amounted to P420,668,297 and P383,566,356 as at December 31, 2022 and 2021, respectively (Notes 11, 12, 13, 14 and 15).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 20 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P487,046 and P157,588 as at December 31, 2022 and 2021, respectively (Note 20).

ARO. The Group has ARO arising from power plants and leased properties. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of the ARO by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.93% to 12.64% depending on the life of the capitalized costs. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The Group's ARO, presented under "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P704,270 and P792,968 as at December 31, 2022 and 2021, respectively.

5. Segment Information

Operating Segments

The Group's operations are segmented into three 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 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 (Notes 11 and 16).

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, deferred exploration and development costs, 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 (PSA), retail supply contracts (RSC), concession agreement and other power-related service agreements (Note 6), either directly to customers (other generators, distribution utilities [DU], electric cooperatives and industrial customers) or through the Philippine Wholesale Electricity Spot Market (WESM). Sale of power to Manila Electric Company (Meralco) amounting to P82,050,578, P53,313,150 and P50,497,918 in 2022, 2021 and 2020, 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 Years Ended December 31														
	Power Generation			Retail and Other Power-related Services			Others			Eliminations			Consolidated		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Revenues															
External	P180,027,616	P109,947,864	P94,638,852	P41,153,496	P33,882,760	P30,254,979	P297,538	P179,421	P134,720	P -	P -	P -	P221,388,758	P133,710,171	P115,028,851
Inter-segment	34,465,528	19,582,558	22,278,300	4,247	10,212	162,456	1,414,666	1,610,105	439,863	(35,988,781)	(20,602,875)	(23,281,098)	-	-	-
	214,493,144	129,530,042	116,917,852	41,162,243	33,892,972	30,417,435	1,622,142	1,789,526	574,583	(35,988,781)	(20,602,875)	(23,281,048)	221,388,758	133,710,171	115,028,851
Costs and Expenses															
Cost of power sold	187,719,903	92,060,573	73,830,846	36,461,456	19,469,375	17,663,038	953,446	756,130	543,015	(25,104,764)	(20,118,727)	(22,673,308)	199,279,940	92,161,345	69,314,189
Selling and administrative expenses	4,612,469	4,264,095	5,677,821	1,966,744	720,680	830,670	2,641,129	1,638,457	1,632,168	(2,123,460)	(1,718,192)	(1,926,552)	8,139,852	4,915,274	6,210,332
	191,332,372	96,325,458	78,858,669	38,423,196	20,189,385	18,493,708	3,593,515	2,394,587	2,176,017	(27,228,224)	(21,836,919)	(24,600,860)	206,118,852	97,076,619	75,524,434
Other operating income	56,488	99,551	38,392	32,958	67,858	27,743	13,676,791	158,323	785,317	(589,382)	(109,420)	(175,800)	13,237,688	107,016	96,483
Segment Result	P13,217,337	P33,284,827	P37,388,876	P4,731,488	P3,801,152	P1,951,470	P18,167,418	(P445,738)	(P516,317)	P779,181	P620,538	P746,673	P28,885,614	P36,840,577	P39,590,700
Interest expense and other financing charges													(18,287,890)	(18,266,192)	(18,582,928)
Interest income													1,211,464	617,189	1,007,306
Equity in net losses of an associate and joint ventures - net													(440,135)	(117,348)	(472,894)
Other income (charges) - net													(7,240,819)	(1,182,843)	5,254,675
Income tax expense													(1,598,741)	(1,900,187)	(7,109,852)
Consolidated Net Income													P3,122,848	P15,970,307	P18,671,508

	As at and For the Years Ended December 31									
	Power Generation		Retail and Other Power-related Services		Others		Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Other Information										
Segment assets	P551,404,270	P465,333,626	P54,575,033	P45,484,389	P188,084,830	P115,660,080	(P182,485,941)	(P71,169,977)	P625,615,502	P560,494,793
Investments and advances - net	1,599,614	9,368,976	911,714	534,597	331,673,220	295,642,856	(321,426,867)	(294,608,880)	7,454,501	10,838,846
Goodwill and other intangible assets - net									76,764,666	72,945,148
Deferred tax assets									2,734,291	1,447,445
Consolidated Total Assets									P717,544,733	P639,724,230
Segment liabilities	214,634,115	P217,618,264	P35,670,432	P29,060,869	P58,563,339	P9,332,881	(P205,721,822)	(P113,045,257)	P173,185,650	P140,806,788
Long-term debt - net									272,152,624	222,925,443
Income tax payable									324,944	34,754
Deferred tax liabilities									10,344,252	10,192,638
Consolidated Total Liabilities									P486,186,174	P399,955,600
Capital expenditures	P47,380,809	P37,914,727	P7,593,866	P11,259,763	P4,614,048	P435,507	(P131,668)	(P100,316)	P49,475,053	P59,504,507
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	9,734,110	9,510,661	1,836,911	1,721,508	333,971	185,296	(35,253)	(32,382)	11,921,488	11,374,200
Noncash items other than depreciation and amortization	4,796,316	2,281,458	356,209	114,719	866,225	(1,334,500)	-	-	8,119,830	1,061,782

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

6. Significant Agreements and Lease Commitments

a. 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
SPI	Sual Coal - Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
SRHI	San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province

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 P10,452,088, P17,762,434 and P20,365,268 in 2022, 2021 and 2020, respectively (Note 23). SPI and SRHI renewed their performance bonds amounting to US$58,187 and US$20,305, which will expire on November 3, 2023 and January 25, 2024, respectively (Note 10).

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 (Notes 8 and 33).

The lease liabilities 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%
SPPC	3.85%	8.05%
SRHI	3.30%	7.90%

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreements and recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income. Interest expense amounted to P3,462,393, P4,706,105 and P6,045,444 in 2022, 2021 and 2020, respectively.

On April 4, 2022, SPPC entered into a long-term lease agreement with PSALM for parcels of land with an aggregate area of 242,445.50 square meters. The leased premises shall be used for the operation, management, expansion and maintenance of the Ilijan Power Plant. The lease agreement shall expire after 25 years, commencing on the expiration of the IPPA Agreement between SPPC and PSALM in June 2022, and is subject to renewal upon mutual agreement of both parties.

Subsequently, upon the request of SPPC, PSALM issued an Additional Leased Premises Certification for the parcels of land with an aggregate area of 24,116 square meters where the Ilijan switchyard is located.

In 2022, SPPC paid in advance the total lease charges amounting to P1,822,903 covering the entire leased premises and duration of the lease term. This is presented under "Right-of-use assets" account in the consolidated statement of financial position as at December 31, 2022 (Note 13).

In June 2022, the IPPA Agreement between SPPC and PSALM has ended. Accordingly, the Ilijan Power Plant was reclassified from "Right-of-use assets" to "Property, plant and equipment" account pursuant to the terms and conditions of the IPPA Agreement (Notes 12 and 13).

The power plants under the IPPA lease arrangements with PSALM, presented under "Right-of-use assets" account in the consolidated statements of financial position, amounted to P89,115,654 and P151,827,880 as at December 31, 2022 and 2021, respectively (Note 13).

Maturity analysis of lease payments as at December 31, 2022 and 2021 are disclosed in Note 30.

b. Land Lease Agreement with PSALM

MPPCL has an existing lease agreement with PSALM for the lease of a 199,600 square meters land located in Barangay Bani, Masinloc, Zambales. The lease agreement will expire on April 11, 2028.

In August 2019, Alpha Water acquired 12,522 square meters out of the existing land currently being leased by MPPCL from PSALM for a total consideration of P15,653.

The lease liability is amortized using a 4.52% discount rate over the period of the agreement. Amortization is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income which amounted to P3,182, P3,083 and P3,070 in 2022, 2021 and 2020, respectively.

MPPCL's land under lease arrangement, presented under "Right-of-use assets" account in the consolidated statements of financial position, amounted to P88,535 as at December 31, 2022 and 2021 (Note 13).

Maturity analysis of lease payments as at December 31, 2022 and 2021 are disclosed in Note 30.

c. Market Participation Agreements (MPA)

SPI, SRHI, SPPC, LPI, SMELC, MPI, MPPCL, SMCGP Philippines Energy and UPSI each entered into separate MPAs with the Philippine Electricity Market Corporation (PEMC) to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member.

The relevant parties in each of the MPAs acknowledged that PEMC was entering into the agreement in its capacity as both governing arm and autonomous group market operator of the WESM, and that in due time the market operator functions shall be transferred to an independent market operator (IMO) pursuant to RA No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA). The parties further agreed that upon such transfer, all rights, obligations and authority of PEMC under the MPA shall also pertain to the IMO and that all references to PEMC shall also refer to such IMO.

Upon the initiative of the Department of Energy (DOE) and PEMC, Independent Electricity Market Operator of the Philippines (IEMOP) was incorporated and assumed the functions and obligations as the market operator of the WESM commencing on September 26, 2018. Consequently, SPI, SRHI, SPPC, LPI, SMELC, MPI and MPPCL each entered into separate Supplemental MPAs with PEMC and IEMOP for the transfer of rights of the market operator to IEMOP.

Under the WESM Rules, the cost of administering and operating the WESM shall be recovered through a charge imposed on all WESM members or transactions, as approved by the ERC. Market fees charged by IEMOP to SPI, SRHI, SPPC, LPI and MPPCL, recognized as part of "Plant operations and maintenance, and other fees" under "Cost of power sold" account in the consolidated statements of income, amounted to P201,165, P126,305 and P164,897 in 2022, 2021 and 2020, respectively (Note 23).

SMELC, LPI and MPPCL each has a standby letter of credit, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM, which expired in 2021. Subsequently, LPI and MPPCL has extended its validity until October 25, 2023 and February 16, 2024, respectively.

d. PSAs and RSCs

SPI, SPPC, SRHI, MPI, LPI, SMELC, SEDI and MPPCL have offtake contracts such as PSAs and RSCs with various counterparties to sell electricity produced by the power plants. Counterparties for PSAs include DUs, electric cooperatives, third party Retail Electricity Suppliers (RES) and other entities.

Counterparties for RSCs are contestable customers, or large industrial users which have been certified contestable by the ERC.

Majority of the consolidated sales of the Group are through long-term offtake contracts, which may have provisions for take-or-pay, passing on fuel costs, foreign exchange differentials or certain other fixed costs and minimum offtake level. Most of the agreements provide for renewals or extensions subject to mutually agreed terms and conditions by the parties and applicable rules and regulations. Tariff structures vary depending on the customer and their needs, with some having structures based on energy-based pricing or capacity-based pricing.

For capacity-based contracts, the customers are charged with the capacity fees based on the contracted capacity plus the energy fees for the associated energy taken during the month. As stipulated in the contracts, energy-based contracts on the other hand, are based on the actual energy consumption of customers using the basic energy charge and/or adjustments.

SPI, SRPC, SPHI, MPI, LPI and MPPCL can also purchase power from WESM or other power generation companies during periods when power generated from the power plants is not sufficient to meet the customers' power requirements. Power purchases amounted to P57,089,312, P20,557,301 and P10,336,931 in 2022, 2021 and 2020, respectively (Note 23).

On March 2, 2021, EERI and MPPCL have executed long-term PSAs with Meralco for the supply and delivery of 1,200 MW and 600 MW contract capacity starting in November 2024 and April 2025, respectively. These PSAs have been filed and are pending approval by the ERC as at December 31, 2022.

On March 17, 2023, EERI and MPPCL each submitted a Notice of Termination to Meralco due to the non-occurrence of the acceptance date of ERC's Final Approvals on or before the longstop date prescribed in the respective agreements. The termination of the agreements took effect upon the lapse of 15 days from the receipt of the notice and will not result in any liability on the part of EERI and MPPCL.

Revenues from retail sales to contestable customers amounted to P34,762,416, P19,262,185 and P16,723,387 in 2022, 2021 and 2020, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Note 22).

e. Ancillary Service Procurement Agreement (ASPA)

On September 8, 2017, MPPCL entered into an ASPA with the National Grid Corporation of the Philippines (NGCP) for a period of 5 years commencing on May 26, 2018, allocating the entire capacity of its 10 MW Masinloc BESS as frequency regulating reserve for the NGCP to maintain power quality, reliability and security of the grid.

On May 6, 2021, SMCGP Philippines Energy entered into an ASPA with NGCP for a period of 5 years commencing on January 26, 2022, allocating its 20 MW Kabankalan 1 BESS to provide ancillary services to the Visayas grid based on the Provisional Authority granted by the ERC (Note 12).

Revenue from ancillary services of MPPCL and SMCGP Philippines Energy amounted to P1,015,993, P346,433, and P395,310 in 2022, 2021 and 2020, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Notes 5 and 22).

f. Coal Supply Agreements

SPI, MPI, LPI, and MPPCL have supply agreements with various coal suppliers for the coal requirements of the power plants.

g. Distribution Wheeling Service (DWS) Agreements

As RES, SMELC, LPI and MPPCL each entered into DWS Agreements with certain DUs for the conveyance of electricity through its distribution systems in order to supply the power requirements of their respective contestable customers. The agreements are valid and binding upon execution unless terminated by either party.

The DWS charges from the DUs are passed on to the contestable customers who have opted for a single billing arrangement as provided in the ERC Supplemental Switching Rules.

SMELC's DWS Agreements were no longer renewed relative to the expiration of its RES license in September 2021 (Note 28).

h. Lease Agreements

Group as Lessee
Information about significant leases for which the Group is a lessee that qualifies under PFRS 16 are as follows:

i. The Parent Company has lease agreements for the use of office spaces and staff house with SMPI and Bright Ventures Realty, Inc., both entities under common control, and an external party for a period of 1 to 5 years, renewable upon agreement between the parties.

ii. In November 2016, LPI leased parcels of land from New Ventures Realty Corporation (NVRC), an entity under common control, for its Phase 1 Limay Greenfield Power Plant and ash dump facility. This is covered by two lease agreements, each having an initial term of 25 years with an option to renew for a further 25 years. The agreements contain a clause allowing annual escalation adjustments of rental rates starting on certain anniversary dates.

iii. On December 7, 2015, LETI leased a parcel of land from NVRC for its Phase II Limay Greenfield Power Plant for a period of 25 years from the effective date with an option to renew this lease for another 25 years. The rent shall be increased annually by 6.0% starting from the second anniversary of the lease execution. The lease agreement was assigned to LPI pursuant to the sale of the Phase II Limay Greenfield Power Plant on June 22, 2017.

iv. In 2016, MPI entered into an agreement with Kyron Landholdings Inc. (KLI), an entity under common control, for the sublease of a parcel of land for its Daven Greenfield Power Plant. The initial term of the lease is for a period of 25 years with the option to renew further for 25 years. Beginning January 1, 2018 until the end of the term, the rental shall be increased by 5.1% per annum.

In 2020, an amendment was made to the agreement reducing the parcel of land to 919,820 square meters. The modification of lease arrangements increased the lease liability and right-of-use assets - net by P16,021 and P14,864, respectively, and resulted to a recognition of loss on lease modification amounting to P1,157 in 2020 presented as part of "Other income (charges)" account in the consolidated statements of income (Note 26).

v. On December 13, 2017, LPI leased a foreshore area aggregating to 465,967 square meters from the Department of Environment and Natural Resources (DENR) for its pier and jetty facility. The lease is for a period of 25 years with an option to renew for another 25 years. The agreement contains a clause to increase annual rental based on appraised value of land and improvements every 10 years.

vi. On March 7, 2017, LPI leased a parcel of land with approximate area of 66,000 square meters from PNOC Alternative Fuels Corporation for the construction of auxiliary facilities of the Limay Greenfield Power Plant. The lease is for a period of 25 years with an option to renew for another 25 years. The agreement contains a clause to increase the annual rental by 3% and every 5 years, the amount equivalent to 5% of the re-appraised value shall be the new rental rate.

vii. On October 3, 2018, MPI leased a foreshore area aggregating to 68,779 square meters from the DENR for its pier and jetty facility. The lease is for a period of 25 years with an option to renew for another 25 years. The agreement contains a clause to increase annual rental based on appraised value of land and improvements every 10 years.

viii. On December 5, 2019, MPGC leased a total of 1,654,400 square meters of land from E-Fare Investment Holdings Inc. (E-Fare), an entity under common control, for a period of 24 years and 6 months from the effective date with an option to renew this lease for another 25 years. The agreement contains a clause to increase annual rental by 5% starting from the first anniversary of the effective date.

ix. On January 6, 2020, MPGC leased a total of 116,998 square meters of land from E-Fare for a period of 24 years and 5 months from the effective date with an option to renew for another 25 years. The rent shall be increased annually by 5.0% starting from the third anniversary of the effective date.

x. On February 3, 2020, UPSI has entered into an agreement with KLI for the sublease of a parcel of land for its BESS facilities. The initial term of the lease is for a period of 18 years and 4 months with the option to renew further for 25 years. Beginning January 1, 2021 until the end of the term, the rental shall be increased by 5.1% per annum.

xi. In 2020, MRI was granted by the DENR a provisional permit for the temporary occupation and use for industrial purposes of a parcel of public land (offshore) situated in Barangay Culaman, Malita, Davao Occidental aggregating to 99,809 square meters while applying the foreshore lease.

xii. In 2021, EERI leased a total of 390,829 square meters of land for its Liquefied Natural Gas (LNG) fired power plant from Ilijan Primeline Industrial Estate Corp., for a period of 25 years from the effective date with an option to renew further for 25 years. Beginning the fourth anniversary of the effective date, the rental shall be increased by 5% per annum.

xiii. In 2020 and 2021, UPSI leased parcels of land with total approximate area of 345,239 and 43,594 square meters from various third parties for the construction of its BESS facilities, respectively. The initial terms of the leases range for a period of 15 to 25 years with the option to renew further for 15 to 25 years, as may be applicable. For lease agreements with escalation clause, the rental shall be increased by 5% or 10% per annum, until the end of the term.

On October 1, 2022, UPSI assigned its existing lease agreement to a third party, for the 9,449 square meters property located in Navotas City, Metro Manila, thereby resulting to a gain on lease modification amounting to P15,819 recognized under "Other Income (charges)" account in the consolidated statements of income (Note 26).

xiv. In 2021, MPGC leased a total of 47,772 square meters of land from the Authority of Freeport Area of Bataan (AFAB) for the construction and development of a transmission line for a period of 25 years with an option to renew and extend. The terms of agreement include an option for MPGC to pay the total rental in full for the entire period.

xv. In 2021, the Parent Company entered into a lease agreement with Mabini Properties, Inc., an entity under common control for the use of office and parking spaces for a term of 6 years, with an option to renew upon mutual agreement of both parties. The agreement contains a clause to increase annual rental by 3% starting from the first anniversary of the effective date.

xvi. March 14, 2022, SGLPC leased a total of 10,000,800 square meters of land for the construction, development, maintenance, and operation of its solar power plant project and related facilities from San Miguel Foods, Inc. for a period of 25 years from the effective date with an option to renew further for 25 years. The rental shall be increased by 5% per annum on each anniversary after the 24-month lease free period and one year thereafter.

The Group also entered into various lease agreements that did not qualify under PFRS 16 for the recognition of right-of-use assets and lease liabilities due to the lease being short-term in nature.

SPI and MPPCL had short-term lease agreements with Challenger Aero Air Corporation, an entity under common control, for the lease of aircrafts, which expired on December 31, 2022. Both leases did not qualify under PFRS 16 as these were short-term in nature.

Relative to the lease agreements, the Group was required to pay advance rental and security deposits which are included under "Trade and other receivables - net" or "Prepaid expenses and other current assets" accounts in the consolidated statements of financial position (Notes 8 and 10).

Maturity analysis of lease payments are disclosed in Note 30.

Interest expense recognized in the consolidated statements of income amounted to P120,119, P118,474 and P108,378 in 2022, 2021 and 2020, respectively.

Rent expense recognized in the consolidated statements of income amounted to P401,386, P370,341 and P337,605 in 2022, 2021 and 2020, respectively (Notes 4, 23, and 24).

Total cash outflows amounted to P28,132,444, P29,603,394 and P29,288,895 in 2022, 2021 and 2020, respectively.

Group as Lessor
Information about significant leases for which the Group is a lessor that qualifies under PFRS 16 are as follows:

i. In May 2011, GPII entered into an agreement with NVRC, for the lease of certain parcels of land located in Limay, Bataan with a total area of 612,193 square meters. The lease term is for a period of 10 years up to May 2021, with an option to renew not later than 6 months prior to expiration and a 3.0% escalation rate of the rental every year from signing of the contract. This agreement was subsequently amended, reducing the leased area to 340,646 square meters effective October 1, 2013. This was further amended reducing the leased area to 130,980 square meters and with a corresponding reduction in the monthly rental effective on December 1, 2016. On June 20, 2017, NVRC assigned its leasehold rights to Petron Corporation, an entity under common control.

ii. On August 1, 2022, SPPC executed a contract with Linseed Field Corporation, as approved by PSALM, for the sublease of 7,586 square meters property located in Ilijan, Batangas. This property is covered by a long-term lease agreement between SPPC with PSALM dated April 4, 2022.

There are no restrictions imposed on these lease agreements such as those concerning dividends, additional debt and further leasing.

Rent income recognized under "Other operating income" account in the consolidated statements of income amounted to P29,299, P11,717 and P12,901 in 2022, 2021 and 2020, respectively (Notes 4 and 25).

i. Concession Agreement

The Parent Company entered into a 25-year Concession Agreement with ALECO on October 29, 2013. It became effective upon confirmation of the National Electrification Administration on November 7, 2013.

On January 28, 2014, the Parent Company and APEC entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations of the Parent Company under the Concession Agreement effective January 2, 2014.

The Concession Agreement include, among others, the following rights and obligations:

i. as Concession Fee, APEC shall pay to ALECO: (1) separation pay of ALECO employees in accordance with the Concession Agreement, and (2) the amount of P2,100 every quarter for the upkeep of residual ALECO (fixed concession fee);

ii. if the net cash flow of APEC is positive within 5 years or earlier from date of signing of the Concession Agreement, 50% of the Net Cash Flow each month shall be deposited in an escrow account until the cumulative nominal sum reaches P4,048,529;

iii. on the 20th anniversary of the Concession Agreement, the concession period may be extended by mutual agreement between ALECO and APEC; and

iv. at the end of the concession period, all assets and system, as defined in the Concession Agreement, shall be returned by APEC to ALECO in good and usable condition. Additions and improvements to the system shall likewise be transferred to ALECO.

In this regard, APEC shall provide services within the franchise area and shall be allowed to collect fees and charges, as approved by the ERC. APEC formally assumed operations as concessionaire on February 26, 2014.

The Group recognized as intangible assets all costs directly related to the Concession Agreement. The intangible assets consist of: a) concession rights, which include fixed concession fees and separation pay of ALECO employees, amounting to P384,317 and b) infrastructure, which includes the costs of structures and improvements, distribution system and equipment. Fixed concession fees are recognized at present value using the discount rate at the inception date with a corresponding concession payable recognized. Cost of infrastructure amounted to P1,173,507 as at December 31, 2021. Interest expense on concession payable, included as part of "Interest expense and other financing charges" account in the consolidated statements of income, amounted to P5,193, P5,372 and P5,541 in 2022, 2021 and 2020, respectively. Amortization of concession assets recognized in the "Depreciation and amortization" account in the consolidated statements of income amounted to P66,579, P60,409 and P56,058 in 2022, 2021 and 2020, respectively (Note 23).

Recent developments

On September 27, 2022, APEC received from ALECO its notification to terminate the Concession Agreement. APEC refuted the claims made by ALECO in a letter dated November 4, 2022.

On November 18, 2022, APEC served its Notice of Termination to ALECO based on ALECO's default of its obligations under the Concession Agreement.

Effective November 21, 2022, the Concession Agreement was terminated. Notwithstanding the pending dispute, APEC agreed to turn-over the operations of the distribution business to ALECO and agreed to provide assistance and cooperation to ALECO during the transition period beginning on November 21, 2022 and ending on December 21, 2022, without prejudice to APEC's remedies against ALECO under the terms of the Concession Agreement.

Accordingly, the total carrying amount of concession assets and related accounts amounting to P1,640,668 was reclassified to "Trade and other receivables" account in the consolidated statement of financial position as at December 31, 2022 (Note 8).

Power concession assets consist of:

	Concession Rights	Completed Projects/Others	Asset Under Construction (Contract Asset)	Total
Cost				
January 1, 2021	P384,317	P974,082	P76,845	P1,434,254
Additions	-	125,480	1,794	127,274
Reclassifications	-	(3,704)	-	(3,704)
December 31, 2021	384,317	1,095,858	77,639	1,557,824
Additions	-	122,469	13,219	135,688
Reversal/Reclassifications	(384,317)	(1,218,327)	(90,858)	(1,693,512)
December 31, 2022	-	-	-	-
Accumulated Amortization				
January 1, 2021	105,047	131,536	-	236,583
Amortization	15,373	45,036	-	60,409
December 31, 2021	120,420	176,572	-	296,992
Amortization	15,373	51,206	-	66,579
Reversal/Reclassifications	(135,793)	(227,778)	-	(363,571)
December 31, 2022	-	-	-	-
Accumulated Impairment Losses				
January 31, 2021 up to December 31, 2021	-	140,854	-	140,854
Reversal	-	(140,854)	-	(140,854)
December 31, 2021 and 2022	-	-	-	-
Carrying Amount				
December 31, 2021	P263,897	P778,442	P77,639	P1,119,978
December 31, 2022	P -	P -	P -	P -

The Group accounted for revenue and costs relating to construction or upgrade services in accordance with PFRS 15 based on the stage of completion of work performed. The fair value of the construction and upgrade services provided is equal to the recorded cost of the intangible asset built up from day one until the construction activity ceases. Construction revenue and construction cost amounted to P135,688, P127,274 and P211,396 in 2022, 2021 and 2020, respectively (Note 26).

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	2022	2021
Cash in banks and on hand		P11,497,773	P18,485,740
Short-term investments		11,228,463	49,204,411
	4, 30, 31	P22,726,236	P67,690,151

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 P385,798, P580,849 and P986,533 in 2022, 2021 and 2020, respectively.

8. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2022	2021
Trade		P87,921,106	P37,096,420
Non-trade	11, 15	10,604,518	9,723,627
Amounts owed by related parties	11, 15, 19	10,104,701	3,124,337
	6	108,630,325	49,944,384
Less allowance for impairment losses	4	2,690,984	2,672,082
	4, 30, 31	P105,939,341	P47,272,302

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 VAT on the sale of power collectible from customers.

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

	Note	2022	2021
Balance at beginning of year		P2,672,082	P3,034,110
Impairment losses during the year	4, 24	52,855	44,006
Cumulative translation adjustment and others		(11,029)	4,399
Reversal during the year	24, 26	(22,924)	(410,433)
Balance at end of year	4	P2,690,984	P2,672,082

Impairment losses recognized in the consolidated statements of income under "Selling and administrative expenses" account amounted to P52,855, P44,006 and P305,629 in 2022, 2021 and 2020, respectively (Note 24). In 2022 and 2021, certain trade and other receivables were collected and the related allowance for impairment losses recognized in prior years were reversed accordingly.

Non-trade receivables include the following:

a. Due from PSALM amounting to US$60,000 which pertains to SPPC's performance bond pursuant to the Ilijan IPPA Agreement that was drawn by PSALM on September 4, 2015. The validity of PSALM's action is the subject of an ongoing case filed by SPPC with the Regional Trial Court (RTC) of Mandaluyong City (Note 33).

b. Receivables from third parties amounting to P2,057,849 for the sale of SEDI, DAMI, BERI and SEPC in 2022.

c. SPI's receivables recognized for WESM transactions as well as the cost of fuel, market fees and other charges related to the dispatch of the excess capacity of the Sual Power Plant.

   On March 5, 2022, SPI entered into a Settlement Agreement with Team (Philippines) Energy Corporation (TPEC) and TeaM Sual Corporation (TSC) that aims to resolve all pending disputes on the dispatch of the excess capacity of the Sual Power Plant, including the claims of TPEC and SPI on historic imbalances arising from WESM transactions, cost of fuel, market fees and other charges. Pursuant to said agreement, SPI, TPEC and TSC have agreed to cause the dismissal of all ongoing cases and settle the historic imbalances and the corresponding amounts claimed relative to the excess capacity of the Sual Power Plant (Note 33).

   As at December 31, 2022, SPI has collected and recognized a receivable from TPEC amounting to P574,474 and P2,055,373, respectively, in accordance with the Settlement Agreement. In addition, SPI recognized the cost of its full dispatch rights on the capacity of the Sual Power Plant amounting to P1,628,654 under "Goodwill and other intangible assets" account (Note 14). The noncurrent portion of the receivable amounting to P1,575,769 is included under "Other noncurrent assets" account in the consolidated statements of financial position (Note 15).

d. On June 16, 2011, SPI entered into a MOA with Hardrock Coal Mining Pty Ltd. (HCML) and Caason Investments Pty Ltd. (Caason), companies registered in Australia, for the acquisition of shares in HCML. SPI paid Caason Australian dollars 12,000 (equivalent to P550,000), for an option to subscribe to the shares in HCML (the "Deposit"), with further option for SPI to decide not to pursue its investment in HCML, which will result in the return of the Deposit to SPI plus interest. In a letter dated July 15, 2011, SPI notified Caason and HCML that it shall not pursue the said investment and therefore asked Caason and HCML for the return of the Deposit with corresponding interest (the "Amount Due"), pursuant to the terms of the MOA.

   On September 2, 2014, SPI, HCML and Caason agreed to a schedule of payment of the outstanding Amount Due to SPI. In January 2020, the same parties entered into a Deed of Arrangement. SPI reversed a total of P22,924, and P22,925, and recognized a foreign exchange gain of P11,029 and loss of P4,399, from the allowance for the amounts recovered from HCML in 2022 and 2021, respectively (Note 26).

   As at December 31, 2022 and 2021, total outstanding receivable from HCML amounting to P261,827 and P295,780, respectively, has been fully provided with allowance.

e. Receivables recognized by APEC from ALECO, amounting to P1,840,688, following the termination of the Concession Agreement on November 21, 2022 (Note 6)

f. LPI made advances for the construction of transmission assets on behalf of NGCP. The reimbursement shall take place after full payment and proper turnover of the transmission assets to NGCP.

g. The remaining balance mainly pertains to billings for demurrage charges, refundable security deposit for bid purposes, and receivables from customers which will be remitted to the Government upon collection.

9. Inventories

Inventories at cost consist of:

	Note	**2022**	2021
Coal	*6*	**P12,268,020**	P7,051,095
Materials and supplies		**3,203,182**	2,715,255
Fuel oil	*19*	**1,259,249**	167,613
Other consumables		**101,708**	83,859
	4	**P16,822,159**	P10,017,822

There were no inventory write-downs to net realizable value in 2022, 2021 and 2020 (Note 4). Inventories charged to cost of power sold amounted to P114,857,765, P39,108,912 and P23,954,749 in 2022, 2021 and 2020, respectively (Note 23).

10. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	**2022**	2021
Input VAT		**P21,313,420**	P15,687,063
Prepaid tax		**11,472,838**	9,670,879
Restricted cash	*15, 30, 31*	**6,408,269**	2,550,607
Advances to suppliers		**2,564,056**	1,734,615
PSALM monthly fee outage credits	*5*	**850,195**	1,397,267
Derivative assets not designated as cash flow hedge	*19, 30, 31*	**178,285**	111,032
Derivative assets designated as cash flow hedge	*30, 31*	**143,545**	-
Other prepaid expenses	*19*	**362,244**	337,529
		P43,292,852	P31,488,992

Input VAT consists of VAT on purchases of goods and services which can be offset against the output VAT payable (Note 17).

Prepaid tax consists of local business taxes and permits, CWTs and excess tax credits which can be used as a deduction against future income tax payable.

Restricted cash pertains to funds maintained in various financial institutions: (a) as cash flow waterfall accounts required under the respective credit facilities of LPI, MPI and MPPCL, (b) as environmental guarantee fund for remittance to the DENR, and (c) as financial benefits to host communities, as required by law (Notes 15 and 19).

Advances to suppliers mainly pertains to advance payments for inventories of the Group.

PSALM monthly fee outage credits pertain to the approved reduction in SPI's future monthly fees payable to PSALM resulting from the outages of the Sual Power Plant in 2022 and 2021.

The methods and assumptions used to estimate the fair values of restricted cash and derivative assets are discussed in Note 31.

Other prepaid expenses mainly pertain to the following:

a. Prepaid insurance of the Group for power plants amounted to P178,528 and P114,124 as at December 31, 2022 and 2021, respectively.

b. Prepaid rent of the Group from various short-term lease agreements amounted to P38,213 and P28,661 as at December 31, 2022 and 2021, respectively (Note 6).

c. Prepaid legal and financial advisory fees relating to the Group's financing activities and prepayments of various operating expenses.

11. Investments and Advances

Investments and advances consist of:

	2022	2021
Investments in Shares of Stock of an Associate and Joint Ventures		
Cost		
Balance at beginning of year	P7,618,892	P7,618,892
Additions	503,316	-
Balance at end of year	8,122,208	7,618,892
Accumulated Equity in Net Losses		
Balance at beginning of year	2,367,472	2,251,362
Equity in net losses during the year	392,606	119,810
Share in other comprehensive income (loss) during the year	2,069	(1,238)
Adjustment to equity in net losses in prior year	7,524	(2,462)
Balance at end of year	2,769,671	2,367,472
	5,352,537	5,251,420
Advances	2,502,054	5,587,426
	P7,854,591	P10,838,846

Advances pertain to deposits made to certain landholding companies which will be applied against future stock subscriptions. In 2022, the Parent Company bought ownership interests in certain landholding companies. As a result, these landholding companies were consolidated and deposits amounting to P2,987,234 were eliminated in the consolidated statements of financial position as at December 31, 2022.

The following are the developments relating to the Group's investments in shares of stock of an associate and joint ventures:

a. Investment in shares of stock of an associate

OEDC

In April 2013, SPGC and San Miguel Equity Investments, Inc. (SMEII), an entity under common control, entered into a Deed of Assignment of Subscription Rights, whereby, SMEII agreed to assign its 35% of ownership interests in OEDC to SPGC for a consideration of P8,750

Subscriptions payable amounted to P26,101 as at December 31, 2022 and 2021 (Note 19).

The table below summarizes the financial information of investment in shares of stock of an associate which is accounted for using the equity method:

	2022 (Unaudited)	2021 (Audited)
Country of Incorporation	**Philippines**	Philippines
Current assets	**P986,134**	P512,340
Noncurrent assets	**1,304,987**	1,312,968
Current liabilities	**(1,235,836)**	(725,307)
Noncurrent liabilities	**(405,850)**	(476,250)
Net assets	**P651,435**	P623,751
Revenue	**P2,482,316**	P1,838,709
Net income	**P25,422**	P42,803
Other comprehensive income	**2,263**	3,636
Total comprehensive income	**P27,685**	P46,439
Share in net income	**P8,897**	P14,981
Share in other comprehensive income	**P792**	P1,273
Carrying amount of investment	**P241,713**	P232,024

b. Investments in shares of stock of joint ventures

i. AHC and KWPP

The Parent Company, through PVEI, and Korea Water Resources Corporation (K-water) entered into a joint venture for the acquisition, rehabilitation, operation and maintenance of the 218 MW Angat Hydroelectric Power Plant (Angat Power Plant) awarded by PSALM to K-water.

On November 18, 2014, PVEI acquired from the individual stockholders and K-water, 2,817,270 shares or 60% of the outstanding capital stock of AHC and from the individual stockholders, 75 shares representing 60% of KWPP's outstanding capital stock.

Subsequently, AHC and KWPP each issued shares in favor of nominee directors of PVEI and K-water to complete their respective shareholding interest.

AHC
AHC was incorporated on November 15, 2013 and was created to engage in the operations and maintenance of the Angat Power Plant and to supply power generated to power corporations and to electric utilities, to import hydro-electric facilities and equipment, and to do all acts necessary and incidental thereto, in accordance with RA No. 9136 or otherwise known as the EPIRA.

KWPP
KWPP was incorporated on November 27, 2013 and was established for the purpose of acquiring, holding or leasing water and flowage rights.

The table below summarizes the financial information of investments in shares of stock of joint ventures which is accounted for using the equity method:

December 31, 2022 (Unaudited)

	AHC	KWPP
Country of Incorporation	**Philippines**	**Philippines**
Current assets	P1,882,288	P3,447
Noncurrent assets	16,775,889	17,652
Current liabilities	(1,422,164)	(6,515)
Noncurrent liabilities	(11,834,241)	(13,782)
Net assets	P5,601,772	P802
Revenue	P1,571,312	P1,287
Net losses	(P676,609)	(P165)
Other comprehensive loss	(4,768)	-
Total comprehensive loss	(P681,377)	(P165)
Share in net losses	(P405,966)	(P99)
Share in other comprehensive loss	(P2,861)	P -
Carrying amount of investment	P4,602,240	P707

December 31, 2021 (Audited)

	AHC	KWPP
Country of Incorporation	Philippines	Philippines
Current assets	P2,509,948	P3,027
Noncurrent assets	17,161,259	18,246
Current liabilities	(1,019,303)	(6,034)
Noncurrent liabilities	(12,468,755)	(14,271)
Net assets	P6,183,149	P968
Revenue	P1,926,530	P -
Net losses/total comprehensive losses	(P237,181)	(P69)
Share in net losses/total comprehensive losses	(P142,309)	(P41)
Carrying amount of investment	P5,011,068	P806

ii. IASCO and Isabel AS

On June 2, 2022, the Parent Company, through PEGC and PVGC, acquired 50% effective ownership interests in IASCO, which operates the 70 MW modular power plant located in Isabel, Leyte, for a total consideration of P503,316. PEGC acquired 50% of the outstanding capital stock of Isabel AS, which is the general partner of IASCO.

IASCO is a limited partnership created for the primary purpose of developing, operating, and maintaining a modular power plant and any other assets including transmission and sub-transmission lines. IASCO is managed by its general partner, Isabel AS.

The table below summarizes the financial information of investments in shares of stock of joint ventures which is accounted for using the equity method:

December 31, 2022 (Unaudited)

	Isabel AS	**IASCO**
Country of Incorporation	**Philippines**	**Philippines**
Current assets	**P75**	**P883,808**
Noncurrent assets	**9,341**	**409,295**
Current liabilities	-	**(648,149)**
Noncurrent liabilities	-	**(36,165)**
Net assets	**P9,916**	**P608,789**
Revenue	**P -**	**P789,136**
Net income (loss)/total comprehensive income (loss)*	**(P83)**	**P9,205**
Share in net income (losses)/total comprehensive income (losses)	**(P42)**	**P4,603**
Carrying amount of investment	**P67,899**	**P439,978**

**Net income (loss)/total comprehensive income (loss) for the period from June 2, 2022 up to December 31, 2022*

Investment in Shares of Stock of Subsidiaries

The following are the developments relating to the sucsidiaries:

i. PVEI

In January 2017, PVEI granted shareholder advances amounting to US$31,800 (equivalent to P1,578,870) to its joint venture company, AHC. The advances bear an annual interest rate of 4.50% and are due on April 30, 2017. The due date of the advances may be extended as agreed amongst the partiec.

As at December 31, 2022 and 2021, the remaining balance of the shareholder advances amounted to US$2,281 (equivalent to P127,189 and P116,339, respectively) and due date was extended to December 31, 2023 (Notes 8 and 19). Interest income amounted to P5,673, P5,138 and P5,165 in 2022, 2021 and 2020, respectively (Note 19).

In June and October 2021, PVEI granted shareholder loans to AHC amounting to P600,000 and P408,540, respectively. The loans bear interest rates of 4.6% and 6.125%, respectively, and are due on January 5, 2032. Outstanding balance amounted to P1,008,540 as at December 31, 2022 and 2021 (Notes 15 and 19). Interest income amounted to P53,354 and P18,840 in 2022 and 2021 (Note 19).

ii. MPGC

MPGC is the owner of the 4 x 150 MW CFB Coal-fired Power Plant that is being constructed in Mariveles, Bataan.

On December 16, 2021, the BOD and stockholders of MPGC approved the increase in its authorized capital stock from P12,600,000 to P18,600,000, divided into 186,000,000 shares with par value of P100, and the Parent Company subscribed to an additional 58,844,092 shares at a subscription price of P100 per share, or a total subscription amount of P5,884,409. The increase in authorized capital stock was approved by the Philippine SEC on December 27, 2022.

Following the subscription, the Parent Company's ownership interests in MPGC increased from 91.98% as at December 31, 2021 to 94.55% as at December 31, 2022. Non-controlling interests in MPGC held by MGen and Zygnet were reduced to 5.24% and 0.21%, respectively, as at December 31, 2022.

The additional capital infusion finances in part the power plant project of MPGC. As at December 31, 2022, the Parent Company has fully paid the total subscription amount.

iii. MPPCL, MaPoCo and MaPaCo

Effective October 1, 2021, MPPCL, MaPoCo and MaPaCo have adopted Philippine Peso as their functional currency. The change from US Dollar to Philippine Peso functional currency was determined based on the evaluation of the significant change in the underlying transactions, events and conditions relevant to MPPCL, MaPoCo and MaPaCo in accordance with PAS 21, *The Effects of Changes in Foreign Exchange Rates*.

A notification of the change in functional currency was filed separately by MPPCL, MaPoCo and MaPaCo with the Philippine SEC on January 28, 2022.

iv. Acquisition of subsidiaries

On August 25, 2022, the Parent Company acquired the 100% outstanding capital stock of MVIHI and Bluelight for a total consideration amount of P15,500. MVIHI and Bluelight own and manage various properties located in the province of Cavite and Quezon, respectively (Note 12).

The following summarized the recognized net assets acquired from MVIHI and Bluelight at acquisition date:

	MVIHI	Bluelight
Current assets	P51,019	P2,877
Noncurrent assets	3,278,332	284,724
Current liabilities	(529,713)	(282,101)
Noncurrent liabilities	(2,789,638)	-
Net assets	P10,000	P5,500

On March 15, 2021, the Parent Company acquired the 100% outstanding capital stock of Soracil for a total consideration amount of P798,098, inclusive of transaction costs. Soracil owns certain parcels of land located in Barangay Wack-wack, Mandaluyong City (Note 12).

The following summarized the recognized net assets acquired from Soracil at acquisition date:

Current assets	P16,254
Noncurrent assets	779,505
Current liabilities	(151)
Net assets	P795,608

The ownership interest of the Parent Company in Soracil was subsequently sold to an entity under common control in 2022 (Note 19).

In accordance with the criteria set out in paragraph 2 of PFRS 3 and based on Philippine Interpretations Committee Question and Answer No. 2011 - 06 PFRS 3 (2008), and PAS 40, *Investment Property* - Acquisition of Investment Properties - Asset Acquisition or Business Combination, the Parent Company is exempt from applying acquisition method and should be accounted for as an asset acquisition based on the principles described in other PFRS. The acquired set of assets and activities does not constitute a business as defined in PFRS 3.

v. Sale of subsidiaries

On August 26, 2022, the Parent Company sold its 100% shareholdings in Soracil and OHC, to an entity under common control and in SEDI, to a third party, for P5,084,700. The amount of consideration, which will be collected on installment basis up to 2026 and subject to interest to be agreed by the relevant parties, is presented as part of amounts owed by related parties, non-trade receivables and noncurrent receivables under "Trade and other receivables - net" and "Other noncurrent assets" accounts in the 2022 consolidated statement of financial position (Notes 8, 15, 19 and 25). Interest income amounted to P77,674 in 2022 (Note 19).

Sorecil and OHC own certain parcels of land located in Barangay Wack-wack, Mandaluyong City (Note 12). SEDI owns real properties, including land with a 15 MW heavy fuel oil power plant facility located in Tagum City, Davao del Norte.

On December 21, 2022, SPI sold its 100% shareholdings in DAMI, BERI and SEPC to a third party for P1,817,849. The amount of consideration, which will be collected in 3 tranches up to September 30, 2023, is presented as part of non-trade receivables under "Trade and other receivables – net" account in the 2022 consolidated statement of financial position (Notes 8 and 25).

Also on the same date, SPI entered into an agreement with the same third party for the assignment of its deposit for future stock subscription amounting to P1,551,647. This amount, presented as part of "Other noncurrent assets" account in the consolidated statements of financial position, is payable over a period of 5 years, subject to interest to be agreed by both parties.

DAMI and SEPC have coal mining properties, covered by Coal Operating Contracts (COCs) issued by the Philippine DOE, located in the provinces of Sarangani, South Cotabato and Sultan Kudarat (Note 15).

The foregoing sale transactions resulted to loss of ownership and control over these entities and the derecognition and deconsolidation of the assets and liabilities of these entities effective on the date of sale (Notes 8, 12, 14, 15 and 25).

12. Property, Plant and Equipment

Property, plant and equipment consist of:

	Note	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	Capital Projects in Progress	Total
Cost							
January 1, 2021		P128,513,724	P13,159,019	P4,777,476	P3,881,451	P34,270,780	P184,582,450
Additions		527,220	342,780	330,283	4,803	38,380,511	39,594,597
Acquisition of a subsidiary	11	-	781,995	-	-	-	781,995
Reclassifications		2,519,673	(70,086)	641,642	5,302	(308,603)	2,888,415
Currency translation adjustments		4,287,185	31,899	199,017	166,654	151,201	4,865,989
December 31, 2021		135,847,812	14,245,698	5,657,418	4,057,810	72,492,888	232,701,427
Additions		1,998,559	321,729	544,917	5,724	45,594,979	48,475,898
Acquisition of a subsidiary	11		3,260,025	-	-	-	3,260,025
Reclassifications	6, 13, 15	48,889,175	440,385	770,310	561,300	3,462,755	53,923,825
Disposals	11, 19, 25	(485,280)	(4,865,023)	(518,510)	(48,713)	(200,618)	(5,894,124)
Currency translation adjustments			185	1,279	-	-	1,564
December 31, 2022		186,180,266	13,402,993	6,756,614	4,576,121	122,343,696	332,375,918
Accumulated Depreciation and Amortization							
January 1, 2021		11,678,212	444,324	720,724	191,642	-	13,034,902
Depreciation and amortization		5,248,687	196,429	401,056	114,162	-	5,960,334
Currency translation adjustments and others		1,561,861	1,464	92,317	17,043	-	1,672,685
December 31, 2021		18,488,760	642,217	1,214,097	322,847	-	20,667,921
Depreciation and amortization		6,581,518	217,409	405,881	131,109	-	7,335,928
Disposals	11, 19, 25	(133,171)	-	(86,612)	(28,456)	-	(248,238)
Currency translation adjustments		-	139	1,379	-	-	1,517
December 31, 2022		24,937,107	859,765	1,534,754	424,490	-	27,756,126
Accumulated Impairment Losses							
January 1, 2021		-	-	132,111	-	-	132,111
Impairment	26	-	-	34,991	-	-	34,991
Currency translation adjustments		-	-	7,872	-	-	7,872
December 31, 2021		-	-	174,974	-	-	174,974
Impairment	26	-	-	34,991	-	-	34,991
Currency translation adjustments		-	-	-	-	-	-
December 31, 2022		-	-	209,965	-	-	209,965
Carrying Amount							
December 31, 2021		P117,455,052	P13,603,481	P4,568,347	P3,735,063	P72,492,589	P211,858,532
December 31, 2022		P160,243,173	P12,743,233	P5,010,796	P4,151,631	P122,343,696	P304,412,536

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 MPGC related to the construction of its power plant project in Mariveles, Bataan.

   ii. Expenditures of EERI related to the construction of its combined cycle power plant in Batangas.

   iii. Projects of UPSI for the construction of BESS facilities and gas turbine generators situated in various locations in the Philippines.

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

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

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

   vi. Various construction works relating to the respective power plant facilities of LPI and MPI.

c. Reclassifications mainly pertain to the Ilijan Power Plant, which was reclassified from the "Right-of-use assets" account following the expiration of its IPPA Agreement with PSALM and its turnover to SPPC, and application of advances to contractors against progress billings for capital projects in progress (Notes 6, 13 and 15).

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

	Note	**2022**	2021	2020
Cost of power sold	23	**P6,828,880**	P5,484,187	P4,828,013
Selling and administrative expenses	24	**507,046**	476,147	387,256
		P7,335,926	P5,960,334	P5,215,269

Total depreciation and amortization, recognized in the consolidated statements of income, include amortization of capitalized interest and decommissioning and dismantling costs amounting to P267,010, P251,398 and P364,273 in 2022, 2021 and 2020, respectively. The Group recognized impairment losses amounting to P34,991 in 2022 and 2021, and P35,018 in 2020, and presented as part of "Other income (charges)" account in the consolidated statements of income (Note 26).

The Group has borrowing costs amounting to P2,156,087, P1,059,256 and P1,509,315 which were capitalized in 2022, 2021 and 2020, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization were 7.47% in 2022 and 2021 and range from 7.75% to 12.96% in 2020, respectively. The unamortized capitalized borrowing costs amounted to P9,832,705 and P7,945,628 as at December 31, 2022 and 2021, respectively (Note 18).

As at December 31, 2022 and 2021, certain property, plant and equipment amounting to P125,726,120 and P127,318,347, respectively, are pledged as security for syndicated project finance loans (Note 18).

Certain fully depreciated property, plant and equipment with aggregate costs amounting to P4,725,837 and P4,460,275 as at December 31, 2022 and 2021, respectively, are still being used in the Group's operations.

13. Right-of-Use Assets

The movements in right-of-use assets are as follows:

	Note	Land	Buildings and Improvements	Power Plants	Total
Cost					
January 1, 2021		P5,556,227	P94,642	P167,387,089	P173,037,958
Additions		172,797	315,240	-	488,037
Remeasurement and others		(123,522)	-	-	(123,522)
Currency translation adjustments		(14,033)	-	-	(14,033)
December 31, 2021		5,591,469	409,882	167,387,089	173,388,440
Additions		2,723,373	40,837	-	2,764,210
Reclassification	6, 12	-	-	(53,988,259)	(53,988,259)
Remeasurement and others		(232,899)	(6,939)	-	(239,838)
December 31, 2022		**8,081,943**	**443,780**	**113,398,830**	**121,924,553**
Accumulated Depreciation and Amortization					
January 1, 2021		278,698	73,370	10,372,806	10,724,874
Depreciation and amortization		64,026	70,713	5,186,403	5,321,142
Remeasurement and others		182,763	-	-	182,763
December 31, 2021		525,487	144,083	15,559,209	16,228,779
Depreciation and amortization		108,380	73,593	4,243,964	4,425,937
Reclassification	6, 12	-	-	(5,519,997)	(5,519,997)
Remeasurement and others		186,756	(6,766)	-	179,990
December 31, 2022		**820,623**	**210,910**	**14,283,176**	**15,314,709**
Carrying Amount					
December 31, 2021		P5,065,982	P265,799	P151,827,880	P157,159,661
December 31, 2022		**P7,261,320**	**P232,870**	**P99,115,654**	**P106,609,844**

The carrying amount of the power plants of the IRPAs under lease arrangements amounted to P99,115,654 and P151,827,880 as at December 31, 2022 and 2021, respectively (Note 6).

The carrying amount of the land under lease arrangements of MPPCL and SPPC with PSALM amounted to P1,869,903 and P88,535 as at December 31, 2022 and 2021 respectively (Note 6).

The combined asset retirement costs of LPI, MPI, UPSI and MPPCL amounted to P521,022 and P589,594 as at December 31, 2022 and 2021, respectively.

The reclassification in 2022 pertains to the Ilijan Power Plant that was reclassified to "Property, plant and equipment" account following the expiration of the IPPA Agreement between SPPC and PSALM and its turnover to SPPC in June 2022 (Notes 6 and 12).

Remeasurements and others in 2022 and 2021 pertain mainly on the change in the estimated dismantling costs of ARO during the year.

14. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

	Note	2022	2021
Goodwill	*4*	P69,953,222	P69,953,222
Computer software and licenses - net	*4*	226,906	150,220
Mining rights	*4, 11, 15*	-	1,719,726
Power concession assets - net	*4, 6*	-	1,119,978
Others	*4, 8*	1,584,431	-
		P71,764,559	P72,943,146

Impairment of Goodwill from Masinloc Group

Goodwill arising from the acquisition of Masinloc Group in 2018, amounting to P69,944,356 which accounts for almost 100% of the total goodwill in the consolidated statements of financial position as at December 31, 2022 and 2021, is allocated to the cash generating unit of the Masinloc Group.

The recoverable amount of goodwill has been determined based on the value in use using discounted cash flows and was based on the following key assumptions:

- Cash flows were projected based on experience and actual operating results and cover forecast until 2027 in 2022 and 2026 in 2021 based on long range plans approved by management. Management believes that the forecast was justifiable due to long-term contracts with major customers. Cash flows beyond the forecasted period are extrapolated using a constant growth rate determined per cash-generating unit.

- A discount rates of 11.0% and 9.0% in 2022 and 2021, respectively, were applied based on the weighted-average cost of capital, which reflects the management's estimate of the risk specific to the cash-generating unit.

- Terminal growth rates of 5.0% in 2022 and 2021, respectively, were applied as the Group is in the process of increasing its capacity and upgrading its facilities and hence foresees growth in cash flows generated perpetually. This growth rate is consistent with the long-term average growth rate for the industry.

The values assigned to the key assumptions represent the management's assessment of future trends in the industry and are based on internal sources (historical data).

For purposes of discount rate sensitivity, discount rate scenarios of 10.5% and 11.5% in 2022, and 8.5% and 9.5% in 2021 were applied on the discounted cash flows analysis. Management believes that any reasonably possible change in the discount rate on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

Based on management's assessment, goodwill is not impaired since the recoverable amount of the related net assets for which the goodwill was attributed still exceeds its carrying amount as at December 31, 2022 and 2021.

Computer Software and Licenses

The movements in computer software and licenses are as follows:

	Note	2022	2021
Cost			
Balance at beginning of year		**P468,332**	P403,903
Additions		**125,512**	57,772
Cumulative translation adjustments		**-**	6,657
Balance at end of year		**593,844**	468,332
Accumulated Amortization			
Balance at beginning of year		**318,112**	275,471
Amortization	*24*	**48,826**	32,315
Cumulative translation adjustments		**-**	10,326
Balance at end of year	*4*	**366,938**	318,112
		P226,906	P150,220

Others

In 2022, SPI obtained full dispatch rights on the capacity of Sual Power Plant, following its agreement with TPEC. As a result, SPI recognized this right under "Goodwill and other intangible assets" account amounting to P1,826,854 (Notes 6, 8 and 33). Amortization expense recognized in the consolidated statements of income amounted to P44,423 in 2022 (Notes 4 and 24).

15. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	2022	2021
Advances to suppliers and contractors		**P20,219,121**	P20,452,013
Amounts owed by related parties	*11, 19*	**9,638,442**	1,101,147
Noncurrent receivables	*11, 30, 31*	**4,357,754**	412,557
Restricted cash - net of current portion	*30, 31*	**1,290,189**	1,879,789
Deferred input VAT – net of current portion		**132,763**	233,458
Deferred exploration and development costs	*11*	**-**	719,393
Derivative assets designated as cash flow hedge	*30, 31*	**-**	42,173
Others		**174,076**	165,903
		P35,812,345	P25,006,433

Advances to suppliers and contractors pertain to advance payments to contractors for the construction of the Group's power plants and BESS projects (Note 12).

Noncurrent receivables mainly pertain to (a) SPI's receivables from TPEC, and from a third party for the assignment of its deposits to DAMI, BERI and SEPC, and (b) Parent Company's receivable from a third party for the sale of SEDI (Notes 6 and 11).

Restricted cash mainly comprises of: (a) LPI's cash flow waterfall accounts, amounting to P1,160,283 and P1,144,950 as at December 31, 2022 and 2021, respectively (Notes 10 and 18); (b) MPPCL's cash flow waterfall accounts and environmental guarantee fund, amounting to P129,851 and P56,150 as at December 31, 2022 and 2021, respectively; (c) the amount received from IEMOP amounting to P491,242 as at December 31, 2021, representing the proceeds of sale on WESM for a specific period in 2016, for the electricity generated from the excess capacity of the Sual Power Plant, which SPI consigned with the RTC of Pasig City and subsequently released to TPEC on December 20, 2022 (Note 33); and (d) APEC's reinvestment fund for sustainable capital expenditures and contributions collected from customers for bill deposits which are refundable amounting to nil and P187,412 as at December 31, 2022 and 2021, respectively.

As at December 31, 2022 and 2021, the deferred input VAT mainly pertains to the input VAT relating to the construction of power plants and BESS projects of the Group (Note 12).

Others mainly pertain to retention asset and costs incurred in relation to long-term customer contracts.

Deferred Exploration and Evaluation Costs

The movement in deferred exploration and development costs is as follows:

	Note	**2022**	2021
Balance at beginning of year		**P719,393**	P714,726
Additions		**183,660**	4,204
Reclassification		**418**	463
Disposal	11	**(903,471)**	-
Balance at end of year	4	**P -**	P719,393

Deferred exploration and development costs comprise of expenditures which are directly attributable to the mining activities of DAMI, SEPC and BERI in relation to their respective COC.

In 2010, SPI acquired DAMI, SEPC and BERI resulting in the recognition of mining rights of P1,719,726 (Note 4).

DAMI's coal property covered by COC No. 126, issued by the DOE, is located in South Cotabato consisting of 2 coal blocks with a total area of 2,000 hectares, more or less, and has an In-situ coal resources (measured plus indicated coal resources) of about 68.30 million metric tons as at December 31, 2022 and 2021.

SEPC has a coal mining property and right over an aggregate area of 7,000 hectares, more or less, composed of 7 coal blocks located in South Cotabato and Sultan Kudarat. As at December 31, 2022 and 2021, COC No. 134 has an In-situ coal resources (measured plus indicated coal resources) of about 35.02 million metric tons.

BERI's COC No. 138, issued by the DOE is located in Sarangani and South Cotabato consisting of 8 coal blocks with a total area of 8,000 hectares, more or less, and has an in-situ coal resources (measured plus indicated coal resources) of about 23.45 million metric tons as at December 31, 2022 and 2021.

In 2008 and 2009, the DOE approved the conversion of the COC for Exploration to COC for Development and Production of DAMI, SEPC and BERI effective on the following dates:

Subsidiary	COC No.	Effective Date	Term*
DAMI	126	November 19, 2008	20 years
SEPC	134	February 23, 2009	10 years
BERI	138	May 26, 2009	10 years

*The term is followed by another 10-year extension, and thereafter, renewable for a series of 3-year periods not exceeding 12 years under such terms and conditions as may be agreed upon with the DOE.

On April 27, 2012 and January 26, 2015, the DOE granted the requests of DAMI, SEPC and BERI, for a moratorium on suspension of the implementation of the production timetable as specified under their respective COC. The request is in connection with a resolution passed by South Cotabato in 2010 prohibiting open-pit mining activities in the area. The moratorium was retrospectively effective from the dates of their respective COC, when these were converted to Development and Production Phase, and remained valid as approved by the DOE or until the ban on open-pit mining pursuant to the Environment Code of South Cotabato has been lifted, whichever comes first.

On December 11, 2019, the DOE approved the 10-year extension and the initial 5-year WPB for COC No. 134 of SEPC.

On January 10, 2020, DAMI and BERI met with the Energy Resources Development Bureau representatives to discuss the proposed consolidated 5-year Work Program and Budget (WPB) and the documentary requirements to effect consolidation of the 2 COCs.

On December 6, 2021, the Sangguniang Panlalawigan of South Cotabato approved the request for endorsement of the implementations of the respective COCs of DAMI, BERI and SEPC, thereby removing the biggest impediments for implementation of the 3 COCs and the implementation of the 5-year WPB of SEPC that was approved by the DOE on December 11, 2019. On May 20, 2022, the DOE granted the requests for approval of the transfer/assignment of COC No. 138 in favor of DAMI, consolidation of COC No. 126 and 138 into one contract and its corresponding proposed 5-year consolidated WPB. The consolidation of COC Nos. 126 and 138 took effect upon the execution of the Amendment to Coal Operating Contract No. 126 and approval thereof by the DOE on July 22, 2022.

In December 2022, SPI sold its 100% shareholdings in DAMI, BERI and SEPC and consequently derecognized the deferred exploration and development costs of these entities effective December 21, 2022 (Note 11).

The methods and assumptions used to estimate the fair values of restricted cash, noncurrent receivables and derivative assets are discussed in Note 31.

16. Loans Payable

Loans payable account consist of unsecured short-term loans of the Parent Company Power amounting to P21,000,000 and of MPPCL amounting to US$30,000 (equivalent to P1,529,970) as at December 31, 2022 and 2021, respectively (Notes 30 and 31). The interest rates applied ranged from 5.00% to 5.50% and 3.75% as at December 31, 2022 and 2021, respectively. These loans were obtained from various local financial institutions to partially refinance maturing obligations, for working capital and for general corporate purposes.

Interest expense on loans payable amounted to P606,725 and P62,964 and P79,211 in 2022, 2021 and 2020, respectively.

On December 12, 2022, MPPCL fully paid its US$30,000 short-term loan.

17. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**2022**	2021
Trade	*6*	**P20,429,358**	P15,357,138
Non-trade	*6*	**42,326,144**	30,834,754
Output VAT		**13,983,971**	7,508,289
Amounts owed to related parties	*19*	**2,980,384**	732,736
Withholding and other accrued taxes		**2,887,746**	370,176
Accrued interest	*6, 16, 18*	**1,757,317**	1,226,302
Derivative liabilities not designated as cash flow hedge		**75,455**	-
Premium on option liabilities		**6,799**	25,831
	30, 31	**P84,447,174**	P56,055,226

Trade payables consist of payable related to energy fees, inventories and power purchases. These are generally on a 30-day term and are non-interest bearing.

Non-trade payables include liability relating to payables to contractors, power rate adjustments, and other payables to the Government excluding output VAT and withholding taxes.

Output VAT consists of current and deferred output VAT payable. Deferred output VAT represents the VAT on sale of power which will be remitted to the Government only upon collection from the customers (Note 8).

The methods and assumptions used to estimate the fair values of financial liabilities are discussed in Note 31.

18. Long-term Debt

Long-term debt consists of:

	Note	2022	2021
Bonds			
Parent Company			
Peso-denominated:			
Fixed interest rate of 5.9077%, 7.1051% and 8.0288% maturing in 2025, 2028 and 2032, respectively (a)		**P33,475,629**	P -
Fixed interest rate of 7.1783% and 7.8000% maturing in 2024 and 2026, respectively (b)		**15,070,346**	29,857,106
Fixed interest rate of 6.7500% maturing in 2023 (c)		**14,971,990**	14,929,804
Fixed interest rate of 6.2500% and 6.6250% maturing in 2024 and 2027, respectively (d)		**10,040,725**	19,915,621
Fixed interest rate of 4.7575% and 5.1792% maturing in 2023 and 2028, respectively (e)		**8,820,612**	8,807,704
		89,379,302	73,510,235
Term Loans			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.9265%, with maturities up to 2024 (f)		**14,216,532**	14,341,187
Fixed interest rate of 5.0000%, with maturities up to 2025 (g)		**4,889,250**	4,925,442
Foreign currency-denominated:			
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, maturing in 2023 (h)		**27,868,660**	25,336,955
Floating interest rate based on LIBOR plus margin, maturing in 2026 (i)		**16,454,788**	14,848,745
Floating interest rate based on LIBOR plus margin, maturing in 2023 (j)		**2,787,954**	2,504,152
Floating interest rate based on LIBOR plus margin, maturing in 2024 (k)		**10,668,092**	-
Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2025 (l)		**5,495,079**	-
Floating interest rate based on SOFR plus margin, maturing in 2027 (m)		**15,251,792**	-
Subsidiaries			
Peso-denominated:			
Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (n)		**36,177,787**	37,826,133
Fixed interest rate of 7.7521% and 6.5077% with maturities up to 2030 (o)		**15,690,917**	17,154,198
Foreign currency-denominated:			
Fixed interest rate of 4.7776% and 5.5959% with maturities up to 2023 and 2030, respectively (p) (q)		**24,863,862**	24,467,442
Floating interest rate based on LIBOR plus margin, with maturities up to 2023 and 2030 (p) (q)		**8,140,179**	8,006,926
		182,773,322	149,411,208
	30, 31	**272,152,624**	222,921,443
Less current maturities		**63,721,744**	30,185,418
		P208,430,880	P192,736,025

a. The amount represents the first tranche of the Parent Company's P60,000,000 fixed rate bonds shelf registration. The first tranche, with an aggregate principal amount of P40,000,000, was issued and listed on the Philippine Dealing and Exchange Corp. (PDEx) for trading on July 26, 2022 at the issue price of 100% of face value.

It comes in three series, with terms and interest rates as follows.

	Term	Interest Rate Per Annum
Series K Bonds	3 years, due 2025	5.9077%
Series L Bonds	5.75 years, due 2028	7.1051%
Series M Bonds	10 years, due 2032	8.0288%

Interest on the Bonds shall be payable quarterly in arrears every April 26, July 26, October 26 and January 26 of each year starting October 26, 2022, as the first interest payment date.

The proceeds from the issuance of the bonds were used: (i) to partially finance the Parent Company's investments in power-related assets, particularly LNG projects and related assets, coal power plant projects, BESS and solar power plant projects; (ii) for general corporate purposes; and (iii) for payment of transaction-related fees, costs and expenses.

b. The amount represents the first tranche of the Parent Company's P60,000,000 fixed rate bonds shelf registration. The first tranche, with an aggregate principal amount of P30,000,000, was issued and listed on the PDEx for trading on April 24, 2019 at the issue price of 100% of face value.

It comes in three series, with terms and interest rates as follows:

	Term	Interest Rate Per Annum
Series H Bonds	3 years, due 2022	6.8350%
Series I Bonds	5 years, due 2024	7.1783%
Series J Bonds	7 years, due 2026	7.6000%

Interest on the Bonds shall be payable quarterly in arrears every April 24, July 24, October 24 and January 24 of each year starting July 24, 2019, as the first interest payment date.

The proceeds were used by the Parent Company for partial refinancing of existing loan obligations and/or re-denomination of US dollar-denominated obligations (remaining US$150,000 term loan, used for Masinloc acquisition, and US$120,000 short-term loan), investments in power-related assets and for payment of transaction-related fees, costs and expenses.

On April 25, 2022, the Parent Company redeemed the Series H Bonds, amounting to P13,844,860 upon its maturity pursuant to the terms and conditions of the bonds. The Parent Company used the proceeds of the P10,000,000 short-term loan availed in April 2022 and cash generated from operations for the redemption of the Series H Bonds.

c. The amount represents the second tranche of the Parent Company's P35,000,000 fixed rate bonds shelf registration (the "Series G" Bonds). The Series G Bonds, with an aggregate principal amount of P15,000,000, were issued and listed on the PDEx for trading on August 17, 2018 at the issue price of 100% of face value with a 5-year term, due 2023, and interest rate of 6.75%.

   Interest on the Series G Bonds shall be payable quarterly in arrears every February 17, May 17, August 17 and November 17 of each year starting November 17, 2018, as the first interest payment date.

   The proceeds were used by the Parent Company to refinance its outstanding shareholder advances, to partially refinance the US$500,000, 5-year term loan obtained in March 2018 and for payment of transaction-related expenses.

d. The amount represents the first tranche of the Parent Company's P35,000,000 fixed rate bonds shelf registration. The first tranche, with an aggregate principal amount of P20,000,000, was issued and listed on the PDEx for trading on December 22, 2017 at the issue price of 100% of face value.

   It comes in three series, with terms and interest rates as follows:

	Term	Interest Rate Per Annum
Series D Bonds	5 years, due 2022	5.3750%
Series E Bonds	7 years, due 2024	6.2500%
Series F Bonds	10 years, due 2027	6.6250%

   Interest on the Bonds shall be payable quarterly in arrears every March 22, June 22, September 22 and December 22 of each year starting March 22, 2018 as the first interest payment date.

   Proceeds from the issuance were used by the Parent Company to refinance its short-term loans obtained from local banks.

   On December 22, 2022, the Parent Company redeemed the Series D Bonds, amounting to P9,912,960, upon its maturity pursuant to the terms and conditions of the bonds. The Parent Company used the proceeds of the P6,000,000 short-term loan availed in December 2022 and cash generated from operations for the redemption of the Series D Bonds.

e. The amount represents the Parent Company's fixed rate bonds issued with an aggregate principal amount of P15,000,000. The Bonds were issued and listed on the PDEx on July 11, 2016 at the issue price of 100% of face value in three series with terms and interest rates as follows:

	Term	Interest Rate Per Annum
Series A Bonds	5 years, due 2021	4.3458%
Series B Bonds	7 years, due 2023	4.7575%
Series C Bonds	10 years, due 2026	5.1792%

   Interest is payable quarterly in arrears every January 11, April 11, July 11 and October 11 of each year starting October 11, 2016, as the first interest payment date.

The net proceeds were used on July 25, 2016 to refinance the US$300,000 short-term loan provided by a local bank of which the proceeds were used for the redemption of the US$300,000 bond in January 2016.

On July 12, 2021, the Parent Company redeemed the Series A Bonds, amounting to P6,153,250, upon its maturity pursuant to the terms and conditions of the bonds.

f. The amount represents the remaining balance of the P15,000,000, fixed rate 7-year Term Loan Facility availed by the Parent Company on April 26, 2017 from a local bank. Interest is payable quarterly in arrears on the last day of the agreed interest period. Principal repayment shall be in 14 semi-annual installments starting at the end of the first year from drawdown date. The proceeds were used for debt refinancing.

g. The amount represents the P6,000,000, fixed rate 4-year Term Loan Facility drawn by the Parent Company on May 28, 2021 from a local bank. Interest is payable quarterly in arrears and principal repayment is in semi-annual installments up to May 2025. The proceeds were used for general corporate purposes.

h. The amount represents the balance of the US$700,000 floating interest term loan availed by the Parent Company from a syndicate of foreign banks on March 16, 2018. The US$700,000 is divided into Facility A Loan amounting to US$200,000 maturing on March 12, 2021 and Facility B Loan amounting to US$500,000 maturing on March 13, 2023. The proceeds were used to partially finance the acquisition of the Masinloc Group.

The Facility A Loan was fully paid by the Parent Company on March 12, 2021, using the proceeds from the US$200,000 term loan availed by the Parent Company on the same date.

On March 13, 2023, the Parent Company fully paid the Facility B Loan using the proceeds from the US$500,000 RPS issued on March 10, 2023 (Note 33).

i. The amount represents the balance of the US$300,000 5-year term loan availed in tranches by the Parent Company on March 12, 2021 and June 7, 2021. These were drawn from a Syndication Agreement executed on May 21, 2021 which amended the Facility Agreement dated March 9, 2021, increasing the loan facility from US$200,000 to US$300,000. The loan is subject to floating interest rate based on LIBOR plus margin and will mature in March 2026.

The proceeds were used as repayment of Facility A Loan that matured on March 12, 2021 and the redemption of Series A Bonds in July 2021.

j. The amount represents the US$50,000 3-year term loan drawn by the Parent Company on April 12, 2021, from a facility agreement with a foreign bank executed on October 12, 2020. The loan is subject to floating interest rate based on LIBOR plus margin and will mature in October 2023.

The proceeds were used for the payment of capital expenditures in connection with the Ilijan Natural Gas-fired Power Plant (including expansion projects related thereto); funding of liquid natural gas import, storage and distribution facilities; pre-operating and operating working capital requirements for BESS projects, and transaction-related fees, costs and expenses of the facility.

k. The amount represents the US$200,000 3-year term loan drawn by the Parent Company on January 21, 2022, from a facility agreement with a foreign bank executed on September 8, 2021. The initial loan amount under the facility agreement was increased from US$100,000 to US$200,000 on December 16, 2021. The loan is subject to a floating interest rate based on LIBOR plus margin and will mature in September 2024.

   The funds were used for capital expenditures relating to expansion projects and payment of other transaction related fees, costs and expenses of the facility.

l. The amount represents the US$100,000 3-year term loan drawn by the Parent Company on May 24, 2022, from a facility agreement with a group of foreign banks executed on May 18, 2022. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in May 2025.

   The proceeds were used for working capital requirements relating to expansion projects, for general corporate purposes, and payment of other transaction related fees, costs and expenses of the facility.

m. The amount represents the US$300,000 5-year term loan drawn by the Parent Company on August 26, 2022, from a facility agreement with a group of foreign banks executed on August 18, 2022. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in August 2027.

   The proceeds were used for general corporate purposes, including capital expenditures and refinancing, and payment of other transaction related fees, costs and expenses of the facility.

n. The amount represents the remaining balance of the P42,000,000 and P2,000,000 drawn by LPI on June 28, 2017 and January 31, 2018, respectively, from the P44,000,000, 12-year Omnibus Loan and Security Agreement (OLSA) with a syndicate of local banks dated June 22, 2017. The loan is payable quarterly up to June 2029. The proceeds were used mainly by LPI for the following purposes:

   i. the settlement of the US$360,000 short-term loan availed on May 8, 2017 from a local bank;

   ii. the funding of the acquisition from LETI of the Phase II of Limay Greenfield Power Plant which was then under construction;

   iii. the repayment of advances from the Parent Company; and

   iv. the payment of transaction-related fees and expenses.

o. The amount represents the remaining balance of the P20,322,000 and P978,000 drawn by MPI in tranches on August 17, 2018 and July 31, 2019, respectively, from the P21,300,000, 12-year OLSA with a syndicate of local banks, signed on August 9, 2018. The loan is payable in 47 quarterly installments up to August 2030. The proceeds were used mainly by MPI for the following purposes:

   i. the repayment in full of the P5,930,000 short-term loan used to fund the design, construction and operation of the Davao Greenfield Power Plant;

   ii. the partial financing of the remaining works for the Davao Greenfield Power Plant;

iii. the repayment of advances from the Parent Company; and

iv. the payment of transaction-related fees and expenses.

The loan includes amount payable to Bank of Commerce (BOC), an associate of entities under common control, amounting to P2,421,120 and P2,615,936 as at December 31, 2022 and 2021, respectively (Note 19).

p. The amount represents the US$148,550 total outstanding loan drawn in tranches by MPPCL from its Omnibus Refinancing Agreement (ORA), dated December 28, 2012, with local banks, which refinanced its debt obligations previously obtained to partially finance the acquisition, operation, maintenance and repair of the power plant facilities purchased from PSALM by MPPCL on August 22, 2007. The loan is divided into fixed interest tranche and floating interest tranche based on a 6-month LIBOR plus margin with maturities up to January 23, 2023.

   On January 17, 2023, MPPCL executed an agreement with local banks to amend its ORA (the "Amended ORA") for the conversion of its outstanding obligation amounting to US$148,550 as at the agreement date, into a Peso-denominated loan amounting to P8,155,000, subject to floating interest rate plus margin 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, pursuant to the terms of the agreement.

q. The amount represents the US$444,623 total outstanding loan drawn in tranches by MPPCL from its Omnibus Expansion Financing Agreement (OEFA) dated December 1, 2015, with local banks, to finance the construction of the additional 335 MW (gross) coal-fired plant within MPPCL existing facilities. The loan is divided into fixed interest tranche and floating interest tranche based on a 6-month LIBOR plus margin with maturities up to December 15, 2030.

Unamortized debt issue costs amounted to P2,713,968 and P2,062,866 as at December 31, 2022 and 2021, respectively. Accrued interest amounted to P1,554,353 and P1,199,171 as at December 31, 2022 and 2021, respectively. Interest expense amounted to P13,344,725, P12,668,476 and P12,417,955 (including P1,859,297, P79,744 and P1,462,431, capitalized as part of CPIP, respectively) in 2022, 2021 and 2020, respectively (Note 12).

Valuation Technique for Peso-denominated Bonds
The market value was determined using the market comparison technique. The fair values are based on 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 P91,771,717 and P78,763,298 as at December 31, 2022 and 2021, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 31).

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 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 US$685,000 and US$525,000, respectively.

As at December 31, 2022 and 2021, 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:

	Note	2022	2021
Balance at beginning of year		**P2,062,868**	P2,134,901
Additions		**1,742,024**	527,832
Currency translation adjustments		**-**	20,879
Capitalized amount	12	**(296,790)**	(1,981)
Amortization		**(794,132)**	(618,765)
Balance at end of year		**P2,713,968**	P2,062,868

Repayment Schedule
The annual maturities of long-term debt are as follows:

	Gross Amount				
Year	**US Dollar**	**Peso Equivalent of US Dollar**	**Peso**	**Debt Issue Costs**	**Net**
2023	US$729,052	P40,646,321	P23,342,184	P268,761	P63,721,744
2024	231,920	12,930,701	34,308,804	427,950	46,812,555
2025	133,390	7,437,159	14,504,744	296,220	21,645,683
2026	334,913	18,673,046	16,569,154	470,959	34,781,241
2027	336,488	18,760,860	8,870,097	663,130	27,047,827
2028 and thereafter	277,410	15,466,995	63,333,527	666,948	78,133,574
	US$2,043,173	**P113,917,082**	**P160,940,610**	**P2,713,968**	**P272,152,624**

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 30.

19. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders, associates 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 of December 31:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
SMC	22, 34	2022	P[illegible]	P[illegible]	P[illegible]	P[illegible]	On demand or 30 days;	Unsecured;
		2021	[illegible]	751,940	93,037	10,228	non-interest bearing	no impairment
	30	2022	-	-	44,[illegible]		1 year;	Unsecured;
		2021	-	-	72,[illegible]		[illegible] bearing	no impairment
Entities under Common Control	[illegible]	2022	[illegible]	[illegible]	[illegible]	[illegible]	On demand or 30 days;	Unsecured;
		2021	[illegible]	[illegible]	[illegible]	[illegible]	non-interest bearing	no impairment
	[illegible]	2022	[illegible]	-	[illegible]		Installment basis up to	Unsecured;
		2021	-		-		2026; interest bearing	no impairment
		2022	-	-	-		More than 1 year;	Unsecured
		2021	-	-	-	402	non-interest bearing	
Associates	[illegible]	2022	[illegible]	[illegible]	[illegible]	[illegible]	On demand or 30 days;	Unsecured;
		2021	[illegible]	[illegible]	[illegible]	[illegible]	non-interest bearing	no impairment
	[illegible]	2022	[illegible]	-	[illegible]		[illegible] years;	Unsecured;
		2021	[illegible]	-	[illegible]		interest bearing	no impairment
Joint Ventures	[illegible]	2022	[illegible]	[illegible]	[illegible]	-	30 days;	Unsecured;
		2021	[illegible]	[illegible]	[illegible]	[illegible]	non-interest bearing	no impairment
	[illegible]	2022	[illegible]	-	[illegible]		[illegible] days;	Unsecured;
		2021	[illegible]	-	[illegible]	-	interest bearing	no impairment
	[illegible]	2022	[illegible]		[illegible]		[illegible] years;	Unsecured;
		2021	[illegible]		[illegible]		interest bearing	No impairment
Associates and Joint Ventures of Entities under Common Control	[illegible]	2022	[illegible]	-	[illegible]	[illegible]	30 days;	Unsecured;
		2021	[illegible]		[illegible]	[illegible]	non-interest bearing	no impairment
	[illegible]	2022		[illegible]	-	[illegible]	[illegible] years;	Secured
		2021		[illegible]	-	[illegible]	interest bearing	
Others	[illegible]	2022	[illegible]	-			On demand or 30 days;	Unsecured;
		2021	[illegible]	-	[illegible]	[illegible]	non-interest bearing	no impairment
		2022	P[illegible]	P[illegible]	P[illegible]	P[illegible]		
		2021	P[illegible]	P[illegible]	P[illegible]	P[illegible]		

a. Amounts owed by related parties consist of trade and non-trade receivables, receivables pertaining to the sale of certain parcels of land and investments, included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the 2022 consolidated statement of financial position, derivative assets, prepayments for rent and insurance, and security deposits (Notes 8, 10 and 15).

Sale of various properties by DIPI, Bluelight, MVIHI and GPII

In 2022, the Group, through DIPI, Bluelight, MVIHI and GPII, sold certain parcels of land located in the provinces of Quezon, Cavite, and Negros Occidental to certain entities under common control, for a total consideration of P11,862,879. The amount of consideration is payable on installment basis up to 2026 (Notes 8, 12, 15 and 25).

Sale of shares of OHC and Soracil
On August 26, 2022, the Parent Company executed agreements with an entity under common control for the sale of its 100% shareholdings in OHC and Soracil, owners of certain parcels of land in Barangay Wack-Wack, Mandaluyong City, for a total consideration of P3,864,700, payable on installment basis up to 2026 (Notes 8, 11, 12, 15 and 25).

b. Amounts owed to related parties consist of trade and non-trade payables including management fees, purchases of fuel, reimbursement of expenses, rent, insurance, services rendered, customers' deposits and subscriptions payable to OEDC and power purchases from AHC (Notes 11 and 17). As at December 31, 2022 and 2021, amounts owed to related parties for the lease of office space and parcels of land presented as part of "Lease liabilities - current portion" and "Lease liabilities - net of current portion" amounted to P5,202,472 and P4,363,371, respectively (Notes 6, 30 and 31).

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 (Notes 8 and 15).

d. Amounts owed by a joint venture consists of interest bearing loans granted and management fees charged to AHC by PVEI included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the consolidated statements of financial position (Notes 8, 11, 15 and 25).

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 18). The loan is secured by certain property, plant and equipment as at December 31, 2022 and 2021 (Note 12).

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

	Note	2022	2021	2020
Short-term employee benefits	24	**P139,090**	P134,074	P127,224
Retirement cost	20	**10,181**	15,520	7,715
		P149,271	P149,594	P134,939

20. Retirement Plans

The Parent Company, SPI, LPI, MPI, SPSC and MPDSI have funded, noncontributory, defined benefit retirement plans (collectively, the "Retirement Plans") covering all of their permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2022. Valuations are obtained on a periodic basis.

The Retirement Plans are registered with the Bureau of Internal Revenue (BIR) as tax-qualified plans under RA No. 4917, as amended. The control and administration of the Retirement Plans are vested in the Board of Trustees (BOT), as appointed by the BOD of the Parent Company. The BOT of the Retirement Plans, who exercises voting rights over the shares and approves material transactions, are also officers of the Parent Company and of SMC. The Retirement Plan's accounting and administrative functions are undertaken by SMC's Retirement Funds Office.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Net Defined Benefit Retirement Liability	
	2022	2021	2022	2021	2022	2021
Balance at Beginning of Year	P -	P -	(P157,586)	(P147,729)	(P157,588)	(P147,729)
Recognized in Profit or Loss						
Service costs	-	-	(138,191)	(18,048)	(138,191)	(18,048)
Interest expense	-	-	(23,560)	(5,708)	(23,560)	(5,708)
	-	-	(161,751)	(23,756)	(161,751)	(23,756)
Recognized in Other Comprehensive Income						
Remeasurements						
Actuarial gains (losses) arising from:						
Experience adjustments	-	-	(68,096)	4,248	(68,096)	4,248
Changes in financial assumptions	-	-	62,976	14,907	62,976	14,907
Changes in demographic assumptions	-	-	-	(7,338)	-	(7,338)
Return on plan assets excluding interest income	(267)	-	-	-	(267)	-
	(267)	-	(15,120)	11,817	(15,387)	11,817
Others		-				
Contributions	34,450	-	-	-	34,450	-
Benefits paid	(14,742)	-	14,742	2,080	-	2,080
Other adjustments	-	-	(167,328)	-	(167,329)	-
	19,708	-	(152,587)	2,080	(132,879)	2,080
Balance at End of Year	P19,441	P -	(P487,046)	(P157,588)	(P467,605)	(P157,586)

Defined benefit retirement obligation included as part of "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P467,605 and P157,588 as at December 31, 2022 and 2021, respectively.

Retirement costs recognized in the consolidated statements of income by the Parent Company amounted to P66,802, P23,385 and P24,506 in 2022, 2021 and 2020, respectively (Notes 24).

Retirement costs recognized in the consolidated statements of income by the subsidiaries amounted to P94,949, P371 and P589 in 2022, 2021 and 2020, respectively (Notes 23 and 24).

The equity reserve for retirement plan, which includes the accumulated net actuarial gains and losses recognized in other comprehensive income, net of tax, of the Group and an associate, amounted to P67,288 and P46,195 as at December 31, 2022 and 2021, respectively.

Plan assets of the Group as at December 31, 2022 consist of time deposits, cash in banks and receivables totaling to P34,462.

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2022. The Group has no outstanding retirement assets as at December 31, 2021.

The BOT reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to pay contributions to its defined benefit retirement plans amounting to P136,335 in 2023.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2022	2021
Discount rate	6.81% to 7.22%	4.78% - 5.09%
Salary increase rate	5%	4.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of the defined benefit retirement obligation ranges from 4.50 to 18.20 years and 5 to 8.7 years as at December 31, 2022 and 2021, respectively.

Sensitivity Analysis

As at December 31, 2022 and 2021, the reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit retirement obligation by the amounts shown below:

	Defined Benefit Retirement Obligation			
	2022		2021	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	(P44,348)	P50,889	(P10,421)	P12,072
Salary increase rate	51,545	(45,570)	12,083	(10,617)

Risks and Management of Risks
The defined benefit retirement obligation exposes the Group to actuarial risks, such as longevity risk and interest rate risk.

The defined benefit retirement obligation is calculated using a discount rate set with reference to government bond yields as such is exposed to market factors including inflation. Higher inflation will lead to higher liability. Also, the defined benefit retirement obligations are to provide benefits for the life of members, hence, an increase in life expectancy will result to an increase in the plan's liability. These risks are managed with the objective of reducing the impact of these risks to the cash flows of the Group.

21. Equity

Capital Stock
As at December 31, 2022 and 2021, the Parent Company's authorized capital stock is P2,000,000, divided into 2,000,000,000 common shares with par value of P1.00.

Capital stock consists of:

	2022		2021	
	Number of Shares	Amount	Number of Shares	Amount
Subscribed capital	1,250,004,000	P1,250,004	1,250,004,000	P1,250,004
Less subscription receivable				
Balance at beginning of year	187,500,000	187,500	187,500,000	187,500
Collection	(187,500,000)	(187,500)	-	-
Balance at end of year	-	-	187,500,000	187,500
Issued and outstanding	1,250,004,000	P1,250,004	1,062,504,000	P1,062,504

Equity Reserves
In September 2010, the Parent Company acquired the remaining 40% non-controlling ownership interest of SMC in SPI and SRHI. The difference between the price paid and carrying amount of net assets transferred was recognized in equity.

In January 2019, the Parent Company subscribed to the remaining unissued common shares of MPGC, thereby increasing its equity ownership from 49% to 73.58%. The Parent Company's equity ownership was further increased to 94.55% as a result of additional subscriptions to the increase in the authorized capital stock of MPGC made from 2019 to 2022 (Note 11). The difference between the price paid and carrying amount of net assets transferred was recognized in equity.

Retained Earnings
The Parent Company's retained earnings available for dividend declaration, calculated based on the regulatory requirements of the Philippine SEC, amounted to P2,017,604 and P3,681,838 as at December 31, 2022 and 2021, respectively. The difference between the consolidated retained earnings and the Parent Company's retained earnings available for dividend declaration primarily consist of undistributed earnings of subsidiaries and equity method investees. Stand-alone earnings of the subsidiaries and share in net earnings of equity method investees are not available for dividend declaration by the Parent Company until declared by the subsidiaries and equity investees as dividends.

There were no cash dividend declarations to stockholders in 2022, 2021 and 2020.

Parent Company
There were no appropriations of retained earnings of the Parent Company in 2022, 2021 and 2020.

SPI, SPPC and SRHI
On December 16, 2019, the BOD of SRHI approved the appropriation of retained earnings amounting to P733,400 for the fixed monthly PSALM payments, pursuant to its IPPA Agreement. On December 20, 2021, the BOD of SRHI approved the appropriation of retained earnings amounting to P1,140,000 for the same purpose.

In 2020, the total appropriations utilized by SPPC and SRHI amounted to P2,990,300 and P1,000,000, respectively.

In 2022 and 2021, the total appropriations utilized by SPPC amounted to P2,685,700 and P3,514,050, respectively.

Total combined appropriated retained earnings of SPI, SPPC and SRHI amounted to P5,025,000 and P7,710,700 as at December 31, 2022 and 2021, respectively.

MVIHI
On December 20, 2022, the BOD of MVIHI approved the appropriation of retained earnings amounting to P3,325,000 for its power-related expansion projects in the next 5 years.

USCS
On August 26, 2015, the Parent Company issued and listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") US$300,000 USCS (equivalent to P13,823,499, net of directly attributable transaction costs) at an issue price of 100%

The holders of the USCS have conferred a right to receive distributions on a semi-annual basis from their issuance dates at the rate of 6.75% per annum, subject to the step-up rate. The Parent Company has a right to defer this distribution under certain conditions.

The USCS have no fixed redemption date and are redeemable in whole, but not in part, at the Parent Company's option on step-up date, or any distribution payment date thereafter or upon the occurrence of certain other events at the principal amounts of the USCS plus any accrued, unpaid or deferred distribution.

The proceeds were used by the Parent Company to finance investments in power-related assets and other general corporate purposes.

On February 26, 2021, the Parent Company completed the redemption of the US$300,000 USCS, equivalent to P14,581,500 on redemption date, pursuant to the terms and conditions of the securities. The redemption was made after the issuance of a notice to the holders dated January 26, 2021. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The difference between the price paid and the net carrying value of the securities redeemed amounted to P758,001 and was recognized as part of the "Equity reserves" account in the consolidated statements of financial position.

The proceeds from the US$350,000 SPCS issued on December 15, 2020 was used in part for the redemption of the US$300,000 USCS.

Distributions to USCS Holders
In 2021 and 2020, the Parent Company paid distributions to USCS holders amounting to P656,108 and P1,446,718, respectively.

RPS
In 2018 and 2022, the Parent Company and UPSI issued US Dollar-denominated and Peso-denominated RPS to SMC (the "RPS Holder"):

Date of Issuance	Distribution Payment Date	Issue Price	Initial Rate of Distribution	Amount of RPS Issued	Amount in Philippine Peso
Parent Company					
US Dollar-denominated					
March 16, 2018	June 16, September 16, December 16, and March 16 of each year	100%	8.25%	US$600,000	P32,751,570
November 8, 2022	February 8, May 8, August 8, and November 8 of each year	100%	6.25%	US$85,000	4,916,225
UPSI					
US Dollar-denominated					
October 28, 2022	January 28, April 28, July 28, and October 28 of each year	100%	6.25%	US$86,000	5,053,100
December 1, 2022	March 1, June 1, September 1 and December 1 of each year	100%	6.25%	US$78,000	4,240,674
Peso-denominated					
November 23, 2022	February 23, May 23, August 23 and November 23 of each year	100%	7.50%	P5,000,000	4,962,500
					P51,924,069

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

These RPS are direct, unconditional, unsecured and subordinated capital securities with no fixed redemption date. The RPS Holder shall have the right to receive distribution on a quarterly basis at the prescribed rates per annum for US Dollar-denominated and Peso-denominated RPS. The Parent Company and UPSI have a right to defer distribution under certain conditions.

The proceeds from the issuances in 2022 were used for general corporate purposes including capital expenditure.

Distributions to RPS Holder
The Parent Company paid P1,616,926, P1,996,495 and P2,015,813 to the RPS Holder in 2022, 2021 and 2020, respectively, as distributions in accordance with the terms and conditions of the subscription agreement.

SPCS
The Parent Company issued and listed on the SGX-ST the following SPCS:

Date of Issuance	Distribution Payment Date	Initial Rate of Distribution	Step-Up Date	Issue Price	Amount of SPCS Issued	Amount in Philippine Peso*
September 15, 2021	June 9 and December 9 of each year	5.45% per annum	December 9, 2026	100.125%	US$150,000	₱7,387,625
June 9, 2021	June 9 and December 9 of each year	5.45% per annum	December 9, 2026	100.000%	600,000	28,728,807
December 15, 2020	April 21 and October 21 of each year	5.50% per annum	October 21, 2025	102.457%	350,000	17,000,077
October 21, 2020	April 21 and October 21 of each year	5.50% per annum	October 21, 2025	100.000%	400,000	19,141,463
January 21, 2020	January 21 and July 21 of each year	5.70% per annum	January 21, 2026	100.000%	600,000	30,375,003
November 5, 2019	May 5 and November 5 of each year	5.95% per annum	May 5, 2025	100.000%	500,000	24,936,890
July 3, 2018	April 25 and October 25 of each year	6.60% per annum	April 25, 2024	102.052%	300,000	15,440,347
April 25, 2018	April 25 and October 25 of each year	6.60% per annum	April 25, 2024	100.000%	500,000	25,610,625
					US$3,400,000	₱167,797,384

*Amount in Philippine Peso pertains to proceeds, net of directly attributable transaction costs amounting to ₱2,005,289.

The US$350,000 SPCS issued in December 2020 were issued at an issue price of 102.457% plus an amount corresponding to accrued distributions from (and including) October 21, 2020 to (but excluding) December 15, 2020. The US$350,000 SPCS are consolidated into and form a single series with the US$400,000 SPCS issued in October 2020, bringing the total securities to US$750,000. The US$350,000 SPCS are identical in all respects with the US$400,000 SPCS, other than with respect to the date of issuance and issue price.

The US$150,000 SPCS issued in September 2021 were issued at an issue price of 100.125% plus an amount corresponding to accrued distributions from (and including) June 9, 2021 to (but excluding) September 15, 2021. The US$150,000 SPCS are consolidated into and form a single series with the US$600,000 SPCS issued in June 2021, bringing the total securities to US$750,000. The US$150,000 SPCS are identical in all respects with the US$600,000 SPCS, other than with respect to the date of issuance and issue price.

The SPCS were offered for sale and were sold mainly offshore and to a limited number of qualified buyers in the Philippines. Hence, the offer and sale of the SPCS qualified as an exempt transaction for which no confirmation of exemption from the registration requirements of the SRC was required to be filed with the Philippine SEC.

The holders of the SPCS have conferred a right to receive distributions on a semi-annual basis from their issuance dates at the initial rate of distribution, subject to the step-up rate. The Parent Company has a right to defer this distribution under certain conditions.

The SPCS constitute direct, unconditional, unsecured and unsubordinated obligations of the Parent Company with no fixed redemption date and are redeemable in whole, but not in part, at the Parent Company's option on step-up date, or any distribution payment date thereafter or upon the occurrence of certain other events at the principal amounts of the SPCS plus any accrued, unpaid or deferred distribution.

The net proceeds of the SPCS issued in 2020 were used for the funding requirements of the development and completion of the BESS projects, capital expenditures and investments in liquefied natural gas facilities and related assets, refinancing or redemption of existing or expiring commitments whether debt or perpetual securities and general corporate purposes.

The net proceeds from the issuance of SPCS in June and September 2021 shall be used primarily for investments in the 1,313.1 MW Batangas Combined Cycle Power Plant (BCCPP) and related assets or for general corporate purposes.

On October 26, 2022, the BOD of the Parent Company authorized the conduct of tender offer to the holders of its US Dollar-denominated SPCS listed with the SGX-ST to purchase for cash said SPCS up to a total aggregate principal amount of US$400,000. The conduct of the tender offer commenced on October 26, 2022 and expired on November 4, 2022 (the "Expiration Deadline"). All valid tender offers from security holders, representing an aggregate of US$123,934 in principal amount of SPCS were accepted by the Parent Company. Security holders that validly tendered their securities at or prior to the Expiration Deadline and which the Parent Company accepted for purchase from such security holder were paid the applicable purchase price amounting to US$80,666 (equivalent to P4,702,640, inclusive of transaction costs of P24,808) and the relevant accrued distribution amounting to US$1,762 (equivalent to P102,182) on November 9, 2022.

The outstanding SPCS of the Company as at December 31, 2022 are as follows:

Title of Security	Amount of SPCS Issued	Amount of SPCS Repurchased	Amount of Outstanding SPCS Issued	Amount in Philippine Peso
5.45% SPCS issued on June 9 and September 15, 2021	US$750,000	US$66,452	US$683,548	P32,416,245
7.00% SPCS issued on October 21 and December 15, 2020	750,000	26,096	723,904	34,884,098
5.70% SPCS issued on January 21, 2020	600,000	6,663	593,337	29,835,668
5.95% SPCS issued on 5 November 2019	500,000	7,887	492,113	24,444,916
6.50% SPCS issued on April 26 and July 3, 2019	800,000	16,836	783,164	40,366,954
	US$3,400,000	US$123,934	US$3,276,066	P161,767,709

The difference between the price paid and the net carrying value of the securities repurchased amounted to P1,297,015, net of transaction costs, was recognized as part of the "Retained earnings" account in the consolidated statements of financial position.

The payment for the repurchased SPCS was funded by the PPS issued to SMC on November 8, 2022.

Distributions to SPCS Holders

The Parent Company paid P15,362,068, P12,191,210 and P7,018,005 to the SPCS holders in 2022, 2021 and 2020, respectively, as distributions in accordance with the terms and conditions of their respective subscription agreements.

On January 25, 2023, the Parent Company paid distributions to holders of the SPCS issued in January 2020, amounting to US$16,910.

On March 9, 2023, the Parent Company's BOD approved the payment of distributions amounting to (i) US$25,337 plus applicable taxes on April 21, 2023 to the holders of SPCS issued in October 2020, (ii) US$25,459 plus applicable taxes on April 25, 2023 to the holders of SPCS issued in April 2019, (iii) US$14,640 plus applicable taxes on May 5, 2023 to the holders of SPCS issued in November 2019.

22. Revenues

Revenues consist of:

	Note	2022	2021	2020
Sale of power:				
Power generation and trading	*6*	**P180,027,616**	P109,947,984	P94,638,952
Retail and other power-related services	*6*	**41,153,496**	23,582,766	20,254,979
Other services		**207,676**	179,421	134,720
	5, 19	**P221,388,788**	P133,710,171	P115,028,651

Revenues from other services mainly pertain to operations and maintenance services provided by a subsidiary to an entity under common control (Note 19).

23. Cost of Power Sold

Cost of power sold consists of:

	Note	2022	2021	2020
Coal, fuel oil and other consumables	*9, 19*	**P114,657,766**	P39,108,912	P23,954,749
Power purchases	*6*	**57,069,312**	20,557,301	10,336,931
Depreciation and amortization	*6, 12, 13, 14*	**11,241,841**	10,794,984	10,130,354
Energy fees	*6*	**10,452,086**	17,762,434	20,365,268
Plant operations and maintenance, and other fees	*6, 19, 20*	**4,729,974**	3,937,710	4,526,895
	5	**P198,370,980**	P92,161,341	P69,314,197

24. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	Note	2022	2021	2020
Taxes and licenses		**P1,613,908**	P1,194,088	P1,244,914
Salaries, wages and benefits	*19, 20*	**1,034,757**	857,508	824,428
Management fees	*19*	**693,396**	589,458	696,023
Depreciation and amortization	*8, 12, 13, 14*	**679,850**	579,218	436,819
Rent	*4, 6, 19*	**368,402**	367,110	327,182
Outside services		**331,336**	245,486	535,905
Corporate special program		**301,328**	429,973	254,721
Professional fees		**220,119**	180,261	245,675
Repairs and maintenance		**90,142**	57,121	104,656
Supplies		**89,515**	165,212	190,362
Travel and transportation		**77,478**	52,733	108,501
Advertising and promotions		**75,870**	169,587	151,793
Impairment losses on trade receivables (reversals) - net	*4, 8*	**52,865**	(343,502)	306,829
Donations		**10,261**	162,046	597,390
Insurance		**5,106**	6,524	12,036
Miscellaneous		**95,561**	102,450	177,002
	5	**P5,739,882**	P4,915,271	P6,210,237

Donations represent contributions to registered donee institutions for their programs on Corona Virus Disease 2019 (COVID-19) response initiatives, education, environment and disaster-related projects. Corporate special program pertains to the Group's corporate social responsibility projects.

25. Other Operating Income

Other operating income consists of:

	Note	2022	2021	2020
Gain on sale of property, plant and equipment	*12*	**P8,561,292**	P -	P -
Gain on sale of subsidiaries	*11, 12*	**2,870,015**	-	-
Miscellaneous income	*4, 6*	**176,381**	207,018	88,483
	5, 19	**P11,607,688**	P207,018	P88,483

Miscellaneous pertains mainly to management and shared services fees, power bill surcharges, rent and utilities income.

26. Other Income (Charges)

Other income (charges) consists of:

	Note	2022	2021	2020
Marked-to-market gains (losses) on derivatives - net	*31*	**P1,583,553**	P278,397	(P232,534)
Construction revenue	*4, 6*	**135,688**	127,274	211,396
Reversal of impairment losses on other receivables	*8*	**22,924**	22,925	137,551
Settlement from third party contractors		**-**	-	3,825,537
Construction cost	*4, 6*	**(135,688)**	(127,274)	(211,396)
Foreign exchange gains (losses) - net	*30*	**(9,006,865)**	(1,495,366)	1,369,721
Miscellaneous income - net	*4, 6, 12*	**159,569**	1,401	154,400
	5	**(P7,240,619)**	(P1,192,643)	P5,254,675

Construction revenue is recognized by reference to the stage of completion of the construction activity at the reporting date. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction costs pass through the profit or loss before it is capitalized as concession rights.

In 2020, the Group received a settlement from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts.

Miscellaneous income mostly pertains to terminal fee, sale of scrap, and impairment losses on property, plant and equipment.

27. Income Taxes

The components of income tax expense (benefit) are as follows:

	Note	2022	2021	2020
Current	*28*	**P2,689,434**	P1,130,275	P2,220,270
Deferred		**(1,654,683)**	3,921,236	5,703,182
Adjustments due to Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act		**-**	(3,151,344)	-
		P1,034,751	P1,900,167	P7,923,452

The movements of deferred tax assets and liabilities are as follows:

2022	Balance at January 1	Adjustments Due to CREATE	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Balance at December 31
Allowance for impairment losses on trade receivables	P536,716	P -	64,126	P -	P -	P600,842
Deferred benefit retirement obligation	63,296	-	48,383	-	-	111,679
Difference of amortization of borrowing costs over payment and others	508,448	-	1,191,427	-	88	1,697,864
Difference of depreciation and other related expenses over monthly lease payments	(19,832,164)	-	(6,257,779)	-	-	(24,089,941)
Equity reserve for retirement plan	(817)	-	-	(3,416)	-	(4,237)
NOLCO and MCIT	-	-	6,667,310	-	-	6,667,310
Gain on sale of ordinary assets and investments	-	-	(1,997,437)	-	-	(1,997,437)
	(P18,735,224)	P -	P1,654,463	(P3,416)	P88	(P17,084,067)

2021	Balance at January 1	Adjustments Due to CREATE	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Balance at December 31
Allowance for impairment losses on trade receivables	P671,329	(P101,054)	(P44,518)	P	P	P520,713
Defined benefit retirement obligation	63,396	(215)	95		-	63,296
Difference of amortization of borrowing costs over payment and others	305,582	(18,097)	246,218		34,185	508,448
Difference of depreciation and other related expenses over monthly lease payments	(18,550,195)	3,141,652	(4,123,621)	-	-	(19,832,164)
Equity reserve for retirement plan	(424)	59		(257)		(817)
	(P17,910,242)	P2,981,711	(P3,921,226)	(P257)	P34,185	(P18,735,224)

The deferred taxes are reported in the consolidated statements of financial position as follows:

	2022	2021
Deferred tax assets	P2,280,281	P1,447,415
Deferred tax liabilities	(19,364,348)	(20,182,639)
	(P17,084,067)	(P18,735,224)

Deferred tax asset on NOLCO and MCIT of the Group amounting to P6,112,878 and P4,880,442 as at December 31, 2022 and 2021, respectively, has not been recognized because it is not probable that future taxable income will be available against which the Group can utilize the benefits therefrom.

As at December 31, 2022, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/ Paid	Carryforward Benefits Up To	NOLCO	MCIT
2022	December 31, 2025	P34,118,089	P54,686
2021	December 31, 2026/2024	11,314,423	14,849
2020	December 31, 2025/2023	5,408,744	68,244
		P50,841,256	P137,779

On September 30, 2020, the BIR issued Revenue Regulation No. 25-2020 to implement Section 4 (bbbb) of the RA No. 11494, otherwise known as the Bayanihan to Recover as One Act, relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next 5 consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next 5 consecutive taxable years following the year such loss was incurred.

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2022	2021	2020
Statutory income tax rate	**25.00%**	25.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Unrecognized deferred tax assets	**53.63%**	15.28%	8.34%
Availment of optional standard deduction and others	**(53.81%)**	(29.65%)	(8.77%)
Effective income tax rate	**24.82%**	10.63%	29.57%

RA No. 11534, Otherwise Known as the CREATE Act

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021 and took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% or 20% effective July 1, 2020; (ii) reduction of MCIT rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2021 were computed using the applicable income tax rates.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up upon the effectivity of the CREATE Act are as follows:

	Increase (Decrease)
ASSETS	
Prepaid expenses and other current assets	P189,276
Investments and advances - net	1,545
Deferred tax assets	(282,395)
	(P91,574)
LIABILITIES AND EQUITY	
Income tax payable	(P418)
Deferred tax liabilities	(3,244,106)
Equity reserves	59
Retained earnings	3,150,471
Non-controlling interests	2,418
	(P91,574)
Equity in net losses of an associate and joint ventures	(P1,545)
Provision for income tax:	
Current	(189,693)
Deferred	(2,961,651)
	(3,151,344)
NET INCOME	P3,152,889
Net income attributable to:	
Equity holders of the Parent Company	P3,150,471
Non-controlling interests	2,418
	P3,152,889

28. Registrations and License

Registrations with the Board of Investments (BOI)

i. In 2013, MPI and LPI were granted incentives by the BOI on a pioneer status for 6 years subject to the representations and commitments set forth in the application for registration, the provisions of Omnibus Investments Code of 1987, (Executive Order [EO] No. 226), the rules and regulations of the BOI and the terms and conditions prescribed. On October 5, 2016, BOI granted LPI's request to move the start of its commercial operation and Income Tax Holiday (ITH) reckoning date from February 2016 to September 2017 or when the first kilowatt-hour (kWh) of energy was transmitted after commissioning or testing, or 1 month from the date of such commissioning or testing, whichever comes earlier as certified by the NGCP. Subsequently, on December 21, 2016, BOI granted a similar request of MPI to move the start of its commercial operation and ITH reckoning date from December 2015 to July 2016, or the actual date of commercial operations subject to compliance with the specific terms and conditions, due to delay in the implementation of the project for reasons beyond its control. MPI's request on the further extension of the ITH reckoning date from July 2016 to September 2017 was likewise approved by the BOI on December 5, 2018. The ITH period for Unit 1 and Unit 2 of LPI commenced on May 26, 2017. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of their respective BOI registrations.

ii. On September 20, 2016, LETI was registered with the BOI under EO No. 226 as expanding operator of 2 x 150 MW CFB Coal-fired Power Plant (Phase II Limay Greenfield Power Plant) on a non-pioneer status. The BOI categorized LETI as an "Expansion" based on the 2014 to 2016 IPP's Specific Guidelines for "Energy" in relation to LPI's 2 x 150 MW Coal-fired Power Plant (Phase I Limay Greenfield Power Plant). As a registered entity, LETI is entitled to certain incentives that include, among others, an ITH for 3 years from January 2018 or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of LETI's BOI registrations.

In June 2017, the BOI approved the transfer of ownership and registration of Phase II Limay Greenfield Power Plant from LETI to LPI. On July 13, 2018, BOI granted the request of LPI to move the start of its commercial operation and ITH reckoning date from January 2018 to March 2018 or actual start of commercial operations, whichever is earlier. The ITH period for Unit 3 and Unit 4 commenced on March 26, 2018 and expired in 2021.

iii. SPI, SRHI and SPPC are registered with the BOI as administrator of their respective power plants on a pioneer status with non-pioneer incentives and were granted ITH for 4 years without extension beginning August 1, 2010 up to July 31, 2014, subject to compliance with certain requirements under their registrations. The ITH incentive availed was limited only to the sale of power generated from the power plants. Upon expiration of the ITH in 2014, SPI, SRHI and SPPC are now subject to the regular income tax rate. Accordingly, applications for deregistration have been filed by SPI, SRHI and SPPC and the same were approved by the BOI in its letter dated February 22, 2022.

iv. On August 21, 2007, SEPC was registered with the BOI under EO No. 226, as New Domestic Producer of Coal on a Non-pioneer status.

v. On October 12, 2012, MPPCL received the BOI approval for the application as expanding operator of 600 MW Coal-Fired Thermal Power Plant. As a registered entity, MPPCL is entitled to ITH for 3 years from June 2017 or actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions set forth in the BOI registration. On May 27, 2014, the BOI approved MPPCL's request to move the start of its commercial operation and the reckoning date of the ITH entitlement from June 2017 to December 2018. On June 17, 2015, the BOI subsequently granted MPPCL's requests to downgrade the registered capacity from 600 MW to 300 MW.

   On December 21, 2015, MPPCL received the BOI approval for the application as new operator of 10 MW BESS Project on a pioneer status. The BESS facility provides 10 MW of interconnected capacity and enhances the reliability of the Luzon grid using the *Advancion* energy storage solution. As a registered entity, MPPCL is entitled to incentives that include, among others, an ITH for 6 years from December 2018 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions of MPPCL's BOI registration. The ITH period for the 10 MW BESS of MPPCL commenced on December 1, 2018. On October 1, 2020, MPPCL likewise received the BOI approval on the additional 20 MW BESS Phase 2 Project of MPPCL.

   On February 23, 2021, MPPCL received the BOI approval for the applications as new operator of 315 MW Super Critical Pulverized Coal Thermal Power Plant Unit 4, and as new operator of 315 MW Super Critical Pulverized Coal Thermal Power Plant Unit 5. Each registered activity is entitled to a 4-year ITH reckoned from the start of commercial operations in September 2024 and November 2024, respectively.

vi. On August 24, 2016, SMCGP Philippines Energy received the BOI approval for the application as new operator of 2 x 20 MW Kabankalan *Advancion* Energy Storage Array on a pioneer status. SMCGP Philippines Energy, a registered entity, is entitled to incentives that include, among others, an ITH for 6 years from July 2019 to December 2024 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration). On November 27, 2019, SMCGP Philippines Energy filed a request with the BOI to move the reckoning date of the ITH entitlement from July 2019 to July 2021. Due to the delays brought about by the pandemic, a subsequent request was filed to move the reckoning date to January 2022. On December 17, 2021, the BOI granted the request of SMCGP Philippines Energy Storage for the movement of start of commercial operations and ITH reckoning to January 2022. The incentives shall be limited to the specific terms and conditions of SMCGP Philippines Energy's BOI registration.

vii. On November 29, 2019, the BOI has approved the application of UPSI as new operator of BESS Component of Integrated Renewable Power Facility ("R-Hub") covering various sites across the Philippines. The BOI has also approved UPSI's subsequent applications covering additional sites. Each registered site was granted with certain incentives including ITH, among others.

viii. On February 23, 2021, EERI received the BOI approval for the applications as new operator of 850 MW BCCPP Phase 1, and 850MW BCCPP Phase 2 located in Barangay Dela Paz Proper, Batangas City, Batangas. Each registered activity is entitled to a 4-year ITH reckoned from April 2023 and October 2026, for Phase 1 and Phase 2, respectively, or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

ix. On November 29, 2022, the BOI has approved the application of SGLPC as a Renewable Energy Developer of Solar Energy Resources located at Lucanin Industrial Estate, Mariveles, Bataan. SGLPC was granted with certain incentives including a 7-year ITH reckoned from the start of commercial operation in October 2023, among others.

Registration with the AFAB
On April 24, 2019, MPGC was registered with the AFAB, subject to annual renewal, as engaged in business of producing and generating electricity, and processing fuels alternative for power generation, among others, at the Freeport Area of Bataan (FAB). As a FAB enterprise, MPGC will operate a 4 x 150 MW power plant located in Mariveles, Bataan. FAB granted MPGC certain incentives that include, among others, an ITH for 4 years for the original project effective on the committed date or the actual date of start of commercial operations, whichever is earlier. On December 13, 2021, MPGC has been granted a renewed certificate of registration with AFAB which now remains valid and in effect as long as MPGC remains in good standing or until revoked or cancelled.

License Granted by the ERC
On August 4, 2006, August 22, 2011 and August 24, 2016, MPPCL, SMELC and LPI, respectively, were granted a RES Licence by the ERC pursuant to Section 29 of the EPIRA, which requires all suppliers of electricity to the contestable market to secure a license from the ERC. The term of the RES License is for a period of 5 years from the time it was granted and renewable thereafter.

On August 19, 2016, the ERC approved the renewal of SMELC's RES License for another 5 years from August 22, 2016 up to August 21, 2021. On August 18, 2021, the ERC has granted the extension of the validity of the RES License for 15 days from August 21, 2021 until September 5, 2021 to allow SMELC to complete transfer of its remaining contestable customer to LPI.

On August 3, 2022, the ERC has extended the validity of LPI's and MPPCL's RES License for one year from September 30, 2022 until Septemeer 29, 2023, pending final evaluation of its RES license renewal application.

29. Basic and Diluted Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share is computed as follows:

	2022	2021	2020
Net income attributable to equity holders of the Parent Company	**P3,162,545**	P16,058,084	P18,840,154
Distributions for the year to:			
USCS holders	**-**	(218,723)	(1,419,650)
RPS holder	**(2,344,642)**	(2,000,759)	(2,011,484)
SPCS holders	**(15,482,007)**	(12,737,330)	(8,156,397)
Net income (loss) attributable to common shareholders of the Parent Company (a)	**(14,664,104)**	1,101,272	7,252,623
Weighted average number of common shares outstanding (in thousands) (b)	**1,250,004**	1,250,004	1,250,004
Basic/Diluted Earnings (Loss) Per Share (a/b)	**(P11.73)**	P0.88	P5.80

As at December 31, 2022, 2021 and 2020, the Parent Company has no dilutive debt or equity instruments.

The basic/diluted loss per common share resulted mainly from the impact of foreign exchange losses in 2022 and interest costs and other financing charges (including distributions to perpetual capital securities) for the Group's various financing activities. These were undertaken to fund the ongoing construction of several power plant expansion projects intended to significantly increase the capacities and modernize the existing power generation portfolio of the Group. These expansion projects, including, among others, the 1,000 MW BESS facilities, 600 MW Mariveles CFB Coal-fired Power Plant, 2 x 350 MW Masinloc Power Generation Units 4 and 5, and the 1,313.1 MW BCCPP are expected to go into commercial operations in the next 4 to 5 years (Note 12). These projects are expected to be contracted to creditworthy offtakers such as Meralco and the NGCP, and should contribute significantly to the profitability of the Group following their commercial operations in the coming years.

Excluding the impact of foreign exchange losses, the basic/diluted earnings (loss) per common share would have been (P6.20), P1.32 and P5.40 in 2022, 2021 and 2020, respectively.

30. 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 debts 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 accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

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 due 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:

December 31, 2022	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*	56,246,102	56,246,102	56,246,102	-	-	-
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)	143,548	143,548	143,548	-	-	-
Noncurrent receivables (included under "Other noncurrent assets" account, including current portion)	21,667,453	22,883,660	8,273,285	4,908,764	7,871,172	7,768,426
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	7,608,418	7,838,488	4,400,285	428,631	33	3,009,385
Financial Liabilities						
Loans payable	21,000,000	21,163,379	21,163,379	-	-	-
Accounts payable and accrued expenses*	67,216,148	67,216,545	67,216,545	-	-	-
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	75,488	75,488	75,488	-	-	-
Long-term debt - net (including current maturities)	272,452,624	337,624,261	79,467,807	58,799,446	109,842,716	89,433,298
Lease liabilities (including current portion)	69,863,119	71,863,347	21,860,279	12,388,888	17,690,838	12,823,347
Other noncurrent liabilities	5,780,313	5,780,313	-	788,783	4,832,168	161,351

*Excluding statutory receivables and payables

December 31, 2021	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	P87,880,161	P87,880,161	P87,880,161	P -	P -	P -
Trade and other receivables - net*	47,223,850	47,223,910	47,223,909	-	-	-
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	111,932	111,932	111,932	-	-	-
Derivative asset designated as cash flow hedge (included under "Other noncurrent assets" account)	42,173	42,173		42,173	-	-
Noncurrent receivables (included under "Other noncurrent assets" account, including current portion)	1,980,205	2,126,273	54,184	157,764	48,394	1,865,924
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	4,400,398	4,400,398	2,660,507	547,403	15	1,332,367
Financial Liabilities						
Loans payable	1,528,870	1,541,923	1,541,923	-	-	-
Accounts payable and accrued expenses*	48,147,723	48,147,723	48,147,720	-	-	-
Long-term debt - net (including current maturities)	222,925,440	275,616,650	33,320,507	37,821,164	100,357,971	94,315,388
Lease liabilities (including current portion)	78,213,859	95,888,508	25,801,170	20,667,930	28,282,548	20,546,267
Other noncurrent liabilities (including current portion of Concession liability and Premium on option liabilities)	4,166,922	4,592,786	38,721	777,738	3,403,199	373,128

*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 as at December 31, without considering the effects of other risk mitigation techniques, is presented below:

	Note	2022	2021
Cash and cash equivalents (excluding cash on hand)	7	P22,724,545	P67,688,162
Trade and other receivables - net*	8	98,245,102	47,223,910
Derivative assets not designated as cash flow hedge	10	176,286	111,932
Derivative asset designated as cash flow hedge	10, 15	143,545	42,173
Noncurrent receivables	8, 15	21,687,453	1,560,209
Restricted cash	10, 15	7,696,458	4,430,396
		P150,677,388	P121,056,782

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. Assets that are credit-impaired are separately presented.

	Financial Assets at Amortized Cost					
December 31, 2022	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		[illegible]	[illegible]	-	-	[illegible]
Derivative assets not designated as cash flow hedge	-	-	-	176,286	-	176,286
Derivative asset designated as cash flow hedge	-	-	-	-	143,545	143,545
Noncurrent receivables	-	21,687,453	-	-	-	21,687,453
Restricted cash	7,696,458	-		-	-	7,696,458
	[illegible]	[illegible]	[illegible]	P176,286	P143,545	[illegible]

December 31, 2021	Financial Assets at Amortized Cost: 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)	P67,688,163	P -	P -	P -	P -	P67,688,163
Trade and other receivables	-	47,723,910	2,672,082	-	-	48,886,982
Derivative assets not designated as cash flow hedge	-	-	-	111,932	-	111,932
Derivative asset designated as cash flow hedge	-	-	-	-	42,175	42,175
Noncurrent receivables	-	1,560,209	-	-	-	1,560,209
Restricted cash	4,430,396	-	-	-	-	4,430,396
	P72,118,559	P48,784,118	P2,672,082	P111,932	P42,175	P123,728,864

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:

	December 31, 2022				December 31, 2021			
	Trade	Non-trade	Amounts Owed by Related Parties	Total	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P43,363,480	P4,532,746	P7,280,112	P55,176,338	P17,880,189	P1,074,987	P1,995,024	P20,950,200
Past due								
1 - 30 days	8,224,188	133,983	204,831	8,633,402	4,601,318	185,881	500,031	5,287,140
31 - 60 days	4,283,140	27,878	100,208	4,411,726	1,748,212	215,510	40,776	2,004,698
61 - 90 days	4,731,729	77,195	8,901	4,817,825	1,504,872	18,848	31,752	1,551,272
Over 90 days	24,277,164	3,047,040	676,456	28,001,530	11,351,829	8,230,403	620,250	20,192,182
	P87,921,680	P8,816,636	P8,180,234	P100,918,608	P37,086,420	P9,721,739	P3,077,833	P49,885,992

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 (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

The Group's cash and cash equivalents, investment in debt instruments, 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 37%, 40% and 44% of the Group's total revenues in 2022, 2021 and 2020, 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:

December 31, 2022	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated interest rate	P23,342,184 4.7676% to 7.7521%	P34,395,804 5.0000% to 7.7521%	P14,604,744 5.0000% to 7.7521%	P38,680,164 5.1792% to 7.7521%	P8,870,087 6.2836% to 7.7521%	P61,333,627 6.2836% to 8.0288%	P180,046,510
Foreign currency-denominated (expressed in Philippine Peso) interest rate	3,481,353 4.7776% to 5.3850%	1,838,013 5.5969%	1,400,874 5.5969%	1,494,544 5.8396%	1,630,614 5.8969%	11,037,873 5.8969%	20,863,272
Floating Rate							
Foreign currency-denominated (expressed in Philippine Peso) interest rate	22,168,684 LIBOR + Margin	11,891,488 LIBOR + Margin	9,036,483 LIBOR/SOFR + Margin	17,398,592 LIBOR + Margin	17,230,286 LIBOR/SOFR + Margin	3,829,923 LIBOR + Margin	80,863,810
	P48,680,888	P47,240,603	P21,848,903	P56,268,300	P27,430,987	P76,800,623	P278,886,592

December 31, 2021	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated interest rate	P27,779,084 6.0000% to 7.7521%	P23,342,184 4.7525% to 7.7521%	P34,309,604 5.0000% to 7.7521%	P9,904,744 5.0000% to 7.7521%	P16,589,154 5.1792% to 7.7521%	P37,303,524 6.2836% to 7.7521%	P148,728,074
Foreign currency-denominated (expressed in Philippine Peso) interest rate	1,694,823 4.7776% to 5.3850%	5,352,327 4.7776% to 5.3850%	1,224,792 5.5969%	1,291,157 5.8396%	1,839,819 5.9659%	12,044,480 5.5969%	23,737,918
Floating Rate							
Foreign currency-denominated (expressed in Philippine Peso) interest rate	660,258 LIBOR + Margin	30,328,621 LIBOR + Margin	405,066 LIBOR + Margin	421,660 LIBOR + Margin	15,740,587 LIBOR + Margin	5,863,999 LIBOR + Margin	61,014,221
	P30,434,444	P58,523,132	P35,937,862	P11,207,601	P33,868,307	P55,212,080	P224,884,308

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's net income before tax (through the impact on floating rate borrowings) by P792,987, P515,182 and P421,648 in 2022, 2021 and 2020, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

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

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

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

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

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

- changes in the timing of the hedged transactions.

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

		December 31, 2022		December 31, 2021	
	Note	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	7	**US$66,775**	**P3,723,059**	US$582,496	P29,706,729
Trade and other receivables	8	**77,954**	**4,346,322**	236,449	12,058,685
Prepaid expenses	10	**76,478**	**4,264,049**	-	-
Noncurrent receivables	15	**2,135**	**119,042**	-	-
		223,342	**12,452,472**	818,945	41,765,414
Liabilities					
Loans payable	16	**-**	**-**	30,000	1,629,970
Accounts payable and accrued expenses	17	**822,119**	**45,837,240**	699,308	30,109,121
Long-term debt (including current maturities)	18	**2,043,173**	**113,917,082**	1,496,230	76,295,235
Lease liabilities (including current portion)	6	**532,936**	**29,713,661**	762,408	38,884,578
Other noncurrent liabilities		**96,327**	**5,370,714**	67,749	3,455,137
		3,494,555	**194,838,887**	2,945,745	150,230,041
Net Foreign Currency-denominated Monetary Liabilities		**US$3,271,213**	**P182,386,415**	US$2,126,800	P108,464,627

The Group reported net gains (losses) on foreign exchange amounting to (P9,006,865), (P1,495,368) and P1,369,721 in 2022, 2021 and 2020, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 26).

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
December 31, 2022	**55.755**
December 31, 2021	50.999
December 31, 2020	48.023

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 net income 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	
December 31, 2022	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P63,384)**	**(P60,052)**	**P63,384**	**P60,052**
Trade and other receivables	**(77,944)**	**(59,898)**	**77,944**	**59,898**
Prepaid expenses	**(76,478)**	**(67,359)**	**76,478**	**67,359**
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**	**621,686**	**(820,930)**	**(621,686)**
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)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2021	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P574,118)	(P548,884)	P574,118	P548,884
Trade and other receivables	(236,398)	(178,079)	236,398	178,079
	(810,516)	(726,963)	810,516	726,963
Loans payable	30,000	22,500	(30,000)	(22,500)
Accounts payable and accrued expenses	590,013	444,524	(590,013)	(444,524)
Long-term debt (including current maturities)	1,495,230	1,325,423	(1,495,230)	(1,325,423)
Lease liabilities (including current portion)	762,458	571,843	(762,458)	(571,843)
Other noncurrent liabilities	67,749	50,841	(67,749)	(50,841)
	2,945,450	2,415,131	(2,945,450)	(2,415,131)
	P2,134,934	P1,688,168	(P2,134,934)	(P1,688,168)

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, RPS and USCS (Notes 18 and 21).

The Group defines capital as capital stock, additional paid-in capital, SPCS, RPS and USCS 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 year.

31. 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:

	December 31, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P22,726,236	P22,726,236	P67,690,151	P67,690,151
Trade and other receivables - net*	98,245,102	98,245,102	47,223,910	47,223,910
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	178,285	178,285	111,932	111,932
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	143,545	143,545	42,173	42,173
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	21,887,463	21,887,463	1,560,209	1,560,209
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	7,698,458	7,698,458	4,430,396	4,430,396
	P150,879,079	P150,879,079	P121,058,771	P121,058,771
Financial Liabilities				
Loans payable	P21,000,000	P21,000,000	P1,629,970	P1,629,970
Accounts payable and accrued expenses*	67,215,148	67,215,148	46,147,723	46,147,723
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	75,456	75,456	-	-
Long-term debt - net (including current maturities)	273,102,624	278,750,515	222,921,443	242,668,683
Lease liabilities (including current portion)	59,958,110	59,958,110	78,213,359	78,213,359
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	5,780,913	5,780,913	4,146,692	4,146,692
	P426,132,250	P430,780,141	P354,959,187	P374,706,407

*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 3.82% to 6.96% and 0.99% to 4.74% as at December 31, 2022 and 2021, respectively. Discount rates used for foreign currency-denominated loans range from 3.05% to 5.37% and 0.25% to 1.50% as at December 31, 2022 and 2021, 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 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 and 2021, 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 maturing in March 2023. As at December 31, 2022, the positive fair value of the call spread swaps, included under "Prepaid expenses and other current assets" account amounted to P143,545 (Note 10). As at December 31, 2021, the positive fair value of the call spread swaps, included under "Other noncurrent assets" account amounted to P42,173 (Note 15).

The table below provides a reconciliation of the components of equity and other comprehensive income items, net of tax, resulting from cash flow hedge accounting as at December 31:

	2022	2021
Balance at beginning of year	P8,809	(P47,153)
Changes in fair value of derivatives	101,372	23,285
Amount reclassified to profit or loss:		
Interest expense and other financing charges	26,890	32,677
Foreign exchange gain - net (included under "Other income (charges)" account)	(168,300)	-
Balance at end of year	(P31,229)	P8,809

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 years ended December 31, 2022 and 2021

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$65,000 and US$50,000 as at December 31, 2022 and 2021, respectively. As at December 31, 2022, the negative fair value of these currency forwards, included under "Accounts payable and accrued expenses" amounted to P75,455 (Note 17). As at December 31, 2021, the positive fair value of these currency forwards, included under "Prepaid expenses and other current assets" account amounted to P49,775 (Note 10).

Commodity Swaps
The Group has outstanding fixed swap agreements covering the coal requirements of a subsidiary with various maturities in 2023. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding notional quantity covered by the commodity swaps is 117,000 metric tons and 96,000 metric tons as at December 31, 2022 and 2021, respectively. As at December 31, 2022 and 2021, the positive fair value of these commodity swaps, included under "Prepaid expenses and other current assets" account amounted to P178,285 and P62,157, respectively (Note 10)

The Group recognized marked-to-market gains (losses) from freestanding derivatives amounting to P1,583,553, P278,307 and (P232,534) in 2022, 2021 and 2020, respectively (Note 26).

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

	2022	2021
Balance at beginning of year	**P154,105**	P9,299
Net change in fair value of derivatives:		
Not designated as accounting hedge	**1,583,553**	278,397
Designated as accounting hedge	**101,372**	23,285
	1,839,030	310,981
Less fair value of settled instruments	**1,592,666**	156,876
Balance at end of year	**P246,376**	P154,105

32. Supplemental Cash Flows Information

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

	Loans Payable	Long-term Debt	Lease Liabilities	SPCS	RPS	Total
Balance as at January 1, 2022	P1,529,970	P232,921,443	P78,210,358	P167,767,354	P32,751,570	P503,183,795
Changes from Financing Activities						
Proceeds from borrowings	51,181,873	72,312,000	-	-	-	123,493,873
Proceeds from issuance of RPS	-	-	-	-	49,182,400	49,182,400
Payments of borrowings	(32,373,124)	(30,581,714)	-	-	-	(62,954,838)
Payments of lease liabilities	-	-	(24,239,192)	-	-	(24,239,192)
Repurchase of SPCS	-	-	-	(4,702,540)	-	(4,702,540)
Total Changes from Financing Activities	18,808,749	41,730,286	(24,239,192)	(4,702,540)	49,182,400	80,779,703
Effect of Changes in Foreign Exchange Rates	591,200	8,131,996	3,568,483	-	-	11,990,160
Other Changes	-	(661,103)	2,779,360	(1,297,095)	-	820,862
Balance as at December 31, 2022	P20,929,969	P272,162,624	P60,358,110	P161,767,709	P81,934,000	P[illegible]

	Loans Payable	Long-term Debt	Lease Liabilities	USCS	SPCS	Total
Balance as at January 1, 2021	P1,680,805	P219,552,783	P99,611,004	P13,823,400	P132,199,732	P466,767,812
Changes from Financing Activities						
Proceeds from borrowings	29,077,530	31,825,000	-	-	-	60,902,530
Proceeds from issuance of SPCS	-	-	-	-	35,567,632	35,567,632
Payments of borrowings	(29,332,080)	(23,108,723)	-	-	-	(52,440,253)
Payments of lease liabilities	-	-	(24,464,357)	-	-	(24,464,357)
Redemption of USCS	-	-	-	(14,581,500)	-	(14,581,500)
Total Changes from Financing Activities	(255,000)	(1,259,723)	(24,464,357)	(14,581,500)	35,567,632	(4,991,948)
Effect of Changes in Foreign Exchange Rates	104,785	4,527,470	2,080,867	-	-	7,285,099
Other Changes	-	92,914	982,855	758,100	-	1,823,870
Balance as at December 31, 2021	P1,529,970	P232,921,443	P78,210,358	P -	P167,767,354	P470,432,136

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

33. Other Matters

a. EPIRA

The EPIRA sets forth the following: (i) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (ii) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (iii) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which the Group was selected winning bidder of the IPPA Agreements (Note 6).

The EPIRA requires generation and DU companies to undergo public offering within 5 years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed with the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning more than 30% of the installed generating capacity of a grid and/or 25% of the national installed generating capacity. The Group is in compliance with the restrictions as at December 31, 2022 and 2021.

b. Contingencies

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

i. *Temporary Restraining Order (TRO) Issued to Meralco*

SPI, SPPC, SRHI, MPPCL and other generation companies were impleaded as parties to a Petition for Certiorari and Prohibition with prayer for TRO and/or Preliminary Injunction ("Petition") filed in the Supreme Court ("SC") by special interest groups which sought to stop the imposition of the increase in generation charge of Meralco for the November 2013 billing month. The approval of the ERC in its December 9, 2013 order on the staggered imposition by Meralco of its generation rate for November 2013 from its consumers (the "December 9, 2013 ERC Order") prompted the filing of these consolidated petitions. On December 23, 2013, the SC issued a TRO ordering Meralco not to collect, and the generators not to demand payment, for the increase in generation charge for the November 2013 billing month. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that since the power supplied by generators is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. The TRO was originally for a period of 60 days.

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

On February 18, 2014, the SC extended the TRO issued on December 23, 2013 for another sixty (60) days or until April 22, 2014 and granted additional TROs enjoining 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. SPI, SPPC and SRHI on January 4, 2023, while MPPCL on January 5, 2023, received a copy of the Entry of Judgement from the SC En Banc dated October 11, 2022.

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 December 31, 2022 and 2021.

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/kWh. The price was set to be effective for 90 days until a new cap is decided upon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On September 3, 2015, SPPC filed a Complaint with the Regional Trial Court of Mandaluyong City (the "RTC") requesting the RTC that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld and asked that a 72-hour TRO be issued against PSALM for illegally terminating the Ilijan IPPA Agreement and drawing on the performance bond of SPPC. On even date, the RTC issued a 72-hour TRO which prohibited PSALM from treating SPPC as being in Administrator Default and from performing other acts that would change the status quo ante between the parties before PSALM issued the termination notice and drew on the performance bond of SPPC. The TRO was extended until September 28, 2015.

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

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

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

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

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

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

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

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

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

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

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

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

On May 26, 2020, SPPD 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 Decision").

After moving for an extension of time, on November 28, 2022, PSALM filed a Petition for Review on Certiorari with the SC, appealing the May 30, 2022 CA Decision and October 3, 2022 CA Resolution. The petition for review has been docketed as G. R. No. 263774. SPPC has not yet received a directive to file a Comment on the petition.

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

In an Order dated May 16, 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 on Amended Pre-trial Order.

SRPC 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 April 14, 2023 for the cross-examination of SPPC's second witness.

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

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

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

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

iv. *Criminal Cases*

SPPC

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

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

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

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

SPI

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

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

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

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

v. *Civil Cases*

SPI

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

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

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

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

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

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

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

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

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

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

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

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

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

On October 16, 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, included under "Other noncurrent assets", particularly "Restricted cash" account, in the consolidated statements of financial position as at December 31, 2021, was released to TPEC on December 20, 2022 (Note 15).

c. Claim for Price Adjustment on the Meralco PSAs
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 (the "TRO Bond"). 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 million (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.

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.

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

ii. SPI *CA Petition*

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

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

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

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

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

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

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

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

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

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

In a Resolution dated April 3, 2023, the CA upheld its decision to consolidate the cases filed by SPI and SPPC thus denying the Motion for Reconsideration (Opposition Ex Abundanti Ad Cautelam to SPI's Urgent Motion to Allow Consolidation of Cases) filed by the ERC.

d. Events After Reporting Date

i. On March 10, 2023, the Parent Company issued US$500,000 RPS, at an issue price of 100% in favor of SMC (the "Security Holder").

The Security Holder shall have the right to receive distribution at the rate of 8% per annum, payable quarterly in arrears every March 10, June 10, September 10, and December 10 of each year commencing June 10, 2023. The Parent Company has a right to defer distribution under certain conditions.

ii. On March 16, 2023, the Parent Company availed of a US$100,000 1.5-year term loan from a facility agreement executed with a foreign bank on March 10, 2023. The loan is subject to floating interest rate plus margin and will mature in September 2024.

The funds will be used for general corporate purposes, including capital expenditures and refinancing, and payment of other transaction related fees, costs and expenses of the facility.

e. Commitments

The outstanding purchase commitments of the Group amounted to P138,588,592 and P100,125,622 as at December 31, 2022 and 2021, 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. 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.

The Group has been able to effectively mitigate the adverse impact of commodity price risks, primarily for coal fuel, thru the fuel price passthru mechanism or the periodic tariff rate review allowed under its power supply agreements or retail supply contracts with most of its offtakers. It also has supply-side risk mitigation, including among others, maintaining a pool of international and local sources of coal fuel which provide a certain level of fuel price risk mitigation and more importantly, fuel supply security.

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

On June 23, 2022, SPPC entered into a gas supply agreement for 70.28 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.

In view of the deferment of the banked gas supply from PNOC, SPPC has commenced the purchase of commercial LNG for the Ilijan Power Plant in preparation for the completion of the LNG Terminal, currently being built and to be operated by Atlantic Gulf and Pacific Co. beside the Ilijan Power Plant, estimated to commence operation in May 2023.

h. Effects of COVID-19

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, was declared as a pandemic by the World Health Organization in March 2020 and has spread globally over the course of 2020.

The Philippine government issued a series of directives and imposed graduated lockdown schemes, with varying degrees of restrictions on travel and business operations, as part of its efforts to contain the outbreak in the Philippines. The day-to-day operations of the Group, being primarily engaged in power generation, were not significantly affected by the imposed quarantine measures because the Philippine government considers power generation as an essential service. As a result, the Group's power generation activities and any repairs and preventive maintenance works remain generally unhampered during the pandemic.

The demand from industrial customers in the Luzon Grid decreased significantly in 2020 as a result of the cessation or suspension of business operations, but demand gradually increased with the easing of quarantine restrictions and the gradual reopening of economic activities in the National Capital Region. In contrast, the demand from most of the Group's utility customers, representing mostly residential and small-scale industrial customers and commercial businesses, remained stable, and at times increased compared to their historical demand, which compensated for the reduction of industrial demand.

As part of the Philippine government's quarantine measures, the DOE and ERC issued separate advisories allowing deferred payment schemes, including the implementation of a certain grace period and staggered payment without interests, penalties and other charges to all payments falling due within the period of community quarantine. In 2021, there were a few distribution utilities customers that entered into a payment arrangement scheme with the Group that will assist them in implementing DOE advisories in support to their member consumers during certain community quarantine periods. As at report date, the power bills covered by the deferred payment schemes have been substantially collected.

The economy has continued to recover in 2022 with the easing up of pandemic restrictions alongside robust vaccination efforts around the world.

i. Certain accounts in prior years 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.

Annex "B-1"

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
San Miguel Global Power Holdings Corp.
(Formerly SMC Global Power Holdings Corp.)
5th Floor, C5 Office Building Complex
#100 E. Rodriguez Jr. Ave., C5 Road
Bo. Ugong, Pasig City 1604, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.) and Subsidiaries (the "Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated April 14, 2023.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J
- Reconciliation of Retained Earnings Available for Dividend Declaration

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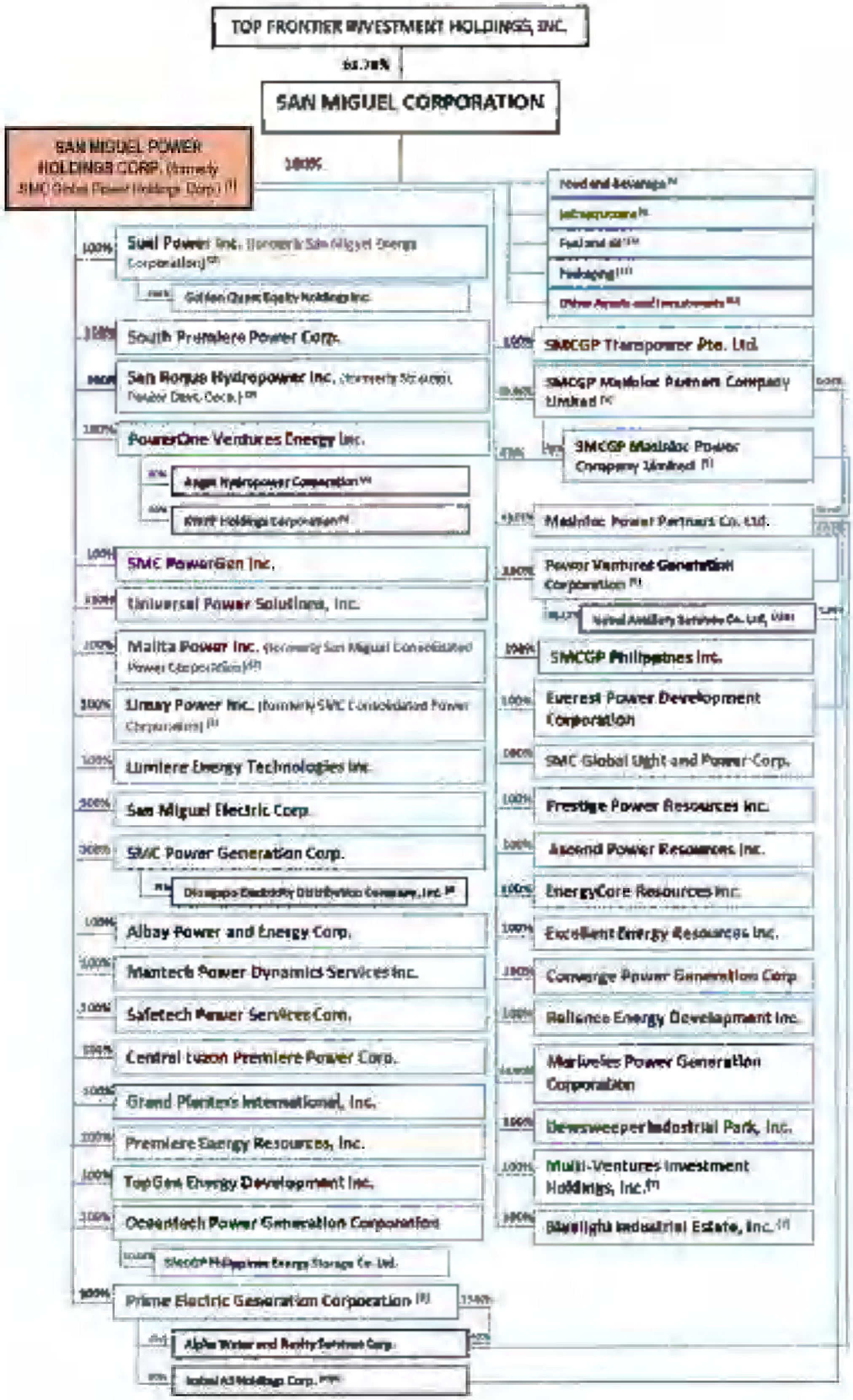
These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements. Such information have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563853
Issued January 3, 2023 at Makati City

April 14, 2023
Makati City, Metro Manila

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
GROUP STRUCTURE*
AS OF DECEMBER 31, 2022



(1) The change of the corporate name of "SMC Global Power Holdings Corp." to "San Miguel Global Power Holdings Corp." ("San Miguel Global Power") was approved by the Philippine Securities and Exchange Commission ("SEC") on March 22, 2023.

(2) The changes of the corporate names of "San Miguel Consolidated Power Corporation" to "Malita Power Inc." and "San Miguel Energy Corporation" to "Sual Power Inc." were approved by the Philippine SEC on March 9, 2023.

(3) The change of the corporate name of "Strategic Power Devt. Corp." to "San Roque Hydropower Inc." was approved by the Philippine SEC on March 31, 2023.

(4) The change of the corporate name of "SMC Consolidated Power Corporation" to "Limay Power Inc." was approved by the Philippine SEC on February 7, 2023.

(5) San Miguel Global Power owns 99.96% partnership interest in SMCGP Masinloc Partners Company Limited ("MaPaCo") after the 50.98% partnership interest of SMCGP Masin Pte. Ltd. ("SMCGP MAPL") was transferred to San Miguel Global Power pursuant to a Deed of Assignment dated June 8, 2021. Empress Power Development Corporation owns the remaining 0.04% partnership interest in MaPaCo. MaPaCo owns 40% partnership interest of SMCGP Masinloc Power Company Limited ("MaPoCo"). San Miguel Global Power now owns the 60% partnership interest in MaPoCo after this was transferred by SMCGP MAPL to San Miguel Global Power pursuant to a Deed of Assignment dated June 8, 2021. The amendments of the Amended Articles of Partnership of MaPaCo and MaPoCo reflecting these changes were approved by the Philippine SEC in September 2022, after the petition for withdrawal of the license to operate of SMCGP MAPL was approved by the Philippine SEC in August 2022. MaPoCo owns 50.90% partnership interest in Masinloc Power Partners Co. Ltd. ("MPPCL"), while San Miguel Global Power owns 49.07% partnership interest and Power Ventures Generation Corporation ("PVGC") owns 0.03% partnership interest in MPPCL.

(6) On June 2, 2022, San Miguel Global Power acquired 50% interests in Isabel Ancillary Services Co. Ltd. ("IASCO") through the acquisition by PVGC of 48.31% limited partnership interest in IASCO and the acquisition by Prime Electric Generation Corporation of 50% equity interests in Isabel AS Holdings Corp., the sole general partner which owns 1.38% partnership interest in IASCO. IASCO operates the 70 MW Modular Engine Power Plant in Isabel, Leyte.

(7) Acquired in 2022.

(8) Food and Beverage business consist of:

a. San Miguel Food and Beverage, Inc. and subsidiaries including San Miguel Foods, Inc and subsidiary, San Miguel Mills and subsidiaries, The Purefoods-Hormel Company Inc, Magnolia Inc and subsidiary, San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia, San Miguel Foods International, Limited and subsidiary, San Miguel Foods Investment (BVI) Limited and subsidiary, San Miguel Pure Foods (VN) Co., Ltd. PT San Miguel Foods Indonesia is in the process of liquidation as at December 31, 2022;

b. Ginebra San Miguel Inc. and subsidiaries including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International, Ltd., GSM International Holdings Limited, Global Beverage Holdings Limited and Siam Holdings Limited.; and

c. San Miguel Brewery Inc. and subsidiaries including Iconic Beverages, Inc. and Brewery Properties Inc. and subsidiary and San Miguel Brewing International Ltd. and subsidiaries including, San Miguel Brewery Hong Kong Limited and subsidiaries, PT. Delta Djakarta Tbk. and subsidiary, San Miguel (Baoding) Brewery Co.Ltd., San Miguel Brewery Vietnam Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited. San Miguel (Baoding) Brewery Co. Ltd. is in the process of liquidation as at December 31, 2022.

(9) Infrastructure business include San Miguel Holdings Corp. and subsidiaries including SMC NAIAX Corporation (formerly Vertex Tollways Devt. Inc.), Trans Aire Development Holdings Corp., SMC TPLEX Holdings Company Inc., SMC TPLEX Corporation, Universal LRT Corporation (BVI) Limited, Wiselink Investment Holdings, Inc., Cypress Tree Capital Investments, Inc. and subsidiaries, San Miguel Aerocity Inc. and Luzon Clean Water Development Corporation, Optimal Infrastructure Development, Inc., ULCOM Company Inc., Terramino Holdings, Inc. and subsidiary, Alloy Manila Toll Expressways Inc., SMC Infraventures, Inc. and subsidiary, SMC Skyway Stage 4 Corporation (formerly Citra Intercity Tollways Inc.) and SMC Mass Rail Transit 7 Inc., Atlantic Aurum Investments B.V. and subsidiaries including SMC Tollways Corporation (formerly Atlantic Aurum Investments Philippines Corporation) and subsidiaries including Stage 3 Connector Tollways Holding Corporation and subsidiary, SMC Skyway Stage 3 Corporation (formerly Citra Central Expressway Corp.), and SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation) and subsidiary, Skyway O&M Corp., SMC SLEX Holdings Company Inc. (formerly MTD Manila Expressways Inc.) and subsidiaries, Manila Toll Expressway Systems Inc. and SMC SLEX Inc. (formerly South Luzon Tollway Corporation).

(10) Fuel and Oil business include SEA Refinery Corporation and subsidiary, Petron Corporation and subsidiaries including Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Petron Singapore Trading Pte., Ltd., Petron Global Limited, Petron Oil & Gas International Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd. (collectively "Petron Malaysia"), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited and subsidiaries.

(11) Packaging business include San Miguel Yamamura Packaging Corporation and subsidiaries, San Miguel Yamamura Packaging International Limited and subsidiaries, and Mindanao Corrugated Fibreboard, Inc.

(12) Other Assets and Investments include San Miguel Properties, Inc. and subsidiaries, Bank of Commerce(A), SMC Shipping and Lighterage Corporation and subsidiaries, San Miguel Equity Investments Inc. and subsidiaries including Northern Cement Corporation, Eagle Cement Corporation and subsidiaries and Southern Concrete Industries, Inc. (formerly Oro Cemento Industries Corporation), SMC Asia Car Distributors Corp. and subsidiaries, SMC Stock Transfer Service Corporation, ArchEn Technologies Inc., SMITS, Inc. and subsidiaries, San Miguel Integrated Logistics Services, Inc., Anchor Insurance Brokerage Corporation, Davana Heights Development Corporation and subsidiaries, SMC Equivest Corporation and Petrogen Insurance Corporation.

* The group structure includes the ultimate parent company, Top Frontier Investment Holdings, Inc., the intermediate parent company, San Miguel Corporation and its major subsidiaries, associates and joint ventures, and San Miguel Global Power Holdings Corp. and subsidiaries.

Note: (JV) Joint Venture
(A) Associate

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.*
(Formerly SMC Global Power Holdings Corp.)

5th Floor, C5 Office Building Complex
#100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City, Metro Manila
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
(Amounts in Thousand Pesos)

		(Figures based on functional currency audited separate financial statement as of and for the year ended December 31, 2022)
Unappropriated Retained Earnings, beginning		**P10,799,137**
Adjustments in previous year's reconciliation		**(2,847,445)**
Unappropriated retained earnings, as adjusted, beginning		**7,951,692**
Net income based on the face of Audited Separate **Financial Statements**	P12,736,979	
Non-actual gains arising from unrealized foreign exchange, net of tax	(2,989,088)	
Sub-total	9,747,891	**9,747,891**
Net income actual/realized		**17,699,583**
Repurchase of securities		**1,297,015**
Distributions paid during the year		**(16,978,994)**
Unappropriated retained earnings, as adjusted, ending		**P2,017,604**

* *On March 22, 2023, the Philippine Securities and Exchange Commission approved the change in the corporate name from "SMC Global Power Holdings Corp." to "San Miguel Global Power Holdings Corp."*

Annex "B-2"

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
San Miguel Global Power Holdings Corp.
(Formerly SMC Global Power Holdings Corp.)
5th Floor, C5 Office Building Complex
#100 E. Rodriguez Jr. Ave., C5 Road
Bo. Ugong, Pasig City 1604, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.) and Subsidiaries (the "Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 14, 2023.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

KPMG

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563853
issued January 3, 2023 at Makati City

April 14, 2023
Makati City, Metro Manila

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
AND SUBSIDIARIES
DISCUSSION OF THE GROUP'S FINANCIAL SOUNDNESS INDICATORS

LIQUIDITY RATIO

Current Ratio = **Current Assets** / **Current Liabilities**

(in Millions Peso)	Conventional		Adjusted [1]	
	December 2022	December 2021	December 2022	December 2021
(A) Current Assets	**188,781**	156,470	**188,781**	156,470
(B) Current Liabilities	**188,690**	109,472	**169,608**	87,876
Current Ratio (A)/(B)	**1.00**	1.43	**1.11**	1.78

[1] Current portion of lease liabilities, in relation to the Independent Power Producer Administration (IPPA) Agreements with Power Sector Assets and Liabilities Management Corporation (PSALM), are excluded from the total current liabilities as these current obligations on lease are pass-through charges billable to customers. As at December 31, 2022 and 2021, current portion of lease liabilities to PSALM amounted to P19,082 million and P21,596 million, respectively.

SOLVENCY RATIO

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

Per relevant Loan Covenants of San Miguel Global Power Holdings Corp.

(in Millions Peso)	December 2022	December 2021
(A) Net Debt [2]	**293,872**	184,001
(B) Total Equity [3]	**252,707**	247,603
Net Debt-to-Equity Ratio (A) / (B)	**1.16**	0.74

*All items 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**

(in Millions Peso)	Conventional		Adjusted [4]	
	December 2022	December 2021	**December 2022**	December 2021
(A) Total Assets	**717,515**	636,724	**618,399**	483,896
(B) Total Equity	**252,317**	251,728	**252,317**	251,728
Asset-to-Equity Ratio (A) / (B)	**2.84**	2.53	**2.45**	1.92

[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 December 31, 2022 and 2021, the net carrying amount of the IPPA power plant assets amounted to P99,116 and P152,828, respectively.

PROFITABILITY RATIO

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

(in Millions Peso)	December 2022	December 2021
(A) Net Income	**3,134**	15,978
(B) Total Equity	**252,317**	251,728
Return on Equity (A) / (B)	**1.2%**	6.3%

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

Per relevant Loan Covenants of San Miguel Global Power Holdings Corp.

(in Millions Peso)	December 2022	December 2021
(A) EBITDA [5]	**34,494**	33,642
(B) Interest Expense [6]	**13,170**	13,405
Interest Coverage Ratio (A) / (B)	**2.62**	2.50

[5] Full year consolidated EBITDA (gross of PSALM payments and excluding amounts attributable to ring-fenced subsidiaries)

[6] Full year consolidated interest expense (excluding amounts attributable to ring-fenced subsidiaries).

OPERATING EFFICIENCY

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

	Years Ended December 31	
(in GWh)	**2022**	2021
(A) Current Period Offtake Volume	**27,402**	27,221
(B) Prior Period Offtake Volume	**27,221**	26,291
Volume Growth [(A) / (B) – 1]	**0.7%**	3.5%

$$\text{Revenue Growth} = \frac{\text{Current Period Revenues}}{\text{Prior Period Revenue}} - 1$$

(in Millions Peso)	Years Ended December 31 2022	2021
(A) Current Period Revenues	**221,389**	133,710
(B) Prior Period Revenues	**133,710**	115,029
Revenue Growth [(A) / (B) – 1]	**65.6%**	16.2%

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

(in Millions Peso)	Years Ended December 31 2022	2021
(A) Income from Operations	**28,886**	36,841
(B) Revenues	**221,389**	133,710
Operating Margin (A) / (B)	**13.0%**	27.6%

Annex "C"

SUMMARY OF ATTENDANCE OF THE DIRECTORS IN MEETINGS

Director's Name	June 7, 2022 ASM	June 7, 2022 Org. Mtg.	July 13, 2022 Special Board Mtg.	Aug. 12, 2022 Regular Board Mtg.	Aug. 12, 2022 AROC Mtg.	Aug. 12, 2022 CG Mtg.	Oct. 26, 2022 Special Board Mtg.	Nov. 8, 2022 Special Board Mtg.	Nov. 14, 2022 Regular Board Mtg.	Nov. 14, 2022 AROC Mtg.	Nov. 14, 2022 CG Mtg.	Dec. 5, 2022 Special Board Mtg.	Jan. 17, 2023 Special Board Mtg.	March 9, 2023 Regular Board Mtg.	March 9, 2023 RPT Mtg.	March 9, 2023 AROC Mtg.	March 9, 2023 CG Mtg.	May 2, 2023 Regular Board Mtg.	May 2, 2023 AROC Mtg.	May 2, 2023 CG Mtg.
Ramon S. Ang	✓	✓	✓	✓	N/A	N/A	✓	✓	✓	N/A	N/A	✓	✓	✓	N/A	N/A	N/A	✓	N/A	N/A
John Paul L. Ang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Aurora T. Calderon	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓	N/A	✓	✓	N/A
Virgilio S. Jacinto	✓	✓	✓	✓	N/A	✓	✓	✓	✓	N/A	✓	✓	✓	✓	N/A	N/A	✓	✓	N/A	✓
Jack G. Arroyo, Jr.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Consuelo M. Ynares-Santiago	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Josefina Guevara-Salonga	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

LEGEND:

ASM - 2022 Annual Stockholders' Meeting

Org. Meeting - Organizational Meeting of the Board of Directors

AROC Meeting - Audit & Risk Oversight Committee Meeting

CG Meeting - Corporate Governance Committee Meeting

RPT Meeting – Related Party Transactions Committee Meeting

ANNEX “D”

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

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

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

Forward

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

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

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

	Note	2023 (Unaudited)	2022 (Unaudited)
REVENUES	*4, 10, 12*	**P41,123,900**	P43,036,057
COST OF POWER SOLD	*10, 13*	**32,093,981**	35,136,980
GROSS PROFIT		**9,029,919**	7,897,077
SELLING AND ADMINISTRATIVE EXPENSES	*7, 8*	**(1,467,846)**	(1,158,134)
OTHER OPERATINO INCOME		**12,466**	50,955
INTEREST EXPENSE AND GTHER FINANCING CHARGES	*5, 9*	**(4,397,810)**	(4,092,076)
INTEREST INCOME	*6*	**366,563**	216,824
EQUITY IN NET EARNINGS OF AN ASSOCIATE AND JOINT VENTURES		**164,270**	60,373
OTHER INCOME - Net	*14*	**3,315,719**	365,958
INCOME BEFORE INCOME TAX		**7,023,245**	3,340,977
INCOME TAX EXPENSE		**1,678,776**	1,413,326
HET INCOME		**P5,344,460**	P1,927,651
Attributable to:			
Equity holders of the Parent Company		**P5,323,306**	P1,895,982
Non-controlling interests		**21,169**	31,669
		P5,344,459	P1,927,651
Earnings (Loss) Per Common Share Attributable to Equity Holdars of the Parent Company			
Basic/dilutod	*15*	**P0.43**	(P1.79)

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Financa Officar / Authcrized Signatory

SAN MIGUEL GLOBAL PGWER 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 PERIGDS ENDED MARCH 31, 2023 AND 2022
(In Thousands)

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

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

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

		Equity Attributable to Equity Holders of the Parent Company											
						Equity Reserves							
	Note	Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Equity Reserves	Translation Reserves	Reserve for Retirement Plan	Hedging Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2023 (Audited)		P1,250,004	P2,490,000	P161,767,709	P51,934,069	(P2,378,421)	P917,966	(P67,266)	(P31,228)	P35,526,185	P251,409,017	P907,542	P252,316,559
Net income		-	-	-	-	-	-	-	-	5,323,300	5,323,300	21,168	5,344,468
Other comprehensive income (loss) - net of tax		-	-	-	-	-	(10,172)	-	31,229	-	21,057	-	21,057
Total comprehensive income		-	-	-	-	-	(10,172)	-	31,229	5,323,300	5,344,357	21,169	5,365,526
Issuance of redeemable perpetual securities	11, 18	-	-	-	27,378,113	-	-	-	-	-	27,378,113	-	27,378,113
Distributions:													
Senior perpetual capital securities	11	-	-	-	-	-	-	-	-	(1,231,732)	(1,231,732)	-	(1,231,732)
Transactions with owners		-	-	-	27,378,113	-	-	-	-	(1,231,732)	26,146,381	-	26,146,381
As at March 31, 2023 (Unaudited)		P1,250,004	2,490,000	P161,767,709	P79,312,182	(P2,378,421)	P907,794	(P67,266)	P -	P39,617,753	P282,899,735	P928,711	P283,828,466
As at January 1, 2022 (Audited)		P1,062,504	P2,490,000	P167,787,364	P32,751,570	(P2,379,442)	P880,548	(P46,195)	P8,809	P48,247,948	P250,783,106	P945,492	P251,728,598
Net income		-	-	-	-	-	-	-	-	1,895,982	1,895,982	31,669	1,927,651
Other comprehensive income - Net of tax		-	-	-	-	-	5,566	-	11,523	-	17,089	-	17,089
Total comprehensive income		-	-	-	-	-	5,566	-	11,523	1,895,982	1,913,071	31,669	1,944,740
Stock issuance cost		-	-	-	-	-	-	-	-	(26,838)	(26,838)	(2,339)	(29,177)
Distributions:													
Redeemable perpetual securities	11	-	-	-	-	-	-	-	-	(520,306)	(520,306)	-	(520,306)
Senior perpetual capital securities	11	-	-	-	-	-	-	-	-	(1,170,562)	(1,170,562)	-	(1,170,562)
Transactions with owners		-	-	-	-	-	-	-	-	(1,717,695)	(1,717,695)	(2,339)	(1,720,034)
As at March 31, 2022 (Unaudited)		P1,062,504	P2,490,000	P167,787,364	P32,751,570	(P2,379,442)	P886,114	(P46,195)	P20,332	P48,426,235	P250,978,482	P874,822	P251,853,304

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

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

	Note	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P7,023,245**	P3,340,977
Adjustments for:			
Interest expense and other financing charges	*5, 9*	**4,397,810**	4,092,076
Depreciation and amortization	*8, 13*	**2,936,029**	2,940,135
Loss on retirement of fixed assets	*8, 14*	**63,435**	-
Retirement cost		**35,499**	12,519
Impairment loss on trade receivables	*7*	**15,146**	14,871
Reversal of allowance on trade and other receivables	*7, 14*	**(105,560)**	(11,462)
Equity in net earnings of an associate and joint ventures - net		**(164,270)**	(60,373)
Interest income	*6*	**(366,533)**	(216,824)
Unrealized foreign exchange losses (gains) - net		**(5,461,862)**	397,285
Operating income before working capital changes		**8,422,939**	10,509,204
Decrease (increase) in:			
Trade and other receivables - net		**(972,042)**	(11,139,044)
Inventories		**3,967,659**	339,058
Prepaid expenses and other current assets		**6,365,086**	(193,027)
Increase (decrease) in:			
Accounts payable and accrued expenses		**1,017,917**	5,207,671
Other noncurrent liabilities and others		**(725,825)**	196,663
Cash generated from operations		**18,065,734**	4,960,525
Interest income received		**189,793**	197,473
Income taxes paid		**(109,540)**	(68,484)
Interest expense and other financing charges paid		**(4,862,472)**	(3,900,690)
Net cash flows provided by operating activities		**13,283,515**	1,208,824
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible assets		**-**	(34,386)
Additions to investments and advances		**(604,413)**	(45,934)
Advances paid to suppliers and contractors		**(2,306,030)**	(2,856,366)
Increase in other noncurrent assets		**(3,562,486)**	(78,727)
Additions to property, plant and equipment	*8*	**(10,028,739)**	(7,604,345)
Net cash flows used in investing activities		**(16,501,668)**	(10,619,758)

Forward

	Note	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	*18*	**P28,000,000**	P702,100
Proceeds from the issuance of redeemable perpetual securities	*11, 18*	**27,376,113**	-
Proceeds from long-term debt	*9, 18*	**13,041,000**	10,274,000
Payments of stock issuance costs		**-**	(29,177)
Distributions paid to redeemable perpetual securities holder	*11*	**-**	(520,305)
Distributions paid to senior perpetual capital securities holders	*11*	**(1,231,732)**	(1,170,552)
Payments of lease liabilities	*5, 18*	**(4,652,729)**	(6,503,642)
Payments of short-term borrowings	*18*	**(28,000,000)**	(1,564,200)
Payments of long-term debts	*9, 18*	**(36,576,358)**	(926,686)
Net cash flows provided by (used in) financing activities		**(1,441,756)**	341,538
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(108,410)**	402,539
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,068,269)**	(8,666,857)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**22,726,236**	67,690,151
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*6*	**P17,657,967**	P59,023,294

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SAN MIGUEL GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES

TRADE AND OTHER RECEIVABLES

MARCH 31, 2023

(Amounts in Thousands)

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

SAN MIGUEL GLOBAL POWER HGLOINGS 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 ourpose 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 secorities or obligations, created or issued by any corporation or other sntity. The Parcnt Company has a perpetual corporate life in accordanco with the Revised Corporetion Code of the Philippinos 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 iritenm 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 annuel consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2022.

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

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

The principal accounting policies adopted in the preparation of the infedm concolidated financial statements of the Group are consistent with triose followed in the most recerit ennual audited consolideted financial statements, except for the changes in accounting policies as explained below, Adoption of Amended Standards

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

Amendments to Standards Adopted in 2023

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

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

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

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

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

Amendments to Standards Not Yet Adopted

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

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

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

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

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

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

  The amendments are effective for annual reporting periods beginning or after January 1, 2024, with earlier application permitted. Under PAS 3, the amendments apply retrospectively to sale and leaseback transactions entered into or after the date of initial adoption of PFRS 16.

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

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

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

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

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

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

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

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

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

Financial Instruments

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

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

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

Financial Assets

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

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

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

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial assat conteins a contrectual 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 coupan rate, including veriable rate features;
- prepeyment 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 reascnable additicnal compensaticn for early termination of the contract. Additionally, for a financial assets acquired at a discount cr premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represeets 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 amortizud cost, financial assets at FVOCI (with or without recycling of cumulativa gains and losses) and financiel 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, 10 and 17).

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

Financial Liabilities

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

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

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

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

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

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

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

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

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

<u>Impairment of Financial Assets</u>
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.

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

3. Use of Judgments, Estimates and Assumptions

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

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

4. Segment Information

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

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

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

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

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

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

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

Operating Segments

Financial information about reportable segments follows:

For the Periods Ended March 31

	Power Generation		Retail and Other Power-related Services		Others		Eliminations		Consolidated	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Revenues										
External	P34,097,060	P36,003,962	P6,950,954	P6,979,926	P75,886	P42,149	P -	P -	P41,123,900	P43,036,057
Inter-segment	5,625,326	3,837,388	-	2,025	415,041	281,263	(6,040,367)	(4,120,696)	-	-
	39,722,386	39,841,350	6,950,954	6,981,951	490,927	323,412	(6,040,367)	(4,120,696)	41,123,900	43,036,057
Costs and Expenses										
Cost of power sold	32,233,824	32,020,662	5,414,473	6,923,566	280,634	189,060	(5,834,950)	(3,994,308)	32,093,981	35,138,980
Selling and administrative expenses	1,167,463	929,262	254,485	209,146	587,537	426,679	(541,639)	(406,953)	1,467,646	1,158,134
	33,401,287	32,949,924	5,668,958	7,132,712	868,171	615,739	(6,376,589)	(4,401,261)	33,561,627	36,297,114
Other operating income (loss) - net	14,764	11,874	(21,883)	11,847	213,849	378,336	(194,260)	(359,102)	12,490	50,955
Segment Result	P6,335,863	P6,903,300	P1,260,113	(P120,914)	(P163,395)	P86,009	P141,962	(P78,497)	P7,574,533	P6,789,898
Interest expense and other financing charges									(4,397,810)	(4,092,076)
Interest income									369,533	218,824
Equity in net earnings of an associate and joint ventures - net									164,270	80,173
Other income - net									3,315,719	365,858
Income tax expense									(1,678,776)	(1,413,328)
Consolidated Net Income									P5,344,469	P1,927,651

As at and For the Periods Ended

	Power Generation		Retail and Other Power-related Services		Others		Eliminations		Consolidated	
	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Other Information										
Segment assets	P563,997,144	P558,444,220	P55,289,060	P54,575,003	P173,289,281	P126,084,090	(P154,721,688)	(P103,488,041)	P637,853,797	P635,616,302
Investments and advances – net	7,142,718	6,956,614	252,610	241,714	310,763,552	321,673,220	(312,336,606)	(321,026,957)	6,823,274	7,054,591
Goodwill and other intangible assets – net									71,738,752	71,764,559
Deferred tax assets									2,054,740	2,080,281
Consolidated Total Assets									P718,470,563	P717,514,733
Segment liabilities	P322,204,297	P314,934,119	P25,688,148	P25,570,422	P48,965,446	P39,563,339	(P227,699,748)	(P206,721,822)	P169,158,143	P173,346,058
Long-term debt - net									246,672,515	272,162,624
Income tax payable									372,838	326,144
Deferred tax liabilities									20,438,601	19,364,348
Consolidated Total Liabilities									P436,642,097	P465,199,174
Capital expenditures	P9,873,240	P37,289,829	P183,909	P7,593,908	P63,634	P4,014,044	(P92,044)	(P421,883)	P10,028,739	P48,475,898
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	2,487,723	9,790,102	450,881	1,936,911	93,507	223,971	(9,182)	(29,293)	2,986,029	11,921,691
Noncash items other than depreciation and amortization	(3,560,929)	6,750,316	(181,134)	504,390	(1,875,549)	865,225	-	-	(5,617,612)	8,119,930

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

5. Significant Agreements and Lease Commitments

Independent Power Producer (IPP) Administration (IPPA) Agreements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On June 16, 2015, SPPC renewed its performance bond amounting to US$50,000 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 16).

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

	US Dollar	Philippine Peso
SPI	3.89%	8.15%
SRHI	3.30%	7.90%

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

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

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

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

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

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

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

Interest income from cash and cash equivalents amounted to P131,553 and P200,812 for the periods ended March 31, 2023 and 2022, respectively.

7. Trade and Other Receivables

Trade and other receivables consist of:

	Note	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade		P88,777,209	P87,921,108
Non-trade		10,936,132	10,604,518
Amounts owed by related parties	*10*	9,900,634	10,104,701
		109,613,975	108,630,325
Less allowance for impairment losses		2,588,044	2,690,984
	16, 17	P107,025,031	P106,939,341

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

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

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

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

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

8. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2023 and December 31, 2022

	Note	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	Capital Projects in Progress (CPIP)	Total
Cost							
January 1, 2022 (Audited)		P135,947,812	P14,245,698	P5,957,418	P4,057,910	P72,492,589	P232,701,427
Additions		1,028,559	321,728	544,917	5,724	46,594,970	48,475,898
Acquisition of a subsidiary			3,260,025	-	-	-	3,260,025
Reclassifications		48,669,175	440,385	770,310	561,200	3,482,755	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	13,602,996	6,755,514	4,576,121	122,263,696	332,378,816
Additions		61,080	54,587	18,360	-	9,896,712	10,028,739
Reclassifications		968	738,218	316,972	4,774	2,804,048	3,868,981
Retirement/disposal	14	(76,428)	-	(1,386)	-	-	(77,814)
Currency translation adjustments		-	(57)	(403)	-	-	(460)
March 31, 2023 (Unaudited)		**185,165,907**	**14,395,746**	**7,085,057**	**4,580,895**	**134,964,456**	**346,198,061**
Accumulated Depreciation and Amortization							
January 1, 2022 (Audited)		18,488,760	642,217	1,214,097	322,847	-	20,667,921
Depreciation and amortization		6,581,518	217,409	405,891	131,108	-	7,335,926
Disposals		(133,171)	-	(86,612)	(29,456)	-	(249,239)
Currency translation adjustments		-	139	1,378	-	-	1,517
December 31, 2022 (Audited)		24,937,107	859,765	1,534,764	424,499	-	27,756,125
Depreciation and amortization		1,807,450	54,477	122,058	31,707	-	2,015,702
Reclassifications		-	-	16,719	-	-	16,719
Retirement/disposal	14	(12,993)	-	(1,156)			(14,149)
Currency translation adjustments		-	(49)	(405)	-	-	(454)
March 31, 2023 (Unaudited)		**26,731,574**	**914,193**	**1,671,971**	**456,206**	**-**	**29,773,944**
Accumulated Impairment Losses							
January 1, 2022 (Audited)		-	-	174,974	-	-	174,974
Impairment		-	-	34,991	-	-	34,991
December 31, 2022 (Audited) and March 31, 2023 (Unaudited)		**-**	**-**	**209,965**	**-**	**-**	**209,965**
Carrying Amount							
December 31, 2022 (Audited)		P160,243,179	P12,743,233	P5,010,785	P4,151,622	P122,263,696	P304,412,525
March 31, 2023 (Unaudited)		**P158,434,333**	**P13,481,553**	**P5,207,121**	**P4,124,689**	**P134,964,456**	**P316,212,162**

March 31, 2022

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

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

b. CPIP pertains to the following:

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

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

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

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

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

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

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

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

		March 31	
	Note	2023 (Unaudited)	2022 (Unaudited)
Cost of power sold	13	**P1,864,273**	P1,458,865
Selling and administrative expenses		**151,429**	122,700
		P2,015,702	P1,581,555

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

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

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

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

9. Long-term Debt

Long-term debt consists of:

	Note	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Bonds			
Parent Company			
Peso-denominated:			
Fixed interest rate of 5.9077%, 7.1051% and 8.0288% maturing in 2025, 2028 and 2032, respectively		P39,495,836	P39,475,629
Fixed interest rate of 7.1783% and 7.6000% maturing in 2024 and 2026, respectively		16,080,041	16,070,346
Fixed interest rate of 6.7500% maturing in 2023		14,982,858	14,971,990
Fixed interest rate of 6.2500% and 6.6250% maturing in 2024 and 2027, respectively		10,044,440	10,040,725
Fixed interest rate of 4.7575% and 5.1792% maturing in 2023 and 2026, respectively		8,823,898	8,820,612
		89,427,073	89,379,302
Term Loans			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.9265%, with maturities up to 2024		14,221,786	14,215,532
Fixed interest rate of 5.0000%, with maturities up to 2025		4,892,743	4,889,258
Foreign currency-denominated:			
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, matured in 2023 (a)		-	27,855,580
Floating interest rate based on LIBOR plus margin, maturing in 2026		16,058,234	16,454,788
Floating interest rate based on LIBOR plus margin, maturing in 2023		2,704,000	2,767,364
Floating interest rate based on LIBOR plus margin, maturing in 2024		10,703,916	10,955,092
Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2025		5,354,656	5,485,079
Floating interest rate based on SOFR plus margin, maturing in 2027		15,884,266	16,281,792
Floating interest rate based on SOFR plus margin, maturing in 2027 (b)		5,338,444	-
Subsidiaries			
Peso-denominated:			
Fixed interest rate of 8.2836%, 8.5362% and 7.3889% with maturities up to 2029 (c)		34,536,344	85,177,757
Fixed interest rate of 7.7521% and 6.5077% with maturities up to 2030 (d)		15,676,611	15,893,917
Floating rate based on BVAL* plus margin, maturing in 2030 (e)		6,670,926	-
Foreign currency-denominated:			
Fixed interest rate of 5.5959%, with maturities up to 2030, respectively (e)		17,984,647	24,653,982
Floating interest rate based on LIBOR plus margin, with maturities up to 2030 (e)		5,918,988	8,140,179
		157,245,442	182,773,322
	16, 17	246,672,515	272,152,624
Less current maturities		28,740,617	63,721,744
		P217,931,836	P208,430,880

**Bloomberg Valuation (BVAL) Reference Rates*

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

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

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

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

c. On March 28, 2023, LPI made partial payment amounting to P680,000 of its P44,000,000, 12 year term loan, pursuant to the terms and conditions of its Omnibus Loan and Security Agreement (OLSA) with a syndicate of local banks.

d. The loan includes amount payable to Bank of Commerce (BOC), an associate of entities under common control, amounting to P2,372,418 and P2,421,120 as at March 31, 2023 and December 31, 2022, respectively (Note 10).

   On February 17, 2023, MPI made partial payment amounting to P324,168 of its P21,300,000, 12 year term loan, pursuant to the terms and conditions of its OLSA with a syndicate of local banks.

e. On January 17, 2023, MPPCL agreed with local bank lenders to amend its Omnibus Refinancing Agreement (the "Amended ORA"), with an outstanding obligation amounting to US$148,550 as at the agreement date, into a Peso-denominated loan pegged at P8,158,000, subject to floating interest rate with maturities up to January 2030. MPPCL holds a one-time right to convert the loan into a fixed interest rate borrowing on the second anniversary as allowed under the terms of the agreement.

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

Unamortized debt issue costs amounted to P2,692,227 and P2,713,968 as at March 31, 2023 and December 31, 2022, respectively. Accrued interest amounted to P1,896,292 and P1,554,353 as at March 31, 2023 and December 31, 2022, respectively. Interest expense amounted to P3,173,325 and P2,897,093 for the periods ended March 31, 2023 and 2022, respectively.

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

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

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

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

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

The loans of MPPCL obtained from its Amended ORA and OEFA are secured by real estate and chattel mortgages, on all present assets (purchased under its asset purchase agreement, and all its rights in a land lease agreement, with PSALM) and all future assets as defined in its loan agreements, amounting to P5,155,000 and US$525,000, respectively.

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

The movements in debt issue costs are as follows:

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

Repayment Schedule

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

	Gross Amount				
Year	**US Dollar**	**Peso Equivalent of US Dollar**	**Peso**	**Debt Issue Costs**	**Net**
April 1, 2023 to March 31, 2024	US$80,502	P4,376,116	P24,606,218	P241,717	P28,740,617
April 1, 2024 to March 31, 2025	331,920	18,043,171	35,531,838	491,211	53,083,798
April 1, 2025 to March 31, 2026	433,390	23,559,081	15,726,778	539,457	38,746,402
April 1, 2026 to March 31, 2027	34,913	1,897,844	17,841,521	203,015	19,536,349
April 1, 2027 to March 31, 2028	336,485	18,291,461	10,092,131	569,823	27,813,769
April 1, 2028 and thereafter	277,410	15,080,006	64,318,575	647,003	78,751,580
	US$1,494,623	**P81,247,681**	**P168,117,061**	**P2,692,227**	**P246,672,515**

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

10. Related Party Disclosures

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

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

The following are the transactions with related parties and the outstanding balances as at March 31, 2023 (Uneudited) 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	₱204,271	₱80,378	₱184,831	₱828,690	On demand or 30 days;	Unsecured;
	2022	734,407	704,684	115,088	459,803	non-interest bearing	no impairment
	2023	-	-	78,914	-	1 year	Unsecured;
	2022	-	-	44,456	-	non-interest bearing	no impairment
Entities under Common Control	2023	3,240,846	352,992	2,815,673	10,113,622	On demand or 30 days;	Unsecured;
	2022	6,006,622	4,506,372	2,215,440	7,789,276	non-interest bearing	no impairment
	2023	-	-	15,442,080	-	Installment basis up to	Unsecured;
	2022	10,684,445	-	15,442,080	-	2026; interest bearing	no impairment
Associate	2023	442,280	-	713,896	28,191	On demand or 30 days	Unsecured;
	2022	1,372,626	10,653	742,697	28,101	non-interest bearing	no impairment
	2023	1,202	-	81,421	-	9 years;	Unsecured;
	2022	6,104	-	96,832	-	interest bearing	no impairment
Joint Venture	2023	8,083	-	4,985	-	30 days;	Unsecured;
	2022	32,191	214,455	4,916	-	non-interest bearing	no impairment
	2023	1,405	-	188,111	-	92 days,	Unsecured;
	2022	6,873	-	162,692	-	interest bearing	no impairment
	2023	13,188	-	1,436,427	-	10.5 years	Unsecured;
	2022	50,354	-	1,076,578	-	interest bearing	no impairment
Associate and Joint Ventures of Entities under Common Control	2023	8,378	-	-	1,187	30 days;	Unsecured;
	2022	112,680	-	12,018	1,466	non-interest bearing	no impairment
	2023	-	48,138	-	2,372,418	12 years,	Secured
	2022	-	198,543	-	2,421,120	interest bearing	
Others	2023	-	-	-	-	On demand or 30 days,	Unsecured,
	2022	5,096,085	-	-	-	non-interest bearing	no impairment
	2023	₱3,928,418	₱505,508	₱20,098,831	₱13,143,778		
	2022	₱26,117,299	₱5,632,717	₱19,914,546	₱10,708,238		

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

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

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

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

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

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

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

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

11. Distributions and Issuance of Capital Securities

Issuance of Redeemable Perpetual Securities (RPS)

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

Date of Issuance	Distribution Payment Date	Issue Price	Initial Rate of Distribution	Amount of RPS Issued	Amount in Philippine Peso
Parent Company					
US Dollar-denominated:					
November 8, 2022	February 8, May 8, August 8, and November 8 of each year	100%	6.25%	US$65,000	P4,916,225
March 10, 2023	June 10, September 10, December 10 and March 10 of each year	100%	8.00%	US$500,000	27,378,113
UPSI					
US Dollar-denominated:					
October 28, 2022	January 28, April 28, July 28, and October 28 of each year	100%	6.25%	US$88,000	5,063,100
December 1, 2022	March 1, June 1, September 1 and December 1 of each year	100%	6.25%	US$75,000	4,240,674
Peso-denominated:					
November 23, 2022	February 23, May 23, August 23 and November 23 of each year	100%	7.60%	P6,000,000	4,962,500

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

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

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

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

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

12. Revenues

Revenues consist of:

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

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

13. Cost of Power Sold

Cost of power sold consist of:

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

14. Other Income - net

Other income (charges) consist of:

		March 31	
	Note	**2023 (Unaudited)**	2022 (Unaudited)
Foreign exchange gains (losses) - net	*16, 17*	**P3,395,095**	(P357,833)
Reversal of allowance on other receivables	*7*	**-**	11,462
Loss on retirement of fixed assets	*8*	**(63,435)**	-
Marked-to-market gain (loss) on derivatives	*17*	**(445,495)**	609,842
Miscellaneous income		**129,554**	102,287
		P3,315,719	P365,958

15. Basic and Diluted Earnings Per Share

Basic and diluted earnings per share is computed as follows:

	March 31	
	2023 (Unaudited)	2022 (Unaudited)
Net income attributable to equity holders of the Parent Company	**P5,323,300**	P1,895,982
Distributions for the period to:		
RPS holder	**(1,038,538)**	(521,168)
SPCS holders	**(3,750,049)**	(3,608,639)
Net income (loss) attributable to common shareholders of the Parent Company(a)	**534,713**	(2,233,826)
Weighted average number of common shares outstanding (in thousands) (b)	**1,250,004**	1,250,004
Basic/Diluted Earnings (Loss) Per Share (a/b)	**P0.43**	(P1.79)

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

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

16. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

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

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

The Audit and Risk Oversight Committee also oversees how management monitors compliance with the risk mahagoment oolicies and procedures of the Group and reviews tho adequacy of the risk management framework in relation to the risks faced by tho Group. Internal Audit assiste the Audit and Risk Oversight Committee in monitoring and ovaluating the effectiveness of the risk managament and govarnance processes of the Group. Internal Audit undertakes both regular and special reviews of risk managemant controls and procadures, the results ot which are reported to the Audit and Risk Oversight Committee.

Liquidity Risk

Liquidity risk pertains to the risk that the Greup will enceunter difficulty to meet payment obligations when they fall under normal and stress circumstences.

The Group's objoctives to manage its liquidity risk are as follows: (a) to ensure that adequate fonding is available at all times; (b) to meet commitmente as they arise without incurring unnecessary costs; (c) to be able to access funding whan needod at the loast possible cost; and (d) to maintoin an adequate time spread of refinancing maturities.

The Group constently 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 nacossary. 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 assete and financial liabllitios based on contractual undiscountod receipts and payments used for liquidity managemont:

March 31, 2023 (Unaudited)	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P17,657,967	P17,657,967	P17,657,967	P -	P -	P -
Trade and other receivables - net*	99,129,849	99,129,849	99,129,849	-	-	-
Derivative assets not designated as cash flow hedge (included under 'Prepaid expenses and other current assets' account)	79,914	79,914	79,914	-	-	-
Noncurrent receivables (included under 'Other noncurrent assets' account; including current portion)	22,348,634	24,456,289	9,384,741	5,162,169	6,293,409	3,665,943
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	5,751,709	5,751,709	2,140,633	2,440,841	20	1,170,315
Financial Liabilities						
Loans payable	21,000,000	21,133,638	21,160,638	-	-	-
Accounts payable and accrued expenses*	67,393,792	67,393,792	67,393,792	-	-	-
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	309,199	309,199	309,199	-	-	-
Long-term debt - not including current maturities)	248,872,616	307,088,847	43,767,073	86,217,837	110,325,499	67,778,738
Lease liabilities (including current portion)	66,613,421	73,862,381	21,922,893	14,997,816	12,012,709	19,929,633
Other noncurrent liabilities	5,111,891	5,111,891	-	4,928,141	-	182,720

*Excluding statutory receivables and payables

December 31, 2022 (Audited)	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	₱22,728,236	₱22,728,236	₱22,728,236	₱ -	₱ -	₱ -
Trade and other receivables - net*	98,246,102	98,246,102	98,246,102	-	-	-
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	4,968,784	7,671,172	1,768,835
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	7,696,458	7,698,458	6,408,269	129,861	26	1,166,303
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)	272,152,524	337,524,261	79,487,881	59,760,446	109,842,716	80,433,298
Lease liabilities (including current portion)	59,958,110	71,563,247	21,563,279	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 tho Group's maximum exposure to credit risk, without considering tho effects of other risk mitigatinn techniquas, is presented below:

	Note	**March 31, 2023 (Unaudited)**	December 3f, 2022 (Audited)
Cash and cash equivalents (oxcluding cash nn hand)	6	**P17,656,155**	P22,724,545
Trade and other receivables - net*	7	**99,129,849**	98,245,102
Derivativa assets not designated as cesh flow hodge		**79,914**	178,285
Derivative assets designated as cash flow hedge		**-**	143,545
Noncurrent receivables		**22,346,834**	21,687,453
Restricted cash		**5,751,709**	7,698,458
		P144,964,461	P150,677,388

**Excluding statutory receivables*

The fable below presonts the Group's exposure te oredit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetimo ECL. Financial assets that are credit-impaired are seperataly presented.

March 31, 2023 (Unaudited)	Financial Assets at Amortized Cost 12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P17,656,155	P -	P -	P -	P17,656,155
Trade and other receivables	-	99,129,849	2,588,044	-	101,717,893
Derivative assets not designated as cash flow hedge	-	-	-	79,914	79,914
Noncurrent receivables (including current portion)	-	22,346,834	-	-	22,346,834
Restricted cash	5,751,709	-	-	-	5,751,709
	P23,407,864	P121,476,683	P2,588,044	P79,914	P147,652,506

December 31, 2022 (Audited)	Financial Assets at Amortized Cost 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

Racelvables that aro not credit impaired are cnnsidered high grede since tha customem or counterpartles have strong finencial capacity and business performance and with the lowest default risk.

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

	March 31, 2023 (Unaudited)				December 31, 2022 (Audited)			
	Trade	Non-trade	Amounts Owed by Related Parties	Total	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P45,514,712	P4,584,092	P1,283,287	P51,382,091	P49,363,468	P4,532,748	P2,280,113	P56,176,325
Past due								
1-30 days	4,196,187	227,538	70,356	4,494,081	8,294,858	133,963	204,581	8,633,402
31-60 days	4,126,292	287,039	37,790	4,451,121	4,253,940	27,576	130,209	4,411,725
61-90 days	4,569,717	13,392	124,267	4,707,386	4,729,728	77,366	5,901	4,812,995
Over 90 days	30,087,558	5,042,117	1,603,649	36,633,324	21,278,104	5,047,045	575,490	26,901,639
	P88,494,466	P10,134,176	P2,399,249	P101,717,893	P87,921,098	P9,818,696	P3,196,294	P100,935,086

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

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

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

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

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

Interest Rate Risk

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

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

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

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

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

Interest Rate Risk Table

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

March 31, 2023 (Unaudited)	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P23,441,684	P34,367,304	P14,662,244	P16,676,987	P8,927,597	P61,989,507	P156,865,323
Interest rate	4.7675% to 7.7621%	5.0000% to 7.7621%	5.0000% to 7.7621%	5.1792% to 7.7621%	6.2836% to 7.7621%	6.2836% to 8.0288%	
Foreign currency-denominated (expressed in Philippine peso)	1,247,636	1,305,510	1,366,632	1,427,902	1,492,318	11,348,910	18,184,807
Interest rate	5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	
Floating Rate							
Philippine peso-denominated	1,164,534	1,164,534	1,164,534	1,164,534	1,164,534	2,329,068	8,151,738
Interest rate	BVAL + Margin	BVAL + Margin	BVAL + Margin	BVAL + Margin	BVAL + Margin	BVAL + Margin	
Foreign currency-denominated (expressed in Philippine peso)	3,128,681	16,737,661	22,193,449	469,942	16,799,143	3,734,098	63,062,874
Interest rate	LIBOR + Margin	LIBOR/ SOFR + Margin	LIBOR/ SOFR + Margin	LIBOR + Margin	LIBOR/ SOFR + Margin	LIBOR + Margin	
	P28,982,334	P53,575,009	P39,286,859	P19,738,365	P28,383,592	P79,398,583	P249,364,742

December 31, 2022 (Audited)	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated	P23,342,164	P34,309,604	P14,504,744	P16,589,154	P8,870,097	P63,333,527	P160,948,610
Interest rate	4.7675% to 7.7621%	5.0000% to 7.7621%	6.0000% to 7.7621%	5.1792% to 7.7621%	6.2836% to 7.7621%	6.2836% to 8.0288%	
Foreign currency-denominated (expressed in Philippine Peso)	7,491,363	1,339,013	1,400,876	1,464,644	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	11,691,568	6,036,483	17,206,502	17,230,246	3,629,923	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	P78,600,622	P274,866,592

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

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:

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

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

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

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

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

The following table demonstratas the sensitivity to a reasenably possible change in tha US dollar exchange rate, with all othar 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 resuits and financial position cf foreign operetions):

March 31, 2623 (Unaudited)	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income beforc Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivelents	(P119,560)	(P110,399)	P119,560	P110,399
Trade and cther receivables	(76,642)	(58,284)	76,642	58,284
Noncurrent receivables	(28,422)	(21,317)	28,422	21,317
	(224,624)	(190,000)	224,624	190,000
Accounts payable and accrued expenses	821,71$	620,103	(621,716)	(820,103)
Long-term debt (including current maturities)	1,484,623	1,372,967	(1,494,623)	(1,372,967)
Lease liabilities (including current portion)	486,062	364,539	(466,052)	(364,539)
Other noncurrent liabilities	86,418	67,132	(66,418)	(67,132)
	2,886,809	2,424,741	(2,068,809)	(2,424,741)
	P2,634,185	P2,234,741	(P2,664,186)	(P2,234,741)

December 31, 2022 (Audited)	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalants	(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	(820,936)	(621,688)
Long-term debt (including current maturities)	2,043,173	1,880,379	(2,043,173)	(1,880,379)
Lease liabilities (including current portien)	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 retas vary during the year depending on the volume cf foreign currency-denominated transactions. Nonetheless, the analysis above is considered to he representative of the Group's foreign corrency risk.

Commodity Price Risk
Commodity price risk is the risk that future cash flown 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 cost.

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

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

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

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

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

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

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

17. Financial Assets and Financial Liabilities

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

	March 31, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P17,657,967**	**P17,657,967**	P22,726,236	P22,726,236
Trade and other receivables - net*	**99,129,849**	**99,129,849**	98,245,102	98,245,102
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**79,314**	**79,314**	178,285	178,285
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	-	-	143,545	143,545
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**22,346,834**	**22,346,834**	21,687,453	21,687,453
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**5,751,709**	**5,751,709**	7,698,458	7,698,458
	P144,966,273	**P144,966,273**	P150,679,079	P150,679,079
Financial Liabilities				
Loans payable	**P21,000,000**	**P21,000,000**	P21,000,000	P21,000,000
Accounts payable and accrued expenses*	**67,393,782**	**67,393,782**	67,216,146	67,216,146
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	**309,199**	**309,199**	75,455	75,455
Long-term debt - net (including current maturities)	**246,672,616**	**254,306,633**	272,152,624	276,750,515
Lease liabilities (including current portion)	**56,813,421**	**56,813,421**	59,958,110	59,958,110
Other noncurrent liabilities (including current portions of premium on option liabilities)	**5,111,861**	**5,111,861**	5,780,913	5,780,913
	P397,300,788	**P404,936,606**	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 cf forward exchange contracts aro calculated by reference to cunent forward exchange rates. In the cece of freestanding corrency and commodity derivatives, the fair values are determined based on quoted prices obtained fmm their respective active markets. Fair values for stand-alone derivative instruments tbat ara not quoted from an active market and for embedded derivatives are based cn valuation models used for similar instrumenta using both observabie and non-observable inputs. The fair values of the dorivatives hava been categorized as Lovel 2 in the fair valua hierarohy.

Loans Payabla 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 matunties of these financial instrumanta.

Lease Liabilities. The fair value is basod on the prasent value cf expected cash flows using the applicable discount rates based on current market rates of similar instruments. The fair value of leace liabilities has been categorized as Leval 2 in the fair value hierarchy.

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

The fair value of peco-denominatsd bonds has been categorized as Level 1 and interest-bearing fixed-rata loans, leese liabilities and other noncurrent liabilities hava basn catagorized as Level 2 in tho fair value hierarchy.

Derivative Financial Instruments
The Group's derivative financial instruments according to the type of financiai risk being managed and tha dstalls of freestanding derivative financial instrumants that aro categorized into those accounted for as cash flow hedges and those that are not dosignated as accounting hedges are discussed below.

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

Derivative Instruments Accounted for as Cash Flow Hedges
Call Spread Swaps
As at December 31, 2022, the Group has outstanding caii spread swaps dssignated as cash flow hedges with an aggregate notionei amount of US$60,000 and with an average strike rate rsnga of P52.95 to P56.15. The call spraad swaps are designated to hedge foreign currency excosure on US dollar-denominated loans and matured on March 13, 2023. As at Decembsr 31, 2022, the positivo fair value of the call spread swaps, included under "Prepaid expense and other current assets" account amcunted to P143,546.

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

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

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

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group recognized marked-to-market gains (losses) from freestanding derivatives amounting to (P445,485) and P609,842 for the periods ended March 31, 2023 and 2022, respectively (Note 14).

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

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

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

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

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

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

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

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

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

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

18. Other Matters

a. Contingencies

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

i. *Temporary Restraining Order (TRO) Issued to Meralco*

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

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

On January 8, 2014, Meraico filed its Concolidated Comment/Opposition with Counter-Petition ("Counter-Petition") which prayad, among others, for the inclusion of SPI, SPPC, SRHI, MPPCL and severai gonerators as respondents fo the case. On January 10, 2014, the SC iasuod an ordor treating the Counter-Petition as in the nature of a third party compiaint and grenting the preyer to include SPI, SPPC, SRHI and MPPCL as respondonts 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 additionai TROs enjoining the Philippine Electricity Market Corporation ("PEMC") and the generators from demanding and collecting the deferred amounts. In a Resolution dated Aprii 22, 2014, the SC extended indefinitely tha sffectivity of ths TROs issued on December 23, 2013 and February 18, 2014.

In ths Pedtion tiled by special intsrest groups, the SC was made aware of the order of the ERC dated March 3, 2014 (the "March 3, 2014 ERC Ordor") (as defined and discussed under "*ERC Order Voiding WESM Prices*"), in which the ERC declared void the WESM prices during the Novembsr and December 2013 supply months and imposed regulated prices in their stead. The March 3, 2014 ERC Order iikewise directed PEMC to: (a) caiculate these "regulated prices" based on a formula identified by the ERC as representetive of 2013 market prices under normaiized conditions aed (b) to collect tha sems from the WESM participants involved.

A decision was promulgatad by the SC En Banc on August 3, 2021 (the "SC Decision") affirming the December 9, 2013 ERC Order which approved tbe staggered imposition by Maralce ef its generation rete for November 2013 from its consumers and declared as nuii 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, whiie MPPCL received the same on July 6, 2022.
On July 26, 2022, ths spacial interest greupa sought reconsideration ef the SC Decision by filing separate Motions for Reconsideration whera they preyed that ths SC Petition be granted. The ERC iikewise tiled a Motion for Partial Reconsideration of the SC Decision and sooght 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 judgmont of the SC Decision be made immediatsly. On January 4, 2023, the extemal counsei of SPPC, SPI and SRHI received a copy of the Entry of Judgoment from the Supreme Court En Banc dated October 11, 2022, whila the extemal counsel of MPPCL recaivad a cnpy of the same on January 5, 2023.

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

ii. ERC Order Voiding WESM Prices

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

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

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

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

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

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

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

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

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

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

The SC has not yet promulgated a decision. However, on August 8, 2021, a decision was rendered by the SC En Banc in a separate case (as discussed under "*Temporary Restraining Order (TRO) Issued to Meralco*") declaring the March 3, 2014 ERC Order as null and void, which are the subject of the aforementioned Petition. Considering that this decision of the SC En Banc ("SC Decision") covers the March 3, 2014 ERC Order, the difference between the actual Luzon WESM prices and the regulated prices (based on the March 3, 2014 ERC Order) for WESM sales and purchases by SPI, SPPC, SRHI, SMELC and MPPCL will have to be settled with the Independent Electricity Market Operator of the Philippines ("IEMOP"), the current operator of the WESM.

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

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

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

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

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

On September 8, 2015, SPPC filed e 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 evan date, the RTC issued a 72-hour TRO which probibited PSALM from treating SPPC as being in Administrator Defautt and from performing other acts that would change the status quo ante between the parties before PSALM issued the tormination notice and drew on the performance bond of SPPC. The TRO was oxtended until Septembor 28, 2015.

On September 28, 2015, the RTC issued on order granting a Preliminary Injunction enjoining PSALM from proceeding with the terminetion of tho Ilijan IPPA Agreement while the main ceso is pending. PSALM sougnt for reconsideratien of the said order but was later on denied by the RTC.

PSALM filed with the CA a Petition for Raview 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 proriibiting it from terminating the Ilijan IPPA Agreemont while the main case in the lower court is pending and named Meralco as intervenor (the "2017 CA Decision").

PSALM filed e Motion for Reconsideretion of trie 2017 CA Decision but it was denied by tho CA in its resolution dated July 12, 2018 (the "2018 CA Reselution").

On Septomber 4, 2018, PSALM filed a Petition for Certiorari with Urgent Prayer for the Issuanco of a TRO and/or Writ of Preliminary Injunotion bofore trie SC praying for the reversal and nullification of the 2017 CA Dacision and the 2018 CA Resolution but was denied by the SC in its resolution dated Maroh 4, 2019 (the "Maroh 4, 2019 SC Resolution"). PSALM filed a Motion for Reconsidoration thereot and was denied by the SC in e reselution dated August 5, 2019 which become final and executory on the seme date.

Pdor to the CA Decisicn, on Decembor 18, 2017, the presiding judge of the RTC who conducted the judicial dispute resolutien issued an crder inhibiting himself from the instant case. The case wss 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 Hoar Affirmative Defenses and Objections Ad Cautolam.

On September 24, 2018, the RTC issued an order denying PSALM's Motion to Hear Affirmativa Defense and granted SPPC's Mction for Productinn of Documents, In an order dated April 29, 2019, the RTC donied tne Mction for Roconsidoration filed by PSALM on the basis thet it found no atmng and compelling reason to modify, much less reverse, its order dated September 24, 2018.

On July 26, 2010, PSALM filed a Petition for Certiorari with Urgent Prayer for the Issuance of a TRO and/or Writ of Prsliminary Injunction with the CA, seoking the reversal of tho orders of the RTC dated Septsmber 24, 2018 and April 29, 2019 (CA-G.R. SP No. 161708), In compliance with the CA's directive, PSALM filed an Amended Petition on April 29, 2010 (the "PSALM 2019 CA Petition").

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

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

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

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

On May 28, 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 e Petition for Certiorari under Rule 65 of the Rules of Court to annul the November 27, 2020 RTC Order and tho March 23, 2021 RTC Order with the CA, which was denied by the CA in its Decision pated May 30, 2022 (the "Mey 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 "Octobor 3, 2022 CA Resolution").

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

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

In an Order dated May 18, 2021, tho RTC recalled the portion of tho Merch 28, 2021 RTC Order, whers it set the case for modiation, given that the parties have already exhausted both court-annexed mediation and judicial dispute resolution and scheduled the pre-trial of the cese on June 18, 2021, which was hewever cencelied.

On September 13, 2021, the RTC denied SPPC's Motion for Partial Reconsidoretion 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 filod the Joint Stipulation of Facts on April 6, 2022.

SPPC filed a Motion to Amend Pre-trial Order and Minutos 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 issuod an Amanded Pre-trial Order.

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

Related to the foregoing, in a Recolution datod December 7, 2021, the RTC denied PSALM's Metion Ad Cautelam to Lift or Dissolvo the Writ of Preliminary Injunction on the grounds thet: (a) the arguments in the Metion had been previousty denied with finality by the RTC, CA, and SC and the propriety of the issuance of tho writ of preliminary injunction in favor of SPPC "should be considered a settled matter, so long as tho facts and circumsfances upon which the writ was issued still continus to exist"; (b) "PSALM cannet substantiate its contentions thet the continuanco of the preliminary injunotion would ceuse it damage or thet SPPC can be fully compensated for such damagos as it may suffer"; and (c) the counter-bond offered by PSALM would he inadequate to answer tor the damages thet SPPC might sustain as a result of the lifting of the preliminary injunction.

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

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

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

iv. *Criminal Cases*

SPPC

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

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

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

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

SPI

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

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

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

While the said Motion for Partial Roconsideration 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 cnminat complaint filed by SPI. Tho Joint Motion to Dismiss remains panding as of date.

v. *Civil Ceses*

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 "Salo 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 pariuds 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 tho owner of, the proceeds of the sale on the WESM of electricity generated from tho cepacity 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 thorewith.

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

On July 5, 2017, SPI consigned with tho RTC Pasig the amount representing additional preceeds of Sale of tho Excess Capacity for the billing period July 26, 2015 to August 25, 2016. SPI also filed a Motion to Admit Socend Supplemental Comolaint in relation to said consignation.

On May 22, 2018, the RTC Pasig issued an order dismissing the complaint tor consignation filod by SPI on the ground that the court has nu jurisdiction over tho subject matter of the complaint and finding that the ERC has the technical competence to determino the proper interpretation of "coetracted cepacity", the fairness of the settlement formula and the legality of the memorandum of agreement.

On July 4, 2018, SPI filed its Motion for Recensideretion ("MR") to the May 22, 2018 order which dismissed the consignation cese. The MR was heard on July 13, 2018 where the parties were given time to fito 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 inhibitod 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, 2016, 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.

h. Claim for Price Adjustment on the Meralco Power Sale Agreements

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

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

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

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

i. *SPPC CA Petition*

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

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

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

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

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

Following the hearing on the application for preliminary injunction held on Jonuary 11, 2023, the 13th Division of the CA issuod on January 25, 2023, a resolution granting SPPC's application for the issuance of a writ of preliminary injunction conditionad upon the posting by SPPC of a bend in the amount of P100,000 (the "Preliminary Injunction Bond"). The CA likewise diracted Respondents ERC, Meralco and NASECORE to file thoir respective commont on the SPPC CA Petition and ellowed SPPC to file a repiy within 5 days from receipt of the Respondents' comment. The ERC and Meralco filad motions for recansidoration 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 raceived a copy of MERALCO's Comment. On February 13, 2028, SPPC filed a Metion for Leave to File Consolidetad Reply.

In a Resolution dated February 23, 2023, the CA approved the Pretiminary 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 doniad the motions for reconsideration of the CA's Resolution dated January 25, 2023 (on the issuance of the writ of preliminary injunction in faver uf SPPC) filed by ths ERC and Meralco.

SPPC CA Petition romains ponding resulution with the 13th Division of tho CA.

ii. SPI *CA Petition*

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

On Nuvember 24, 2022, SPI filed an Urgent Motion for Consolidation of the instant Petitiun with the SPPC CA Petitiun panding before the 13th Division of the CA.

On December 27, 2022, SPI received a copy of the CA 16th Division's Resolution datod 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 Proliminary Injunction should not be granted, within 10 days from notice. Action on SPI's prayer for injunotive relief was held in abeyance pending receipt of the required pleadings.

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

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

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

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

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

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

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

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

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

c. Subsequent Events

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

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

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

ii. Additional Issuances of RPS

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

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

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

iii. Approval of Distributions to SPCS Holders

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

d. Supplemental Cash Flows Information

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

	Loans Payable	Long-term Debt	Lease Liabilities	SPCS	RPS	Total
Balance as at January 1, 2023	**P21,000,000**	**P272,162,824**	**P59,658,110**	**P161,787,709**	**P51,934,069**	**P566,812,512**
Changes from Financing Activities						
Proceeds from borrowings	**28,000,000**	**13,641,000**	-	-	-	**41,641,000**
Proceeds from issuance of RPS	-	-	-	-	**27,378,113**	**27,378,113**
Payments of borrowings	**(28,000,000)**	**(36,578,368)**	-	-	-	**(64,578,368)**
Payments of lease liabilities	-	-	**(4,652,729)**	-	-	**(4,652,729)**
Total Changes from Financing Activities	-	**(22,935,368)**	**(4,652,729)**	-	**27,378,113**	**(209,974)**
Effect of Changes in Foreign Exchange Rates	-	**(2,568,494)**	**(713,650)**	-	-	**(3,280,144)**
Other Changes	-	**21,743**	**2,221,690**	-	-	**2,243,433**
Balance as at March 31, 2023 (Unaudited)	**P21,000,000**	**P248,672,816**	**P56,513,421**	**P161,787,709**	**P79,312,182**	**P566,565,827**

	Loans Payable	Long-term Debt	Lease Liabilities	SPCS	RPS	Total
Balance as at January 1, 2022	P1,529,970	P222,921,443	P78,213,358	P167,787,384	P32,751,570	P503,183,708
Changes from Financing Activities						
Proceeds from borrowings	51,181,875	72,312,000	-	-	-	123,493,875
Proceeds from issuance of RPS	-	-	-	-	19,182,499	19,182,499
Payments of borrowings	(32,373,125)	(30,581,714)	-	-	-	(62,954,839)
Payments of lease liabilities	-	-	(24,220,192)	-	-	(24,220,192)
Repurchase of SPCS	-	-	-	(4,702,640)	-	(4,702,640)
Total Changes from Financing Activities	18,808,750	41,730,286	(24,220,192)	(4,702,640)	19,182,499	50,798,703
Effect of Changes in Foreign Exchange Rates	661,280	8,151,998	3,185,883	-	-	11,999,161
Other Changes	-	(651,103)	2,779,060	(1,297,015)	-	830,942
Balance as at December 31 2022 (Audited)	P21,000,000	P272,152,624	P59,958,110	P161,787,729	P51,934,069	P566,812,512

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

e. Commitments
The outstanding purchase commitments of the Group amounted to P137,459,183 and P138,586,592 as at March 31, 2023 and December 31, 2022, respectively.

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

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

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

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

San Miguel Global Power

San Miguel Global Power Holdings Corp.

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

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

INTRODUCTION

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Global Power Holdings Corp.[1] (formerly, SMC Global Power Holdings Corp. and hereinafter referred to as "San Miguel Global Power" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2022. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2022 and the financial performance and cash flows for the year ended December 31, 2022, and for all the other periods presented, have been made.

The financial information appearing in this report is presented in Philippine Peso, which is the functional currency of the Parent Company. All financial information are rounded off to the nearest million (P000,000), except when otherwise indicated.

I. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last three years are summarized in the following table:

	Years Ended December 31		
(In Millions)	**2022**	2021	2020
Revenues	**P221,389**	P133,710	P116,029
Cost of power sold	**(198,371)**	(92,161)	(69,314)
Selling and administrative expenses	**(5,740)**	(4,815)	(6,210)
Other operating income	**11,608**	207	87
Operating income	**28,886**	36,941	39,592
Interest expense and other financing charges - net	**(18,288)**	(18,369)	(18,583)
Interest income	**1,211**	617	1,007
Equity in net losses of an associate and joint ventures	**(400)**	(117)	(473)
Other income (charges)	**(7,240)**	(1,194)	5,254
Income before income tax	**4,169**	17,878	26,797
Income tax expense	**(1,035)**	(1,900)	(7,923)
Net income	**3,134**	15,978	18,874

[1] On March 22, 2023, the Philippine Securities and Exchange Commission ("SEC") approved the change in the corporate name of "SMC Global Power Holdings Corp." to "San Miguel Global Power Holdings Corp."

2022 vs. 2021

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	2022	2021	Amount	%	2022	2021
Revenues	P221,389	P133,710	P87,679	66%	100%	100%
Cost of power sold	(198,371)	(92,161)	106,210	115%	(90%)	(69%)
Gross profit	23,018	41,549	(18,531)	(45%)	10%	31%
Selling and administrative expenses	(5,740)	(4,915)	825	17%	(3%)	(4%)
Other operating income	11,608	207	11,401	5508%	5%	0%
Operating income	28,886	36,841	(7,955)	(22%)	12%	27%
Interest expense and other financing charges	(18,288)	(18,269)	19	(0%)	(8%)	(14%)
Interest income	1,211	617	594	96%	1%	1%
Equity in net losses of an associate and joint ventures	(400)	(117)	283	242%	0%	0%
Other charges - net	(7,240)	(1,194)	6,046	506%	(3%)	(1%)
Income before income tax	4,169	17,878	(13,709)	(77%)	2%	13%
Income tax expense	1,035	1,900	(865)	(46%)	1%	1%
Net income	P3,134	P15,978	(P12,844)	(80%)	1%	12%

Revenues
The Group's consolidated revenues for the year 2022 registered at P221,389 million, 66% or P87,679 million higher than last year's P133,710 million. The increase was mainly due to: (i) higher average realization price which includes price adjustments for fuel costs passed on to customers as a result of rising coal prices and the increase in overall spot sale prices in Luzon; (ii) improvement in nominations from Manila Electric Company ("Meralco"), other distribution utilities and industrial customers as Corona Virus Disease 2019 ("COVID-19") quarantine restrictions continue to loosen, thereby increasing offtake volumes by 181 gigawatt hours ("GWh") to 27,402 GWh from 27,221 GWh in 2021; and (iii) commencement of commercial operations of the 20 MWh Kabankalan 1 battery energy storage system ("BESS") on January 26, 2022.

Such consolidated revenues do not include the price adjustments necessary to cover the uncontemplated increase in cost of power sold arising from the Group's Wholesale Electricity Spot Market ("WESM") purchases to continue supplying the nominations from Meralco's 670 MW power supply agreement ("PSA") with SPPC. A related claim, particularly for the period January to May 2022, that could affect the recovery of such costs, is now pending with the Court of Appeals for resolution (II. A. Claim for Price Adjustments on the Meralco PSAs).

Cost of Power Sold
Cost of power sold more than doubled, from P92,161 million for the year 2021 to P198,371 million for 2022. The increase was mainly attributable to the following: (i) higher generation costs on account of rising fuel prices particularly for coal and Malampaya gas used by the Ilijan Power Plant prior to the turnover from Power Sector Assets and Liabilities Management Corporation ("PSALM") on June 4, 2022, and (ii) higher volume and transaction prices for power purchased from the WESM to augment the Group's power supply to meet the bilateral nominations from its contracted demand.

Mitigation measures undertaken by the Group to ensure the full recovery of incremental power supply costs include the implementation of existing and negotiated fuel passthru arrangements under the pertinent supply agreements with bilateral customers and pursuing all available remedies under Philippine Law.

Selling and Administrative Expenses
Selling and administrative expenses increased by 17% or P825 million, from P4,915 million in 2021 to P5,740 million in 2022. The increase was mainly due to: (i) higher local business taxes of Masinloc Power Partners Co. Ltd. ("MPPCL"), San Miguel Global Power and Limay Power Inc. [2] ("LPI"; formerly, SMC Consolidated Power Corporation); (ii) increase in personnel-related expenses of the Group; and (iii) reversal of impairment losses on trade receivables in 2021 due to improvement in collections.

Other Operating Income
Higher other operating income by P11,401 million was due primarily to the gain on sale of properties and investments recognized within the normal course of business and in line with the asset optimization strategies implemented by the Group in 2022.

Income from Operations
As a result, consolidated income from operations of P28,886 million in 2022 declined by 22% from last year's P36,841 million.

Interest Expense and Other Financing Charges
Interest expense and other financing charges amounted to P18,286 million in 2022, an increase from last year, primarily due to additional loans drawn by the Parent Company during the year, partly offset by lower interest recognized on the declining principal balances of the Independent Power Producer Administration ("IPPA") entities' lease liabilities especially with the expiration of the Ilijan IPPA Agreement.

Interest Income
Interest income amounted to P1,211 million in 2022, an increase by 96% from last year, driven primarily by higher average interest rate and higher interest income for the year on shareholder advances granted to Angat Hydropower Corporation ("AHC").

Equity in Net Losses of an Associate and Joint Ventures
Equity in net losses of an associate and joint ventures amounted to P400 million in 2022, higher than last year, due mainly to the decline in the financial performance of AHC.

Other Charges - net
Other charges amounted to P7,240 million in 2022, higher compared with last year's P1,194 million. This was mainly due to the net foreign exchange losses amounting to P9,007 million recognized driven by the unprecedented depreciation of the Philippine Peso against the US Dollar during the year.

Income Tax Expense
The Group's income tax expense declined from P1,900 million for 2021 to P1,035 million in 2022. This resulted primarily from (i) the recognition of deferred tax benefit on net operating loss carryover and unrealized foreign exchange losses during the year, 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, Malita Power Inc.[3] ("MPI"; formerly, San Miguel Consolidated Power Corporation) and LPI.

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[2] On February 7, 2023, the Philippine SEC approved the change in the corporate name of "SMC Consolidated Power Corporation" to "Limay Power Inc.".
[3] On March 9, 2023, the Philippine SEC approved the change in the corporate name of "San Miguel Consolidated Power Corp." to "Malita Power Inc.".

Net Income
Consequently, the consolidated net income of the Group for the year dropped by 80% from P15,978 million in 2021 to P3,134 million in 2022. This was due primarily to lower gross margin and net unrealized foreign exchange losses amounting to P7,493 million in 2022. Without the recognized net foreign exchange losses and Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Law adjustments recognized in the first quarter of 2021, net income would have been P10,046 million, lower by 25% from last year.

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

1. **POWER GENERATION**

   a. **Sual Power Inc.[4] ("SPI"; formerly, San Miguel Energy Corporation, IPPA of Sual Power Plant)**

   For the year 2022, net generation of 6,374 GWh, at 62% net capacity factor rate, was 36% higher than last year. 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 8,533 GWh from 7,932 GWh in 2021, on account of higher sales in the spot market in 2022.

   Revenues of P75,817 million was up by 99% than last year's P38,162 million mainly attributable to improvement in average realization prices for electric cooperatives driven by the increase in pass-on fuel charges, and higher spot market prices.

   Operating income of P5,308 million was 52% lower than last year's P10,996 million 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 year.

   b. **South Premiere Power Corp. (SPPC, owner of Ilijan Power Plant)**

   The net generation of Ilijan Power Plant for the year 2022 fell by 55% due to its deration brought by the Malampaya gas supply restrictions which started on March 17, 2021 until the expiration of the Ilijan IPPA Agreement with PSALM last June 4, 2022. Moreover, the plant was on shutdown for inspection, upgrades, repairs and maintenance activities since its turnover from PSALM. Total offtake volume of 6,129 GWh decreased by 16% compared to last year on account of lower plant capacity.

   As a result, revenues of P29,053 million for the year 2022 dropped by 10%, compared to the P32,107 million posted last year.

   Operating loss of P13,042 million in 2022 was a turnaround from the P5,208 million operating income posted in 2021. This was attributable to increased power purchases combined with higher average spot purchase price caused by high market demand in 2022.

[4] On March 9, 2023, the Philippine SEC approved the change in the corporate name of "San Miguel Energy Corporation" to "Sual Power Inc.".

c. **San Roque Hydropower Inc.[5] ("SRHI"; formerly, Strategic Power Devt. Corp.), IPPA of San Roque Power Plant.**

The San Roque Power Plant's net generation of 619 GWh, at 20% net capacity factor rate, for the year 2022 fell by 40% due to lower water inflows resulting to low water reservoir level. Moreover, total offtake volume of 918 GWh decreased by 16% compared to last year's 1,096 GWh due to the lower spot sales volume.

Revenues of P10,579 million for the year 2022 was 75% higher than the P6,029 million in 2021. This was mainly on account of the improved average realization prices for bilateral sales.

The foregoing factors contributed to the improvement of operating income by 55% from P3,294 million in 2021 to P5,116 million in 2022.

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 4,144 GWh in 2022, at 88% net capacity factor rate, was slightly lower than last year's 4,177 GWh. LPI dispatched 1,790 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its Retail Electricity Supply ("RES") customers. Total offtake volume of 1,847 GWh fell from last year by 4% due to decline in both spot sales volume and replacement power.

In 2022, revenues increased by 48% from P9,603 million last year to P14,289 million. This was primarily due to higher average realization price on account of increase in pass-on fuel rate brought by rising fuel prices. Higher revenues from spot sales were also realized as a result of increase in spot rates.

On the other hand, operating income registered at P2,329 million in 2022 was 34% lower than the P3,545 million posted in 2021 mainly due to lower offtake volume and higher generation cost as a result of significant increase in the cost of coal.

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

For the year 2022, a total of 1,586 GWh was generated by the plant, at a capacity factor rate of 69%, lower than last year by 14%. Revenues at P18,077 million grew by 66% 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 P6,807 million, 41% higher than P4,838 million 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 6,088 GWh for the year 2022, with 5,517 GWh supplied to power generation customers while the rest was discharged to RES customers and its 10 MWh BESS. This net generation was slightly lower by 1% compared to the 6,136 GWh posted for 2021 due to higher equivalent outage days for Units 1 & 2 as a result of various deratings and shutdown in 2022.

[5] On March 31, 2023, the Philippine SEC approved the change in the corporate name of "Strategic Power Devt. Corp." to "San Roque Hydropower Inc.".

Total offtake volume of 6,551 GWh fell from last year as a result of lower spot sales volume and replacement power sold to affiliate generators. Revenues and operating income for the year 2022 increased to P56,606 million and P6,762 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 year 2022, total offtake volumes registered at 2,509 GWh was 6% lower than the 2,661 GWh registered in 2021 attributed to contracts that have expired or have been disconnected. With higher average bilateral rate, revenues increased by 62% from P14,229 million in 2021 to P23,045 million in 2022. Consequently, with better margin, operating income registered at P3,490 million in 2022. This was 19% higher than the P2,943 million posted in 2021.

b. **MPPCL, RES and BESS**

In 2022, total offtake volumes and revenues, including the revenues generated from the Ancillary Services Procurement Agreement ("ASPA") between the National Grid Corporation of the Philippines ("NGCP") and MPPCL for the 10 MWh BESS, more than doubled compared to 2021, registering at 1,398 GWh and P12,071 million, respectively, attributable to new contestable customers. Consequently, operating income increased by 106% at P1,719 million compared to 2021.

c. **SMCGP Philippines Energy Storage Co. Ltd. ("SMCGP Philippines Energy") - BESS**

On January 6, 2022, the ERC granted provisional authority for the implementation of the ASPA between NGCP and SMCGP Philippines Energy commencing on January 26, 2022. SMCGP Philippines Energy reported revenues and operating income of P856 million and P438 million in 2022, respectively.

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

Revenues of P5,190 million was 30% higher than last year primarily driven by the increase in average realization price. The improvement in revenues was countered by higher systems loss and cost of power purchases. Consequently, operating loss of P906 million in 2022 was higher than the P368 million recognized in 2021.

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

2021 vs. 2020

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	2021	2020	Amount	%	2021	2020
Revenues	P133,710	P115,029	P18,681	16%	100%	100%
Cost of power sold	(92,161)	(69,314)	22,847	33%	(69%)	(60%)
Gross profit	41,549	45,715	(4,166)	(9%)	31%	40%
Selling and administrative expenses	(4,915)	(6,210)	(1,295)	(21%)	(4%)	(5%)
Other operating income	207	87	120	138%	0%	0%
Operating income	36,841	39,592	(2,751)	(7%)	27%	35%
Interest expense and other financing charges	(18,239)	(18,553)	(314)	(2%)	(14%)	(16%)
Interest income	617	1,007	(390)	(39%)	1%	1%
Equity in net losses of an associate and joint ventures	(117)	(473)	(356)	(75%)	0%	(1%)
Other income (charges) - net	(1,194)	5,254	(6,448)	(123%)	(1%)	4%
Income before income tax	17,878	26,797	(8,919)	(33%)	13%	23%
Income tax expense	1,900	7,923	(6,023)	(76%)	1%	7%
Net Income	P15,978	P18,874	(P2,896)	(15%)	12%	16%

Revenues
The Group's consolidated revenues for year 2021 registered at P133,710 million, 16% or P18,681 million higher than in 2020 at P115,029 million. Offtake volume of 27,221 GWh posted a 4% growth from 2020 primarily due to higher spot market sales volume and improved customers' nominations with the easing of community quarantine restrictions. In addition, increase in revenues were driven by (i) higher average realization bilateral rates due to increase in fuel pass-on charges in accordance with fuel pricing provisions of its bilateral contracts and rate escalation feature on Meralco contracts that mitigated the impact of higher fuel cost as a result of increasing NewC coal indices and gas price; (ii) higher spot prices in 2021; and (iii) revenues from the full-year operations of Masinloc Power Plant Unit 3 which commenced commercial operations on September 26, 2020.

Cost of Power Sold
Cost of power sold likewise increased by 33% or P22,847 million, from P69,314 million in 2020 to P92,161 million in 2021. The increase was mainly attributable to the following: (i) higher power purchases from the spot market and external power generators on account of lack of peak capacity to serve the Group's bilateral volumes, offset by the decline in energy fees due to lower net generation of Sual and Ilijan Power Plants. The Group experienced extended outages of the Sual Power Plant and capacity deration of the Ilijan Power Plant due to gas supply restrictions. Spot prices surged especially in May 2021 when the Group and the rest of the power industry experienced a very high system demand. High spot prices were also experienced during the last quarter of 2021. Other factors contributing to the increase in cost of power sold, were the following: (i) higher fuel costs as coal prices surged to unprecedented levels starting in the third quarter of 2021 after being relatively stable in previous years; (ii) higher average gas price for Ilijan Power Plant; and (iii) higher costs incurred by MPPCL from the full-year operations of its Masinloc Power Plant Unit 3 in 2021. The impact of the increase in fuel costs were partially mitigated through either fuel pass through and/or escalation feature on certain bilateral contracts of the Group.

Selling and Administrative Expenses
Selling and administrative expenses decreased by 21%, or P1,295 million, from P6,210 million in 2020 to P4,915 million in 2021. The decrease was mainly due to: (i) lower contracted services and travel-related expenses, including representation and entertainment expenses, of the Group in 2021 as a result of limited activities brought by community quarantine; (ii) contributions of P200 million for COVID-19 community response initiatives incurred in 2020; and (iii) reversal of impairment losses on trade receivables due to improvement in collections from certain customers.

Other Operating Income
Other operating income increased by 138% or P120 million from P87 million in 2020 to P207 million in 2021 mainly on account of higher power bills surcharge, rental and management fees recognized.

Income from Operations
As a result, consolidated income from operations of P36,841 million in 2021 declined by 7% from the P39,592 million posted in 2020.

Interest Income
Interest income decreased by 39%, or P390 million, from P1,007 million in 2020 to P617 million in 2021, due mainly to lower average interest rate and shorter placement periods as funds were utilized to defray capital expenditures for ongoing construction projects.

Equity in Net Losses of an Associate and Joint Ventures
Equity in net losses of an associate and joint ventures registered at P117 million loss in 2021, down from the P473 million loss in 2020, mainly due to the share in lower net losses of AHC.

Other Income (Charges)
Other income decreased by 123%, or P6,448 million, from P5,254 million income in 2020 to P1,194 million charges in 2021. This was mainly attributable to the recognition in 2020 of P3,828 million settlement received from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts. Moreover, the net foreign exchange differential in 2021, arising mainly from the Group's US dollar-denominated liabilities, made a complete turnaround from a P1,370 million gain in 2020 to a P1,495 million loss in 2021 as a result of the depreciation of the Philippine Peso against the US Dollar in 2021 by P2.976 vs the appreciation of Philippine Peso in 2020 by P2.612.

Income Tax Expense
Provision for income tax declined from P7,923 million for 2020 to P1,900 million for 2021. This resulted primarily from the adjustment made in 2021 for the impact of the CREATE Law to the 2020 financials of the Group. The CREATE Law was approved by the President of the Philippines on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5% or 10% point cut in the corporate income tax starting July 1, 2020. With the application of the reduced income tax rate, the provision for deferred income tax arising from the IPPA entities' lease liabilities declined. In addition, the provision for current income tax recognized by SPPC and SPI also declined due to lower taxable income during the year.

Net Income
Consequently, the consolidated net income of the Group for the year decreased by 15% from P18,874 million in 2020 to P15,978 million in 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 year 2021, net generation of 4,676 GWh at 53% net capacity factor rate was 17% lower than 2020 mainly due to higher outage hours resulting from the prolonged outage of Unit 2, due to the repair of intermediate pressure turbine blades and diaphragm, and forced and planned maintenance shutdown of Unit 1 during the year. Total offtake volume likewise decreased to 7,932 GWh from 9,120 GWh in 2020, on account of lower spot sales volume and decline in demand from Industrial and RES customers during the quarantine period.

   Revenues of P38,162 million was 1% slightly higher than the revenues reported in 2020 amounting to P37,638 million, attributable mainly to the increase in average realization price driven by bilateral contracts that have fuel pricing provisions that allow SPI to pass to certain bilateral customers the increase in fuel costs brought by the significant surge in coal indices. The effect of the increase in average realization price was countered by the decline in offtake volume.

   Operating Income of P10,998 million was 18% lower than the operating income reported in 2020 of P13,484 million also on account of higher power purchases, at high spot prices, during the extended outages of Sual Unit 2 and increase in generation costs. The impact of the increase in generation costs was partly mitigated by either the full pass-through and/or escalation features on majority of SPI's bilateral contracts.

   b. **SPPC, IPPA of Ilijan Power Plant**

   The net generation of Ilijan Power Plant for the year 2021 fell by 20% on account of its continued deration due to gas supply restrictions and longer outage hours resulting from the planned maintenance shutdown of Blocks 1 and 2 and the Malampaya planned shutdown during the year. Total offtake volume of 7,328 GWh decreased by 6% compared to 2020 on account of lower replacement power requirements.

   As a result, revenues of P32,107 million for the year 2021 was lower by 4% compared to P33,288 million in 2020 on account of the decline in offtake volume offset by higher average realization price.

   Operating Income of P5,208 million in 2021 went down by 53% from the P11,068 million posted in 2020. The decline was mainly attributable to the increase in power purchases due to lack of peak capacity as a result of plant deration and higher spot purchase prices especially during the month of May 2021, when the power industry experienced the highest system demand, as well as the surge in spot prices in the last quarter of the year. In addition, cost of generation increased due to higher average gas price in 2021.

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

   San Roque Power Plant's net generation of 1,036 GWh, at 34% net capacity factor rate for the year 2021, increased by 110% due to longer operating hours and higher water discharge during the year. Total offtake volume of 1,096 GWh likewise increased by 68% compared to 652 GWh in 2020 attributable to higher spot sales and replacement power supplied to affiliate generators.

Revenues for the year increased by 103% from P2,973 million in 2020 to P6,029 million in 2021 due mainly to higher average realization prices and total offtake volume for SRHI's spot and replacement power sales.

The foregoing factors resulted to a significant upturn in operating income from P768 million in 2020 to P3,294 million in 2021.

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

Total generation of the plant of 4,177 GWh in 2021, at 89% net capacity factor rate, was 19% higher than 2020 at 3,514 GWh due to higher plant availability as a result of lower outage hours. LPI dispatched 1,814 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 1,930 GWh fell from 2020 by 3% due to lower nominations from bilateral customers during the year.

In 2021, revenues increased by 8% from P8,896 million in 2020 to P9,603 million in 2021 due to higher average selling price for bilateral and spot sales.

Consequently, operating income registered at P3,545 million in 2021, 6% higher than the P3,339 million posted in 2020.

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

For the year 2021, a total of 1,835 GWh was generated by the plant at a capacity factor rate of 79%. This was slightly lower by 3% compared to 2020. Net generation and offtake volume decreased due to lower nominations from bilateral customers and increase in the availability of supply from the hydro plants in Mindanao, and the community quarantine brought about by the pandemic.

Revenues for the year declined slightly by 1% from P11,012 million in 2020 to P10,890 million in 2021 mainly due to lower offtake volume which was countered by higher average realization price as a result of higher pass-on fuel costs with the increase in cost of coal.

The favorable impact of MPI's lower power purchases and cost-cutting measures implemented by the plant in 2021 more than offsets the slight decline in revenues thereby contributing to the improvement in its operating income by 4% from P4,669 million in 2020 to P4,838 million in 2021.

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

Masinloc Power Plant's total net generation of 6,136 GWh for the year 2021, with 5,800 GWh supplied to power generation customers while the rest was dispatched to RES customers and its 10 MWh BESS, was 39% higher compared to the 4,428 GWh net generation posted for 2020. The increase was mainly due to the additional output from Unit 3 which commenced commercial operations on September 26, 2020 and higher operating hours of Units 1 and 2.

Total offtake volume of 7,150 GWh exceeded 2020 by 17% on account of higher spot sales volume, and replacement power sales to affiliate generators driven by the high generation of the power plant as well as increase in nominations from distribution utilities. Revenues and operating income for the year 2021 increased to P32,570 million and P5,191 million, respectively, due mainly to higher average realization prices for bilateral sales and replacement power as well as the increase in spot prices for the spot sales volume during the year.

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

a. **LPI, RES**

For the year 2021, total offtake volumes registered at 2,661 GWh, this was 18% higher than 2020 at 2,251 GWh due to the increase in nominations from contestable customers and the transfer of contestable customers from San Miguel Electric Corp. ("SMELC"). As a result, revenues increased by 35% from P10,516 million in 2020 to P14,229 million in 2021 as offtake volume increased. Consequently, with better margin, operating income registered at P2,943 million in 2021. This was 105% higher than the P1,435 million posted in 2020.

b. **MPPCL, RES and BESS**

MPPCL has Retail Supply Contracts ("RSC") with various contestable customers and ASPA with NGCP for the 10 MWh BESS. Starting May 26, 2020, several RSCs from SMELC were assigned to MPPCL-RES.

In 2021, total offtake volume and revenues, including ancillary services, significantly increased compared to 2020, registering at 905 GWh and P5,363 million, respectively, attributed mainly to the contracts assigned from SMELC and new contestable customers in 2021. Consequently, operating income registered at P1,053 million in 2021, much higher than in 2020.

c. **APEC, Concessionaire for the rehabilitation, operations and maintenance of ALECO**

Revenues of P3,984 million was 26% higher than the P3,171 million posted in 2020 primarily driven by the increase in average realization price and higher volume. On the other hand, operating loss of P368 million in 2021 was higher than the P282 million recognized in 2020 on account of higher cost of power purchases.

d. **SMELC, RES**

On August 18, 2021, the ERC has granted the extension of the validity of the RES License for 15 days from August 21, 2021 until September 5, 2021 to allow SMELC to complete the transfer of its remaining contestable customer to LPI-RES. As part of the Group's power expansion program, SMELC will be intended for future capital projects as may be determined by management.

Offtake volume significantly declined from 748 GWh in 2020 to 5 GWh in 2021 attributable to the transfer of its remaining RES customer to LPI in 2021. This led to the decrease in revenues in 2021 which registered at P17 million compared to P3,997 million posted in 2020. Lower volume and depressed margin were partially mitigated by the reversal of impairment losses on trade receivables due to collection from a certain customer. This resulted to an operating loss amounting to P12 million for 2021, a turnaround from the P12 million operating income posted in 2020.

2020 vs. 2019

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	2020	2019	Amount	%	2020	2019
Revenues	**P115,029**	P135,060	(P20,031)	(15%)	**100%**	100%
Cost of power sold	**(69,314)**	(90,588)	(21,274)	(23%)	**(60%)**	(67%)
Gross profit	**45,715**	44,472	1,243	3%	**40%**	33%
Selling and administrative expenses	**(6,210)**	(7,348)	(1,138)	(15%)	**(5%)**	(5%)
Other operating income	**87**	125	(38)	(30%)	**0%**	0%
Operating income	**39,592**	37,249	2,343	6%	**35%**	28%
Interest expense and other financing charges	**(18,583)**	(19,721)	(1,138)	(6%)	**(16%)**	(15%)
Interest income	**1,007**	1,585	(578)	(36%)	**1%**	1%
Equity in net losses of an associate and joint ventures	**(473)**	(391)	82	21%	**(1%)**	0%
Other income - net	**5,254**	2,905	2,349	81%	**4%**	2%
Income before income tax	**26,797**	21,627	5,170	24%	**23%**	16%
Income tax expense	**7,923**	7,263	660	9%	**7%**	5%
Net income (loss)	**P18,874**	P14,364	P4,510	31%	**16%**	11%

Revenues
The Group's consolidated revenues for year 2020 registered at P115,029 million, 15% or P20,031 million lower than the P135,060 million posted in 2019 as offtake volume of 26,291 GWh posted a 7% decline in 2019. This was primarily due to the: (i) deferral of the commencement of the supply to Meralco under the 290 MW Mid-merit PSA of SPPC, where the provisional approval of the ERC was posted and distributed to the parties only on March 16, 2020 and the expiration of the 260 MW PSA with MPPCL; (ii) curtailed demand by industrial and contestable customers during the Philippine government-imposed Enhanced Community Quarantine ("ECQ") period, which gradually improved with the reopening of economic activities after the easing of ECQ restrictions, and compensated by improved utility demand as household consumptions increased; (iii) lower contract rates for the new Meralco baseload PSAs that took effect on December 26, 2019 compared to the power supply contracts that expired on December 25, 2019; and (iv) lower average spot prices for Luzon-based power plants offset by take-or-pay arrangements with the Group's other distribution utility customers.

Cost of Power Sold
Cost of power sold likewise decreased by 23% or P21,274 million, from P90,588 million in 2019 to P69,314 million in 2020. The decrease was mainly attributable to the following: (i) lower average cost of coal prices for Sual, Masinloc, Davao and Limay Greenfield Power Plants as coal indices continue to decline; (ii) lower average cost of spot purchases; (iii) lower energy fees due to lower net generation of the Sual, Ilijan and San Roque Power Plants coupled with lower average natural gas prices for the Ilijan Power Plant, offset by (iv) higher costs incurred by LPI on account of the full-year operations of its 150 MW Unit 4-Limay Greenfield Power Plant which commenced commercial operations on July 26, 2019, and by MPPCL with the start of commercial operations of its 335 MW Unit 3-Masinloc Power Plant on September 26, 2020.

Selling and Administrative Expenses
Selling and administrative expenses decreased by 15% or P1,138 million, from P7,348 million in 2019 to P6,210 million in 2020. The decrease was mainly due to lower regular operating expenses incurred relating to contracted services, repairs and maintenance works, sales and marketing, fuel and oil, and travel due to quarantine restrictions during the COVID-19 pandemic. This was partly offset by: (i) contributions for COVID-19 community response initiatives; and (ii) higher depreciation recognized for Unit 4-Limay Greenfield Power Plant and Unit 3-Masinloc Power Plant which commenced commercial operations in July 2019 and September 2020, respectively.

Other Operating Income
Other operating income decreased by 30% or P38 million from P125 million in 2019 to P87 million in 2020 on account of lower power bills surcharge and utilities income.

Income from Operations
With lower fuel costs, spot purchases and operating expenses, and effective implementation of power dispatch strategies, consolidated income from operations ended 6% or P2,343 million higher from P37,249 million in 2019 to P39,592 million in 2020.

Interest Income
Interest income decreased by 36% or P578 million from P1,585 million in 2019 to P1,007 million in 2020 on account of lower average interest rate during the year and shorter placement periods as funds were utilized to defray capital expenditures for ongoing construction projects.

Interest Expense and Other Financing Charges
Interest expense and other financing charges decreased by 6% from P19,721 million for 2019 to P18,583 million in 2020. This was mainly due to: (i) lower interest expense recognized from the declining principal balance of the IPPA entities' lease liabilities; (ii) higher capitalized borrowing costs of MPPCL for its ongoing construction projects; (iii) net decrease in interest expense of San Miguel Global Power with the pre-termination of its US$150 million 5-year term loan, originally to mature in March 2023, and settlement of its US$120 million short-term loan in April 2019; and partially offset by (iv) higher interest expense of LPI with the cessation of the capitalization of its borrowing costs since the start of commercial operations of its Unit 4-Limay Greenfield Power Plant in July 2019.

Equity in Net Losses of an Associate and Joint Ventures
Equity in net losses of an associate and joint ventures registered at P473 million loss in 2020 due to the share in higher net losses of AHC.

Other Income (Charges)
Other income increased by 81% or P2,349 million from P2,905 million in 2019 to P5,254 million in 2020 due to the recognition of P3,826 million in settlement received from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts; partly offset by lower net foreign exchange gain by P1,470 million recognized on the Group's US Dollar-denominated financial assets and liabilities with the movement of the Philippine Peso against the US Dollar in 2020.

Income Tax Expense
Income tax expense increased by 9% or P660 million from P7,263 million in 2019 to P7,923 million in 2020. The increase was due primarily to higher provision for deferred income tax expense recognized by IPPA entities on the temporary difference of monthly fixed payments to PSALM over the lease liability-related expenses.

Net Income
Consequently, the consolidated net income of the Group for 2020 increased by 31% from P14,364 million in 2019 to P18,874 million in 2020.

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 year 2020, net generation of 5,655 GWh at 64% net capacity factor rate was 16% lower than 2019 mainly due to lower plant dispatch and higher outages resulting from the forced and maintenance outages of Unit 2, and various technical issues of Unit 1 leading to forced outages in 2020. Total offtake volume decreased to 9,120 GWh in 2020 from 9,374 GWh posted in 2019 on account of lower demand from industrial and RES customers during the quarantine period.

   Revenues of P37,638 million was 8% lower than P40,994 million in 2019 mainly attributable to lower average realization price for bilateral sales driven primarily by the lower contract rate of the new PSA with Meralco which was effective starting December 26, 2019 and the impact of lower spot prices and decline in offtake volume.

   Nevertheless, operating income of P13,484 million was 78% higher than P7,581 million in 2019 on account of lower cost of coal and power purchases and decline in operating expenses.

   b. **SPPC, IPPA of Ilijan Power Plant**

   The net generation of Ilijan Power Plant for the year 2020 fell by 6% on account of lower plant dispatch due to the decline in Meralco nominations in 2020. Total offtake volume of 7,765 GWh likewise fell by 5% compared to 2019 mainly due to the deferral of the commencement to supply Meralco pursuant to the 290 MW Mid-merit PSA, where the provisional approval of the ERC was posted and distributed to the parties only on March 16, 2020.

   Revenues of P33,288 million for 2020 was 13% lower than 2019 mainly due to the (i) lower contract rates under the new PSAs with Meralco, which became effective on December 26, 2019; (ii) decline in spot prices; and (iii) decline in overall offtake volume. On the other hand, cost of generation improved because of the decrease in natural gas prices.

   Consequently, operating income of P11,088 million in 2020 slightly improved by 2% than the P10,916 million posted in 2019.

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

   San Roque Power Plant's net generation of 494 GWh, at 16% net capacity factor rate, for the year 2020 fell by 38% attributable to shorter operating hours and low water reservoir level resulting from unfavorable hydrological conditions. Total offtake volume of 652 GWh for 2020 decreased by 45% compared to 2019 due to the decrease in replacement power supplied to affiliate generators.

Revenues for the year decreased by 62% from P7,835 million in 2019 to P2,973 million in 2020 due to the decline in average realization price, the expiration of the contract with San Roque Power Corporation on March 25, 2020 for the sale of a portion of capacity sourced from the San Roque Power Plant, and decline in total offtake volume.

The foregoing factors resulted to a drop in operating income by 78%, from P3,417 million posted in 2019 to P758 million in 2020.

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

With Unit 4, having a 150 MW capacity, commencing commercial operations on July 26, 2019, and with the issuance of a Certificate of Compliance by the ERC for the four units, the Limay Greenfield Power Plant now has a combined capacity of 600 MW.

Total generation of the plant from all operating units registered at 3,514 GWh, at 75% net capacity factor rate, for the year 2020. This was slightly higher by 1% than the 3,464 GWh in 2019 due to the additional output of Unit 4, which was offset by higher combined outages for routinary repair and annual preventive maintenance works in 2020 of the four units.

LPI dispatched 1,563 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 1,992 GWh fell behind compared to 2019 by 18% due to lower replacement power sold and lower nominations from distribution utilities.

For 2020, revenues decreased by 20% from P11,174 million in 2019 to P8,896 million in 2020 due primarily to lower offtake volume. Decline in operating income by 9%, from P3,666 million in 2019 to P3,339 million in 2020, was softened by lower generation costs and average power purchase prices.

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

For the year 2020, a total of 1,897 GWh was generated by the Davao Greenfield Power Plant at a net capacity factor rate of 82%. This was slightly lower by 1% compared to 2019 due to longer outages in 2020.

Revenues at P11,012 million surpassed 2019 revenues by 1% on account of the increase in average realization price and decrease in power purchases to optimize the plant capacity. Accordingly, operating income registered at P4,669 million, 13% higher than 2019.

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

The Masinloc Power Plant operating Units 1, 2 and 3 contributed a total net generation of 4,428 GWh for the year 2020. This was 4% higher compared to the 4,252 GWh net generation posted for 2019. The increase was mainly due to the additional output from the Unit 3-Masinloc Power Plant which commenced commercial operations on September 26, 2020.

Total offtake volume of 6,091 GWh exceeded 2019 by 7% due primarily to the increase in wholesale electricity spot sales volume, which more than doubled in 2020, and the entry of additional bilateral customers which compensated for the decline in Meralco sales volume. Year-to-date revenues and operating income registered lower at P22,957 million and P3,548 million, respectively, compared to 2019 on account of lower average realization prices for spot and bilateral offtake volumes.

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

a. **LPI, RES**

RES customers include various San Miguel Corporation ("SMC") subsidiaries and other external contestable customers. The power supply for its RES contracts was sourced from the Limay Greenfield Power Plant.

For the year 2020, the total offtake volumes registered at 2,251 GWh. This was 27% higher than the 1,779 GWh in 2019 due to new RES customers following the increase in the power plant's capacity.

Revenues at P10,516 million topped the 2019 revenue as offtake volumes increased. Consequently, operating income at P1,435 million in 2020 was 1% higher than in 2019.

b. **MPPCL, RES and BESS**

MPPCL has various RES contracts and ASPA with NGCP for the 10 MWh BESS.

For 2020, total offtake volume and revenues significantly increased compared to 2019, registering at 419 GWh and P2,735 million, respectively, on account of additional RES customers. Meanwhile, operating income increased to P1,423 million in 2020 due mainly to higher nominations resulting from the entry of new retail customers.

c. **APEC, Concessionaire for the rehabilitation, operations and maintenance of ALECO**

Revenues of P3,171 million was 10% lower than P3,511 million posted in 2019 on account of lower offtake volume during quarantine period and a number of typhoons that hit the province of Albay in 2020.

On the other hand, operating loss of P282 million in 2020 was lower than the P385 million recognized in 2019 due primarily to lower cost of power purchases.

d. **SMELC, RES**

SMELC realized its profits from its RES contracts with various SMC subsidiaries and other contestable customers. Power supply for its RES contracts was sourced from the Sual and Limay Greenfield Power Plants.

Offtake volume of 740 GWh for 2020 fell compared to 2,028 GWh in 2019. The 63% decrease was attributable to the transfer of majority of its RES contracts to LPI-RES and MPPCL-RES, the expiration of several contracts in 2020 and lower energy requirement from its contestable customers during the quarantine period. This led to the decrease by 62% in revenues in 2020 which registered at P3,997 million. Lower volume and depressed margin resulted to an operating income amounting to P12 million for 2020, a drop from the P71 million operating income in 2019.

II. FINANCIAL POSITION

A. MAJOR DEVELOPMENTS IN 2022

UPDATE ON BESS PROJECTS

On January 6, 2022, an ERC Order granted Provisional Authority for the Implementation of the ASPA between the NGCP and SMCGP Philippines Energy for 5 years commencing on January 26, 2022. Following the receipt of the ERC Order, SMCGP Philippines Energy declared the commercial operations of its 20 MWh Kabankalan 1 BESS with the Independent Electricity Market Operator of the Philippines starting January 26, 2022.

Of the remaining 1,000 MWh BESS projects, 20 MWh Kabankalan 2, 20 MWh Masinloc Phase 2, and 270 MWh across 9 sites attained substantial completion as of date, another 300 MWh across 8 sites are expected to be substantially complete by 2023, while the remaining 390 MWh across 13 sites are expected to be completed in 2024. The BESS projects are expected to participate in any public tender of any requirements for grid ancillary services or be contracted for any power quality solutions required by industrial and utility customers.

TURNOVER OF THE ILIJAN POWER PLANT

On June 3, 2022, SPPC and PSALM executed a Deed of Sale for the transfer of control and ownership of the Ilijan Power Plant to SPPC following the end of its IPPA Agreement.

LONG-TERM DEBTS

Redemption of Maturing Series H and D Bonds

On April 25, 2022, San Miguel Global Power redeemed its Series H Bonds amounting to P13,845 million, which form part of the P30,000 million Series H-I-J fixed rate bonds issued in April 2019. San Miguel Global Power used the proceeds of the P10,000 million short-term loan availed in April 2022 and cash generated from operations for the redemption of the Series H Bonds.

On December 22, 2022, San Miguel Global Power redeemed its Series D Bonds amounting to P9,913 million, which form part of the P20,000 million Series D-E-F fixed rate bonds issued in December 2017. San Miguel Global Power used the proceeds of the P6,000 million short-term loan availed in December 2022 and cash generated from operations for the redemption of the Series D Bonds

Payment of Other Maturing Long-term Debt

In 2022, LPI, MPI and San Miguel Global Power paid a total of P4,622 million of their scheduled long-term debt principal amortizations pursuant to the terms and conditions of their respective facility agreements.

In 2022, MPPCL made principal repayments of term loans pursuant to its Omnibus Refinancing Agreement ("ORA") and Omnibus Expansion Financing Agreement ("OEFA"), amounting to US$24 million and US$28 million, respectively.

Shelf-registration of P60,000 Million and Issuance of P40,000 Million Fixed-rate Peso Denominated Bonds

On July 26, 2022, San Miguel Global Power issued and listed with the Philippine Dealing and Exchange Corp. a total of P40,000 million fixed rate bonds, the first tranche of the P60,000 million shelf-registered fixed rate Peso-denominated bonds approved by the Philippine Securities and Exchange Commission ("SEC") on July 11, 2022.

The bonds comprised of P5,000 million Series K Bonds due 2025, P25,000 million Series L Bonds due 2028 and P10,000 million Series M Bonds due 2032, with interest rates per annum of 5.9077%, 7.1051% and 8.0288%, respectively.

The proceeds from the issuance of the bonds were used: (i) to partially finance San Miguel Global Power's investments in power-related assets, particularly Liquefied Natural Gas ("LNG") projects and related assets, coal power plant projects, BESS and solar power plant projects; (ii) for general corporate purposes; and (iii) for payment of transaction-related fees, costs and expenses.

Availments of Long-term Debt

On January 21, 2022, San Miguel Global Power availed of a US$200 million 3-year term loan pursuant to a facility agreement with a foreign bank executed on September 8, 2021. The initial loan facility amount of US$100 million was increased to US$200 million on December 16, 2021. The loan is subject to a floating interest rate plus margin and will mature in September 2024.

The proceeds were used to finance expansion projects and settle other transaction related fees, costs and expenses of the facility.

On May 24, 2022, San Miguel Global Power availed a US$100 million 3-year term loan pursuant to a facility agreement with a group of foreign banks executed on May 18, 2022. The loan is subject to a floating interest rate plus margin and will mature in May 2025.

The proceeds were used for working capital requirements relating to expansion projects, for general corporate purposes, and for the settlement of other transaction related fees, costs and expenses of the facility.

On August 26, 2022, San Miguel Global Power availed of a US$300 million 5-year term loan pursuant to a facility agreement with a group of foreign banks executed on August 18, 2022. The loan is subject to a floating interest rate plus margin and will mature in August 2027.

The proceeds were used for general corporate purposes, including capital expenditures and refinancing, and payment of other transaction related fees, costs and expenses of the facility

SALE OF INVESTMENTS IN SHARES OF STOCKS AND PARCELS OF LAND

In 2022, pursuant to the normal course of business of acquiring and disposing of land for potential project sites and in line with asset optimization strategies of the Group, San Miguel Global Power and its subsidiaries sold ownership interests in landholding subsidiaries and subsidiaries with coal mining properties and certain parcels of land.

The total consideration for the foregoing sale transactions amounted to P16,751 million, payable on installment basis pursuant to the terms of the respective agreements.

CLAIM FOR PRICE ADJUSTMENTS ON THE MERALCO PSA

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"). Separate PSAs were awarded by Meralco to 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, SPPC and SPI each sought jointly with Meralco temporary contract price adjustments under the SPPC PSA and SPI PSA before the ERC, as the primary regulator in the power industry tasked with consumer protection, 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 proposed price adjustments. SPPC and SPI filed separate Petitions for Certiorari under Rule 65 with Application for the Issuance of a Temporary Restraining Order ("TRO") and/or Writ of Preliminary Injunction before the Court of Appeals ("CA") on November 10, 2022, to annul, reverse and set aside the September 29, 2022 Orders of the ERC. Petition for Certiorari filed by SPPC which was originally raffled to the CA 14*th* Division, is now pending with the CA 13*th* Division and is hereinafter referred to as the "SPPC CA Petition", while the Petition for Certiorari filed by SPI originally pending with the CA 17*th* Division was subsequently transferred to the CA 16th Division and is hereinafter referred to as the "SPI CA Petition".

On November 23, 2022, a TRO was issued by the CA 13*th* Division for the SPPC CA Petition which was subsequently converted to a Writ of Preliminary Injunction by the CA 13*th* Division on February 23, 2023.

On November 24, 2022, SPI filed with the CA 16th Division an Urgent Motion for Consolidation of the SPI CA Petition with the SPPC CA Petition pending before the CA 13*th* Division, while SPPC filed with the CA 13*th* Division an Urgent Motion to Allow Consolidation of the SPI CA Petition with the SPPC CA Petition pending before the CA 13th Division.

The CA 16*th* Division in its resolution dated January 13, 2023 (i) denied SPI's prayer for the issuance of a TRO and/or writ of preliminary injunction, and (ii) granted the consolidation of SPI's petition with the SPPC CA Petition. The SPI CA Petition was thus consolidated with the SPPC CA Petition before the CA 13*th* Division.

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 SPI CA Petition and Meralco's Comment thereto. On February 20, 2023, SPI filed a Motion for Leave to File Consolidated Reply.

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 Reconsideration (Opposition Ex Abundanti Ad Cautelam to SPI's Urgent Motion to Allow Consolidation of Cases) filed by the ERC.

The Motion for Partial Reconsideration filed by SPI, the SPPC CA Petition and the SPI CA Petition remain pending to date.

TENDER OFFER TO HOLDERS OF SENIOR PERPETUAL CAPITAL SECURITIES ("SPCS") BY SAN MIGUEL GLOBAL POWER

On October 26, 2022, the Board of Directors of San Miguel Global Power authorized the conduct of tender offer to the holders of its US Dollar-denominated SPCS listed with the Singapore Exchange Securities Trading Ltd. ("SGX-ST") to purchase for cash said SPCS up to a total aggregate principal amount of US$400 million. The conduct of the tender offer commenced on October 26, 2022 and expired on November 4, 2022 (the "Expiration Deadline"). All valid tender offers from security holders, representing an aggregate of US$124 million in principal amount of SPCS were accepted by San Miguel Global Power. Security holders that validly tendered their securities at or prior to the Expiration Deadline and which San Miguel Global Power accepted for purchase from such security holder were paid the applicable purchase price and the relevant accrued distribution amount on November 9, 2022.

ISSUANCE OF REDEEMABLE PERPETUAL SECURITIES ("RPS") BY SAN MIGUEL GLOBAL POWER AND UNIVERSAL POWER SOLUTIONS, INC. ("UPSI")

In 2022, San Miguel Global Power and UPSI issued US Dollar-denominated and Peso-denominated RPS to SMC ("RPS Holder"):

Date of Issuance	Distribution Payment Date	Issue Price	Initial Rate of Distribution	Amount of RPS Issued (In Millions)	Amount in Philippine Peso* (In Millions)
San Miguel Global Power					
US Dollar-denominated:					
November 9, 2022	February 9, May 9, August 9, and November 9 of each year	100%	6.25%	US$85	P4,916
UPSI					
US Dollar-denominated:					
October 28, 2022	January 28, April 28, July 28, and October 28 of each year	100%	6.25%	US$88	5,063
December 1, 2022	March 1, June 1, September 1 and December 1 of each year	100%	6.25%	US$76	4,241
Peso-denominated:					
November 23, 2022	February 23, May 23, August 23 and November 23 of each year	100%	7.50%	P5,000	4,942
					P19,162

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

The proceeds from the issuances are intended for general corporate purposes including capital expenditures.

EVENTS AFTER REPORT DATE

i. Amendment of MPPCL's ORA

On January 17, 2023, MPPCL executed an agreement with local banks to amend its ORA ("Amended ORA") to convert its outstanding obligation amounting to US$148 million as at the agreement date, into a Peso-denominated loan amounting to P8,155 million, subject to floating interest rate plus margin 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, pursuant to the terms of the agreement.

ii. Issuance of US$500 million RPS by San Miguel Global Power

On March 10, 2023, San Miguel Global Power issued US$500 million RPS, at an issue price of 100% in favor of SMC (the "Security Holder").

The Security Holder shall have the right to receive distribution at the rate of 8% per annum, payable quarterly in arrears every March 10, June 10, September 10, and December 10 of each year commencing on June 10, 2023. San Miguel Global Power has a right to defer distribution under certain conditions.

iii. Settlement of US$500 million Facility B Loan by San Miguel Global Power

On March 13, 2023, San Miguel Global Power fully paid its US$500 million Facility B Loan drawn on March 16, 2018, which was used to partially finance the acquisition of the Masinloc Group.

The Facility B Loan was paid using the proceeds from the US$500 million RPS issued by San Miguel Global Power on March 10, 2023.

iv. Availment of US$100 million term loan by San Miguel Global Power

On March 16, 2023, San Miguel Global Power availed of a US$100 million 1.5-year term loan from a facility agreement executed with a foreign bank on March 10, 2023. The loan is subject to floating interest rate plus margin and will mature in September 2024.

The funds will be used for general corporate purposes, including capital expenditures and refinancing, and payment of other transaction related fees, costs and expenses of the facility.

E. **MAJOR DEVELOPMENTS IN 2021**

ISSUANCE OF US$750 MILLION SPCS

On June 9, 2021, San Miguel Global Power issued US$600 million SPCS (the "Original Securities") at an issue price of 100%, with an initial rate of distribution of 5.45% per annum. The Original Securities were listed on the SGX-ST on June 10, 2021.

On September 15, 2021, San Miguel Global Power issued US$150 million SPCS (the "Additional Securities") at an issue price of 100.125%, with an initial rate of distribution of 5.45% per annum to be consolidated into single series with the Original Securities issued in June 2021. The Additional Securities were listed on the SGX-ST on September 16, 2021.

The net proceeds from the issuances of the securities were used for investments in the 1,313.1 MW Batangas Combined Cycle Power Plant ("BCCPP") and related assets or for general corporate purposes.

REDEMPTION OF US$300 MILLION UNDATED SUBORDINATED CAPITAL SECURITIES ("USCS")

On February 26, 2021, San Miguel Global Power completed the redemption of its US$300 million USCS issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption was made after the issuance of a notice to the holders of the US$300 million USCS, dated January 25, 2021. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the February 26, 2021 step-up date.

The US$300 million USCS were redeemed using in part the proceeds of the US$350 million SPCS issued on December 15, 2020.

LONG-TERM DEBT

Availments of Long-term Debt

On March 9, 2021, San Miguel Global Power executed a 5-year term loan facility agreement for the amount of US$200 million used to refinance its maturing US$200 million loan obligation. Drawdown was completed on March 12, 2021.

On May 21, 2021, the loan facility agreement was amended to increase the amount from US$200 million to US$300 million. On June 7, 2021, San Miguel Global Power availed of the remaining US$100 million from its amended loan facility agreement. The proceeds of the US$100 million loan were used for the redemption of its Series A Fixed Rate Bonds (the "Series A Bonds") in July 2021. The loan is subject to a floating interest rate and will mature in March 2026.

On April 12, 2021, San Miguel Global Power availed of US$50 million from its term loan facility agreement with a foreign bank executed on October 12, 2020. Proceeds of the loan were used for the payment of capital expenditures in connection with the Ilijan Natural Gas-fired Power Plant (including expansion projects related thereto), funding of liquid natural gas import, storage and distribution facilities; pre-operating and operating working capital requirements for BESS projects, and transaction related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in October 2023.

On May 28, 2021, San Miguel Global Power availed of P5,000 million from its term loan facility agreement with a local bank executed in May 2020. The proceeds of the loan were used for general corporate purposes. The loan is subject to fixed interest rate and will mature in May 2025.

Redemption of Maturing Series A Bonds

On July 12, 2021, San Miguel Global Power completed the redemption of its Series A Bonds amounting to P6,153 million, which forms part of the P15,000 million Series A-B-C fixed rate bonds issued in July 2016. San Miguel Global Power used the proceeds of the US$100 million and P5,000 million term loans, availed in June 2021 and May 2021, respectively, for the redemption of the Series A Bonds.

Payment of Other Maturing Long-term Debt

In 2021, MPPCL, LPI, MPI, and San Miguel Global Power paid a total of P16,984 million of their scheduled long-term debt principal amortizations pursuant to the terms and conditions of their respective facility agreements.

C. MAJOR DEVELOPMENTS IN 2020

ISSUANCE OF A TOTAL OF US$1,350 MILLION SPCS BY SAN MIGUEL GLOBAL POWER

On various dates in 2020, San Miguel Global Power issued and listed on the SGX-ST SPCS for a total amount of US$1,350 million. These are as follows:

Amount	Issuance/ Listing Date	Issue Price	Distribution Rate	Use of Proceeds
US$600 million	Issued January 21, 2020; Listed January 22, 2020	100%	5.7%	For the funding requirements of the development and completion of the BESS projects and for general corporate purposes
US$400 million ("Original Securities")*	Issued October 21, 2020; Listed October 22, 2020	100%	7.0%	For capital expenditures and investments in LNG facilities and related assets, for the refinancing of expiring commitments whether debt or perpetual securities, and for general corporate purposes
US$350 million ("Additional Securities")*	Issued December 15, 2020; Listed December 16, 2020	102.457%	7.0%	For the repurchase, refinancing and/or redemption of existing USCS, for investments in LNG facilities and related assets, or for general corporate purposes.

** The Additional Securities are consolidated into and form a single series with the Original Securities, bringing the total securities to US$750 million*

LONG-TERM DEBT

Availment of Long-term Debt to Finance Capital Expenditures/Project

On March 31, 2020, MPPCL drew US$43 million from the US$525 million OEFA dated December 1, 2015 to finance the construction of the additional 335 MW Unit 3-Masinloc Power Plant. The loan is divided into fixed interest tranche and floating interest tranche with maturities up to December 2030.

Payment of Other Maturing Long-term Debt

In 2020, San Miguel Global Power, MPPCL, MPI and LPI have paid a total of P6,261 million of its outstanding long-term debts, pursuant to the terms and conditions of their respective facility agreements.

D. MATERIAL CHANGES PER LINE OF ACCOUNT

2022 vs. 2021

In Millions	December 31 2022	2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2022	2021
Cash and cash equivalents	**P22,726**	P67,690	(P44,964)	(66%)	**3%**	11%
Trade and other receivables - net	**105,940**	47,272	58,668	124%	**15%**	7%
Inventories	**16,822**	10,018	6,804	68%	**2%**	2%
Prepaid expenses and other current assets	**43,293**	31,490	11,803	37%	**6%**	5%
Total Current Assets	**188,781**	156,470	32,311	21%	**26%**	25%
Investments and advances - net	**7,856**	10,830	(2,984)	(20%)	**1%**	2%
Property, plant and equipment - net	**304,412**	211,859	92,553	44%	**43%**	33%
Right-of-use assets - net	**106,610**	157,160	(50,550)	(32%)	**15%**	25%
Goodwill and other intangible assets - net	**71,765**	72,943	(1,178)	(2%)	**10%**	11%
Deferred tax assets	**2,280**	1,447	833	58%	**0%**	0%
Other noncurrent assets	**35,812**	25,006	10,806	43%	**5%**	4%
Total Noncurrent Assets	**528,734**	479,254	49,480	10%	**74%**	75%
Total Assets	**P717,515**	P635,724	P81,791	10%	**100%**	100%
Loans payable	**P21,000**	P1,530	P19,470	1,270%	**3%**	0%
Accounts payable and accrued expenses	**84,447**	56,055	28,392	51%	**12%**	9%
Lease liabilities - current portion	**19,185**	21,677	(2,492)	(11%)	**2%**	3%
Income tax payable	**326**	25	301	1,204%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**63,722**	30,185	33,537	111%	**9%**	5%
Total Current Liabilities	**188,680**	109,472	79,208	72%	**26%**	17%
Long-term debt - net of current maturities and debt issue costs	**208,431**	192,736	15,695	8%	**29%**	30%
Deferred tax liabilities	**19,364**	20,183	(819)	(4%)	**3%**	3%
Lease liabilities - net of current portion	**40,773**	56,536	(15,763)	(28%)	**6%**	9%
Other noncurrent liabilities	**7,950**	5,069	2,881	57%	**1%**	1%
Total Noncurrent Liabilities	**276,518**	274,524	1,994	1%	**39%**	43%
Total Liabilities	**465,198**	383,996	81,202	21%	**65%**	60%

Forward

In Millions	December 31 2022	2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2022	2021
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**P1,250**	P1,062	P188	18%	**0%**	0%
Additional paid-in capital	**2,480**	2,480	-	0%	**0%**	0%
Senior perpetual capital securities	**161,768**	167,767	(5,999)	(4%)	**33%**	27%
Redeemable perpetual securities	**51,934**	32,752	19,182	59%	**7%**	5%
Equity reserves	**(1,559)**	(1,536)	(23)	(1%)	**0%**	0%
Retained earnings	**35,526**	48,248	(12,722)	(26%)	**5%**	8%
	251,409	250,783	626	0%	**35%**	40%
Non-controlling interests	**908**	945	(37)	(4%)	**0%**	0%
Total Equity	**252,317**	251,728	589	0%	**35%**	40%
Total Liabilities and Equity	**P717,515**	P635,724	P81,791	13%	**100%**	100%

The Group's consolidated total assets as at December 31, 2022 amounted to P717,515 million, higher by 13% or P81,791 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 P92,553 million as a result of the (i) ongoing construction of the BCCPP project, Mariveles Power Plant, BESS projects and Masinloc Units 4 and 5 and (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 P58,668 million was mainly due 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, and the recognition of receivables on the sale of various properties and investments of the Group during the year.

c. Increase in prepaid expenses and other current assets by P11,803 million was mainly attributable to additional input taxes on vatable purchases of the Group, higher restricted cash balances of MPPCL as required under its credit facility agreement, and additional creditable withholding taxes recognized on sales.

d. Increase in other noncurrent assets by P10,806 million was mainly attributable to the noncurrent receivables, to be collected on installment basis up to 2026, recognized on the sale of various properties and investments.

e. Increase in inventories by P6,804 million was mainly due to higher prices for coal inventories, with the rising of 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 P833 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 P50,550 million was mainly due to the 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 recognized during the year, partially offset by the additional land and office spaces leased in 2022.

h. Decrease in cash and cash equivalents by P44,964 million was due mainly to: (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 and D Bonds of San Miguel Global Power amounting to P13,845 million and P9,913 million in April and December 2022, respectively; (iv) distributions paid to the holders of SPCS and RPS by San Miguel Global Power; (v) payments of maturing short and long-term loans of San Miguel Global Power, MPPCL, LPI and MPI; and (vi) repurchase of SPCS by San Miguel Global Power in November 2022. These were partly offset by the proceeds from the (vii) P40,000 million fixed-rate Peso bonds issued in July 2022 and from various short and long-term loans availed during the year by San Miguel Global Power; and (viii) proceeds from the RPS issued by UPSI and San Miguel Global amounting to P14,266 million and P4,918 million, respectively.

i. Decrease in investments and advances by P2,984 million was mainly due to the consolidation of deposits made by San Miguel Global Power to MVIHI and Bluelight following the acquisition of these landholding companies in August 2022.

The Group's consolidated total liabilities as at December 31, 2022 amounted to P465,198 million, P81,202 million higher than the December 31, 2021 balance of P383,996 million. The increase was attributable to the following factors:

a. Increase in long-term debt - net of debt issue costs (including current maturities) by P49,232 million was mainly attributable to: (i) various term loans availed by San Miguel Global Power in January, May and August 2022; (ii) issuance of the P40,000 million fixed-rate Peso bonds in July 2022; (iii) foreign exchange loss recognized on the Group's US Dollar-denominated loans; offset by the (iv) redemption by San Miguel Global Power of Series H and B Bonds amounting to P13,845 million and P9,913 million in April and December 2022, respectively; and (v) payments of principal amortizations made by San Miguel Global Power, MPPCL, LPI, and MPI during the year.

b. Increase in accounts payable and accrued expenses by P28,392 million was mainly attributable to the (i) additional payables recognized for the construction projects of the Group; (ii) higher outstanding trade payables of IPPA entities, LPI, MPPCL, APEC and MPI for energy fees, power and coal purchases as spot and coal prices continue to surge; (iii) increase in output VAT from vatable sales for the year and withholding tax payables; and (iv) higher amounts owed to related parties for trade and non-trade payables mainly for freight charges and diesel purchases.

c. Increase in loans payable by P19,470 million was due to various Peso-denominated short-term loans drawn by San Miguel Global Power in 2022, partly offset by the full settlement made by MPPCL of its US$30 million short-term loan in December 2022.

d. Increase in other noncurrent liabilities by P2,881 million was due mainly to the recognition of retention payables relating to the Group's construction projects.

e. Increase in income tax payable by P301 million mainly due to the income tax due recognized by MPI and MPPCL for the year.

f. Decrease in lease liabilities (including current portion) by P18,255 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 year.

The Group's consolidated total equity as at December 31, 2022 amounted to P252,317 million, higher by P589 million than the December 31, 2021 balance of P251,728 million. The slight increase is accounted for as follows:

a. Increase in RPS by P19,182 million pertains to the issuances by San Miguel Global Power and UPSI of US Dollar and Peso-denominated RPS during the year.

b. Increase in capital stock by P188 million was due to the collection of subscription receivable from SMC in May 2022.

c. Decrease in retained earnings by P12,722 million was mainly attributable to distributions to SPCS and RPS holders, partly offset by the net income recognized for the year.

d. Decrease in SPCS by P5,999 million was mainly due to the repurchase of SPCS by San Miguel Global Power completed in November 2022.

2021 vs. 2020

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2021**	2020	Amount	%	**2021**	2020
Cash and cash equivalents	**P67,690**	P110,716	(P43,026)	(39%)	**11%**	15%
Trade and other receivables - net	**47,272**	36,162	11,110	31%	**7%**	6%
Inventories	**10,018**	5,582	4,436	79%	**2%**	1%
Prepaid expenses and other current assets	**31,490**	24,916	6,574	26%	**5%**	4%
Total Current Assets	**156,470**	177,376	(20,906)	(12%)	**25%**	29%
Investments and advances - net	**10,639**	9,987	802	8%	**2%**	2%
Property, plant and equipment - net	**211,859**	171,415	40,444	24%	**33%**	28%
Right-of-use assets - net	**157,160**	162,313	(5,153)	(3%)	**25%**	27%
Deferred exploration and evaluation costs	**719**	715	4	1%	**0%**	0%
Goodwill and other intangible assets - net	**72,943**	72,858	85	0%	**11%**	12%
Deferred tax assets	**1,447**	1,646	(199)	(12%)	**0%**	0%
Other noncurrent assets	**24,287**	13,734	10,553	77%	**4%**	2%
Total Noncurrent Assets	**479,254**	432,638	46,616	11%	**75%**	71%
Total Assets	**P635,724**	P610,016	P25,708	4%	**100%**	100%

Forward

In Millions	December 31 2021	2020	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2021	2020
Loans payable	**P1,530**	P1,681	(P151)	(9%)	**0%**	0%
Accounts payable and accrued expenses	**56,055**	40,279	15,776	39%	**9%**	7%
Lease liabilities - current portion	**21,677**	24,007	(2,330)	(10%)	**3%**	4%
Income tax payable	**25**	10	15	150%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**30,185**	22,722	7,463	33%	**5%**	4%
Total Current Liabilities	**109,472**	88,699	20,773	23%	**17%**	15%
Long-term debt - net of current maturities and debt issue costs	**192,736**	196,831	(4,095)	(2%)	**30%**	32%
Deferred tax liabilities	**20,183**	19,456	727	4%	**3%**	3%
Lease liabilities - net of current portion	**56,536**	75,504	(18,968)	(25%)	**9%**	12%
Other noncurrent liabilities	**5,069**	3,222	1,847	57%	**1%**	1%
Total Noncurrent Liabilities	**274,524**	295,013	(20,489)	(7%)	**43%**	48%
Total Liabilities	**383,996**	383,712	284	**0%**	**60%**	63%
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**1,062**	1,062	-	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**167,767**	132,200	35,567	27%	**27%**	22%
Redeemable perpetual securities	**32,752**	32,752	-	0%	**5%**	6%
Undated subordinated capital securities	**-**	13,823	(13,823)	(100%)	**0%**	2%
Equity reserves	**(1,536)**	(4,228)	2,692	64%	**0%**	0%
Retained earnings	**48,248**	47,179	1,069	2%	**8%**	8%
	250,783	225,278	25,505	11%	**40%**	37%
Non-controlling interests	**945**	1,026	(81)	(8%)	**0%**	0%
Total Equity	**251,728**	226,304	25,424	11%	**40%**	37%
Total Liabilities and Equity	**P635,724**	P610,016	P25,708	**4%**	**100%**	100%

The Group's consolidated total assets as at December 31, 2021 amounted to P635,724 million, higher by 4% or P25,708 million than December 31, 2020 balance of P610,016 million. The increase was attributable to the following factors.

a. Increase in trade and other receivables by P11,110 million was mainly due to higher trade receivables from customers on account of (i) higher offtake volume due to improved customer nominations with the easing of community quarantine restrictions; (ii) higher spot sales; (iii) higher average realization prices due to increasing NewC coal indices as certain bilateral contracts have fuel pricing provisions that allows fuel pass-on charges; and (iv) granting of deferred payment schemes for credit-worthy customers.

b. Increase in inventories by P4,436 million was due mainly to higher average prices for coal inventories, with the rising of coal indices, and the purchase of spare parts for repairs and maintenance of Masinloc Power Plant and in preparation for the upcoming planned maintenance of Limay and Davao Greenfield Power Plants

c. Increase in prepaid expenses and other current assets by P6,574 million was due mainly to higher input taxes recognized on capital expenditures relating to ongoing BESS projects of UPSI and MPPCL, and Ilijan LNG or BCCPP project of Excellent Energy Resources Inc., restricted cash set aside by MPI and LPI for debt servicing requirements and advance payments to suppliers by MPPCL, MPI and LPI.

d. Increase in property, plant and equipment by P40,444 million, attributable primarily to the ongoing constructions of the Mariveles Power Plant, BESS projects and BCCPP project.

e. Increase in other noncurrent assets by P10,553 million, due mainly to advance payments made to contractors of the BCCPP project and for Masinloc Units 4 and 5 construction.

f. Increase in investments and advances by P882 million was due mainly to additional deposits to various landholding companies to be applied to future stock subscriptions, offset by the share in net losses from an associate and joint ventures.

g. Decrease in cash and cash equivalents by P43,028 million was due mainly to (i) payments of maturing long-term loans by San Miguel Global Power, MPPCL, LPI and MPI; (ii) redemption of the US$300 million USCS in February 2021; (iii) distributions paid to holders of SPCS, RPS and USCS by San Miguel Global Power; (iv) capital expenditures for BESS, Mariveles Power Plant, Masinloc and BCCPP projects; (v) redemption of the Series A Bonds amounting to P6,153 million in July 2021; and offset by (vi) net proceeds from the issuances of US$600 million and US$150 million SPCS on June 9 and September 15, 2021, respectively; and (vii) additional term loans availed by San Miguel Global Power.

h. Decrease in deferred tax assets by P199 million was due primarily to the impact of CREATE Law which reduced the corporate income tax rate from 30% to 25% thereby decreasing the deferred income tax recognized on unrealized foreign exchange losses and lease-related transactions of MPPCL and Strategic Energy Development Inc.

The Group's consolidated total liabilities as at December 31, 2021 amounted to P383,996 million, P284 million slightly higher than the December 31, 2020 balance of P383,712 million. The slight increase is a net result of the following:

a. Increase in accounts payable and accrued expenses by P15,776 million was mainly due to the additional payables recognized for the Mariveles Power Plant construction, BCCPP project, for coal and power purchases and higher output taxes of the Group.

b. Increase in income tax payable by P15 million mainly pertain to the income tax due recognized by LPI in 2021.

c. Increase in long-term debt - net of debt issue costs (including current maturities) by P3,368 million was mainly attributable to: (i) various term loans availed by San Miguel Global Power for capital expenditures in connection with Ilijan Natural Gas-fired Power Plant, for debt-refinancing and for general corporate purposes; (ii) recognized foreign exchange losses on US Dollar-denominated borrowings; and offset by (iii) payments of maturing long-term loans by San Miguel Global Power, MPPCL, LPI and MPI; and the redemption by San Miguel Global Power of its P6,153 million Series A Bonds that matured in July 2021.

d. Increase in other noncurrent liabilities by P1,847 million was mainly due to the recognition of retention payable related to the ongoing Mariveles Power Plant project of MPGC.

e. Decrease in lease liabilities (including current portion) by P21,298 million was mainly on account of lease payments made by the IPPAs to PSALM.

f. Decrease in loans payable by P151 million was mainly due to the US$5 million partial settlement out of the US$35 million loan of MPPCL on September 20, 2021 offset by the translation loss recognized with the depreciation of the Philippine Peso against the US Dollar.

The Group's consolidated total equity as at December 31, 2021 amounted to P251,728 million, higher by 11% or P25,424 million than the December 31, 2020 balance of P226,304 million. The increase is accounted for as follows:

a. Increase in SPCS by P33,567 million pertains to the aforesaid issuances by San Miguel Global Power of SPCS amounting to US$750 million in total on various dates – June 9 and September 15, 2021.

b. Increase in equity reserves by P2,692 million pertains mainly to the currency translation adjustments for the year resulting from the depreciation of the Philippine Peso against the US Dollar.

c. Decrease in USCS by P13,823 million pertains to the redemption on February 26, 2021 of the US$300 million USCS issued in August 2015.

d. Decrease in non-controlling interests by P81 million pertains to the non-controlling interests' share in the net loss of MPGC that was consolidated to the Group's net income.

2020 vs. 2019

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2020**	2019	Amount	%	**2020**	2019
Cash and cash equivalents	**P110,718**	P79,954	P30,764	38%	**18%**	14%
Trade and other receivables - net	**35,162**	29,990	5,172	21%	**6%**	6%
Inventories	**5,582**	5,085	497	10%	**1%**	1%
Prepaid expenses and other current assets	**24,918**	23,590	1,328	6%	**4%**	4%
Total Current Assets	**177,378**	138,619	38,759	28%	**29%**	25%
Investments and advances - net	**9,957**	11,601	(1,644)	(9%)	**2%**	2%
Property, plant and equipment - net	**171,415**	150,344	21,071	14%	**28%**	27%
Right-of-use assets - net	**162,313**	166,517	(4,204)	(3%)	**27%**	30%
Deferred exploration and evaluation costs	**715**	711	4	1%	**0%**	0%
Goodwill and other intangible assets – net	**72,858**	72,771	87	0%	**12%**	13%
Deferred tax assets	**1,646**	1,129	517	46%	**0%**	0%
Other noncurrent assets	**13,734**	16,027	(2,293)	(14%)	**2%**	3%
Total Noncurrent Assets	**432,638**	418,500	14,138	3%	**71%**	75%
Total Assets	**P610,016**	P557,119	P52,897	9%	**100%**	100%
Loans payable	**P1,681**	P2,278	(P597)	(26%)	**0%**	0%
Accounts payable and accrued expenses	**40,279**	35,403	4,876	14%	**7%**	7%
Lease liabilities - current portion	**24,007**	23,085	922	4%	**4%**	4%
Income tax payable	**10**	215	(205)	(95%)	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**22,722**	6,036	16,686	276%	**4%**	1%
Total Current Liabilities	**88,699**	67,017	21,682	32%	**15%**	12%
Long-term debt - net of current maturities and debt issue costs	**196,831**	220,763	(23,932)	(11%)	**32%**	40%
Deferred tax liabilities	**19,456**	13,197	6,259	47%	**3%**	2%
Lease liabilities - net of current portion	**75,504**	101,118	(25,614)	(25%)	**12%**	18%
Other noncurrent liabilities	**3,222**	1,599	1,623	102%	**1%**	0%
Total Noncurrent Liabilities	**295,013**	336,677	(41,664)	(12%)	**48%**	60%
Total Liabilities	**383,712**	403,694	(19,982)	(5%)	**63%**	72%

Forward

In Millions	December 31 2020	2019	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2020	2019
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**P1,062**	P1,062	P -	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**132,200**	55,886	66,314	101%	**22%**	12%
Redeemable perpetual securities	**32,752**	32,752	-	0%	**5%**	6%
Undated subordinated capital securities	**13,823**	13,823	-	0%	**2%**	3%
Equity reserves	**(4,228)**	(2,568)	(1,660)	(65%)	**0%**	0%
Retained earnings	**47,179**	38,987	8,192	21%	**8%**	7%
	225,278	152,432	72,846	48%	**37%**	28%
Non-controlling interests	**1,026**	993	33	3%	**0%**	0%
Total Equity	**226,304**	153,425	72,879	48%	**37%**	28%
Total Liabilities and Equity	**P610,016**	P557,119	P52,897	9%	**100%**	100%

The Group's consolidated total assets as at December 31, 2020 amounted to P610,016 million, higher by 9% or P52,897 million than December 31, 2019 balance of P557,119 million. The increase was attributable to the following factors:

a. Increase in cash and cash equivalents by P30,764 million was mainly due to the net proceeds from the issuances of SPCS amounting to US$1,350 million in total on January 21, October 21 and December 15, 2020 by San Miguel Global Power (equivalent to P66,314 million, net of transaction cost) and proceeds from MPPCL borrowings (P2,179 million), offset by payments of (i) lease liabilities, comprising largely of the IPPAs' lease payments to PSALM; (ii) distributions to the holders of USCS, RPS and SPCS by San Miguel Global Power; and (iii) various short and long-term borrowings of MPPCL, LPI, MPI and San Miguel Global Power (P6,759 million).

b. Increase in trade and other receivables by P8,172 million was mainly due to the deferred collections of the Group's Power Bills, following the ERC and the Philippine Department of Energy ("DOE") advisories directing distribution utilities to allow staggered payments without interest, penalties and other charges, and implementing a "no-disconnection policy", for customer bills falling due within the community quarantine period.

c. Increase in inventories by P497 million was mainly due to higher purchases of materials and supplies over the total consumptions of MPI, LPI and MPPCL.

d. Increase in prepaid expenses and other current assets by P1,326 million was mainly due to higher input taxes recognized on capital expenditures relating to ongoing construction of power plants and BESS projects.

e. Increase in property, plant and equipment by P21,071 million was mainly due to the additional construction costs incurred by MPGC for its Mariveles Power Plant project and by UPSI, MPPCL, and SMCGP Philippines Energy for its BESS projects.

f. Increase in deferred tax assets by P517 million was mainly due to the deferred tax benefit of MPPCL recognized on the net unrealized foreign exchange losses arising from the translation of its US Dollar-denominated financial assets and liabilities.

g. Decrease in investments and advances by P1,044 million was mainly due to consolidation to the Group of DIPI upon its acquisition on November 3, 2020, and share in higher net losses of AHC.

h. Decrease in other noncurrent assets by P2,293 million was mainly due to the (i) application of advances to contractors to progress billings relating to the Mariveles Power Plant construction, and (ii) use of restricted cash to fund the Unit 3-Masinloc Power Plant construction and for loan and interest payments by MPPCL.

The Group's consolidated total liabilities as at December 31, 2020 amounted to P383,712 million, slightly lower by 5% or P19,082 million than the December 31, 2919 balance of P403,694 million. The major items accounting for the decrease are as follows:

a. Decrease in loans payable by P597 million was attributable to the partial payment of US$10 million (equivalent to P499 million), out of the US$45 million short-term loan of MPPCL in June 2020, and to the translation gain recognized with the appreciation of the Philippine Peso against the US Dollar.

b. Decrease in income tax payable by P205 million mainly pertain to the decline in taxable income for the year of MPPCL.

c. Decrease in lease liabilities (including current portion) by P24,692 million was mainly on account of lease payments made by the IPPA entities to PSALM and partly offset by additional lease liabilities recognized for the new lease agreements entered in 2020.

d. Decrease in long-term debt - net of debt issue costs (including current maturities) by P7,246 million, was mainly attributable to: (i) payments made by San Miguel Global Power, MPI, LPI and MPPCL of its maturing obligations under its respective credit facilities (P6,261 million); (ii) foreign exchange gain recognized on the translation of US Dollar-denominated borrowings; offset by (iii) additional loan drawn in March 2020 by MPPCL from its credit facility, amounting to US$43 million (equivalent to P2,179 million); and (iv) amortizations of debt issue costs in 2020.

e. Increase in accounts payable and accrued expenses by P4,876 million was mainly due to the additional payables recognized for the Mariveles Power Plant and BESS construction projects, and offset by settlements of trade payables related to energy fees, inventories and power purchases.

f. Increase in deferred tax liabilities by P6,259 million was primarily attributable to the higher provision for deferred income tax expense recognized by the IPPA entities on the difference of monthly fixed payments to PSALM over lease-related expenses, particularly on the foreign exchange gain recognized on its US Dollar-denominated lease liabilities.

g. Increase in other noncurrent liabilities by P1,623 million was mainly due to the retention payables recognized by MPGC to its contractors, recognition of additional asset retirement obligation of LPI, MPI, MPPCL for its respective power plants and UPSI for its BESS projects, and additional distribution wheeling services and bill deposits collected from LPI, MPPCL and APEC customers.

The Group's consolidated total equity as at December 31, 2020 amounted to P226,304 million, higher by 48% or P72,879 million than the December 31, 2019 balance of P153,425 million. The increase is accounted for as follows:

a. Increase in SPCS by P68,314 million pertains to the aforesaid issuances by San Miguel Global Power of SPCS amounting to US$1,350 million in total on various dates - January 21, October 21 and December 15, 2020.

b. Increase in retained earnings by P6,192 million was mainly attributable to the net income recognized for the year reduced by distributions to SPCS, RPS and USCS holders.

c. Decrease in equity reserves by P1,660 million pertains mainly to the currency translation adjustments for the year resulting from the appreciation of the Philippine Peso against the US Dollar.

III. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	December 31		
	2022	2021	2020
Net cash flows provided by (used in) operating activities	**(P22,858)**	P25,439	P28,969
Net cash flows used in investing activities	**(56,868)**	(52,726)	(25,129)
Net cash flows provided by (used in) financing activities	**33,797**	(19,974)	26,455

Net cash flows from operations basically consists of income for the year and changes in noncash current assets, certain current liabilities and others. Net cash flows used in operations in 2022 basically consists of increase in noncash current assets, mainly trade receivables and inventory, changes in certain current liabilities and others, partly offset by cash generated from operations during the year. The increase in trade receivables was mainly due to higher revenues from sale of power driven by higher coal prices and overall offtake volumes. The increase in inventory was mainly due to prevailing high prices of coal.

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

(in Millions)	December 31		
	2022	2021	2020
Proceeds from sale of properties	**P1,167**	P -	P -
Proceeds from disposal of subsidiaries, net of cash disposed of	**494**	-	-
Acquisition of subsidiaries, net of cash acquired	**(12)**	-	-
Additions to intangible assets	**(284)**	(185)	(247)
Additions to investments and advances	**(939)**	(996)	(97)
Advances paid to suppliers and contractors	**(6,013)**	(14,174)	(2,565)
Decrease (increase) in other noncurrent assets	**(3,645)**	2,226	4,551
Additions to property, plant and equipment	**(48,476)**	(39,596)	(26,771)

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

(in Millions)	December 31		
	2022	2021	2020
Proceeds from long-term debts	**₱72,312**	₱21,865	₱2,179
Proceeds from short-term borrowings	**51,182**	29,078	5,729
Proceeds from issuance of RPS	**19,182**	-	-
Proceeds from collection of subscription receivable	**189**	-	-
Proceeds from issuance of SPCS	**-**	35,568	66,314
Distributions paid to USCS holders	**-**	(656)	(1,447)
Redemption of USCS	**-**	(14,582)	-
Payments of share issuance costs	**(210)**	(145)	(168)
Distributions paid to RPS holder	**(1,617)**	(1,997)	(2,016)
Repurchase of SPCS	**(4,703)**	-	-
Distributions paid to SPCS holders	**(16,362)**	(12,191)	(7,018)
Payments of lease liabilities	**(24,220)**	(24,464)	(22,630)
Payments of long-term debts	**(30,582)**	(23,137)	(6,261)
Payments of short-term borrowings	**(32,373)**	(29,333)	(6,227)

The effect of exchange rate changes on cash and cash equivalents amounted to ₱755 million, ₱4,233 million and (₱1,531) million in 2022, 2021 and 2020, respectively.

IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The consolidated unappropriated retained earnings of the Group include the accumulated earnings in subsidiaries, net of equity in net losses of an associate and joint ventures, not available for declaration as dividends until declared by the respective investees.

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 I "Financial Performance" and Item II "Financial Position" of the Management's Discussion and Analysis 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)	**December 2022**	December 2021	**December 2022**	December 2021
(A) Current Assets	**188,781**	156,470	**188,781**	156,470
(B) Current Liabilities	**188,680**	109,472	**169,608**	87,876
Current Ratio (A) / (B)	**1.00**	1.43	**1.11**	1.78

[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 December 31, 2022 and 2021, current portion of lease liabilities to PSALM amounted to ₱19,072 million and ₱21,596 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)	**December 2022**	December 2021
(A) Net Debt [2]	**293,872**	184,001
(B) Total Equity [3]	**252,707**	247,603
Net Debt-to-Equity Ratio (A) / (B)	**1.16**	0.74

**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)	**December 2022**	December 2021	**December 2022**	December 2021
(A) Total Assets	**717,515**	635,724	**618,399**	483,898
(B) Total Equity	**252,317**	251,729	**252,317**	251,728
Asset-to-Equity Ratio (A) / (B)	**2.84**	2.53	**2.45**	1.92

(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 December 31, 2022 and 2021, the net carrying amount of the IPPA power plant assets amounted to P99,116 and P151,826, respectively.

PROFITABILTY RATIO

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

(in Millions Peso)	**December 2022**	December 2021
(A) Net Income	**3,134**	15,978
(B) Total Equity	**252,317**	251,728
Return on Equity (A) / (B)	**1.2%**	6.3%

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

Per relevant Loan Covenants of San Miguel Global Power

(in Millions Peso)	December 2022	December 2021
(A) EBITDA [5]	**34,494**	33,542
(B) Interest Expense [6]	**13,170**	13,405
Interest Coverage Ratio (A) / (B)	**2.62**	2.50

[5] Full-year consolidated EBITDA (gross of FSALM payments and excluding amounts attributable to ring-fenced subsidiaries).
[6] Full-year consolidated interest expense (excluding amounts attributable to ring-fenced subsidiaries).

OPERATING EFFICIENCY

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

	Years Ended December 31	
(in GWh)	2022	2021
(A) Current Period Offtake Volume	**27,402**	27,221
(B) Prior Period Offtake Volume	**27,221**	26,291
Volume Growth [(A / B) – 1]	**0.7%**	3.5%

$$\text{Revenue Growth} = \frac{\text{Current Period Revenues}}{\text{Prior Period Revenues}} - 1$$

	Years Ended December 31	
(In Millions Peso)	2022	2021
(A) Current Period Revenue	**221,389**	133,710
(B) Prior Period Revenue	**133,710**	115,029
Revenue Growth [(A / B) – 1]	**65.6%**	16.2%

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

	Years Ended December 31	
(In Millions Peso)	2022	2021
(A) Income from Operations	**28,886**	36,841
(B) Revenues	**221,369**	133,710
Operating Margin (A) / (B)	**13.0%**	27.6%

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.

The Group has been able to effectively mitigate the adverse impact of commodity price risks, primarily for coal fuel, thru the fuel price *passthru* mechanism or the periodic tariff rate review allowed under its power supply agreements or retail supply contracts with most of its offtakers. It also has supply-side risk mitigation, including among others, maintaining a pool of international and local sources of coal fuel which provide a certain level of fuel price risk mitigation and more importantly, fuel supply security.

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

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.

In view of the deferment of the banked gas supply from PNOC, SPPC has commenced the purchase of commercial LNG for the Ilijan Power Plant in preparation for the completion of the LNG Terminal, currently being built and to be operated by Atlantic Gulf and Pacific Co. beside the Ilijan Power Plant, estimated to commence operation in May 2023.

c. Effect of COVID-19

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, was declared as a pandemic by the World Health Organization in March 2020 and has spread globally over the course of 2020.

The Philippine government issued a series of directives and imposed graduated lockdown schemes, with varying degrees of restrictions on travel and business operations, as part of its efforts to contain the outbreak in the Philippines. The day-to-day operations of the Group, being primarily engaged in power generation, were not significantly affected by the imposed quarantine measures because the Philippine government considers power generation as an essential service. As a result, the Group's power generation activities and any repairs and preventive maintenance works remain generally unhampered during the pandemic.

The demand from industrial customers in the Luzon Grid decreased significantly in 2020 as a result of the cessation or suspension of business operations, but demand gradually increased with the easing of quarantine restrictions and the gradual reopening of economic activities in the National Capital Region. In contrast, the demand from most of the Group's utility customers, representing mostly residential and small-scale industrial customers and commercial businesses, remained stable, and at times increased compared to their historical demand, which compensated for the reduction of industrial demand.

As part of the Philippine government's quarantine measures, the DOE and ERC issued separate advisories allowing deferred payment schemes, including the implementation of a certain grace period and staggered payment without interests, penalties and other charges to all payments falling due within the period of community quarantine. In 2021, there were a few distribution utilities customers that entered into a payment arrangement scheme with the Group that will assist them in implementing the DOE advisories in support to their member consumers during certain community quarantine periods. As at report date, the power bills covered by the deferred payment schemes have been substantially collected.

The economy has continued to recover in 2022 with the easing of pandemic restrictions alongside robust vaccination efforts around the world.

d. Commitments

The outstanding purchase commitments of the Group amounted to ₱138,567 million as at December 31, 2022.

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.

e. There are no unusual items as to 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.

f. There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

g. 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.

h. 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.

i. 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 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 reporting period.

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

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

l. 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.

San Miguel Global Power
Giving You the Power to Celebrate Life

San Miguel Global Power Holdings Corp.

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

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

INTRODUCTION

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

I. MAJOR DEVELOPMENTS AND SIGNIFICANT TRANSACTIONS IN 2023

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

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

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

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

ISSUANCE OF REDEEMABLE PERPETUAL SECURITIES

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

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

LONG TERM DEBTS

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

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

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

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

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

During the first quarter of 2023, Limay Power Inc. (LPI, formerly SMC Consolidated Power Corporation), Malita Power Inc. (MPI, formerly San Miguel Consolidated Power Corporation) and MPPCL paid a total of P887 million of their scheduled long-term debt principal amortizations pursuant to the terms and conditions of their respective facility agreements.

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

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

II. FINANCIAL PERFORMANCE

2023 vs. 2022

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

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

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

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

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

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

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

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

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

Other Income - net
Other income amounted to P3,318 million for the quarter, significantly higher compared to last year's P366 million. This was mainly due to the net foreign exchange gain, amounting to P3,695 million, recognized in the period from the revaluation of the Group's net US Dollar-denominated liabilities with the appreciation of the Philippine Peso against the US Dollar during the current period. For the same period last year, San Miguel Global Power recognized a net foreign exchange loss of P358 million.

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

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

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

1. **POWER GENERATION**

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

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

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

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

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

The San Roque Power Plant's net generation of 180 GWh for the first quarter of 2023, at 24% net capacity factor rate, fell by 5% due to lower water inflows resulting from low water reservoir level. However, total offtake volumes of 370 GWh increased by 55% compared to the same period last year due to higher spot sales volume and the new bilateral contract which took effect in March 2022.

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

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

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

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

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

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

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

Limay Power Plant has a combined capacity of 500 MW. Total net generation of the plant from all operating units of 932 GWh for the first quarter of 2023, at 80% net capacity factor rate, was lower by 5% than last year at 981 GWh due to higher plant outages. LPI dispatched 449 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its Retail Electricity Supply (RES) customers. Total offtake volume of 463 GWh went up from last year by 14% due to the increase in replacement power sales volume.

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

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

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

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

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

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

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

Total offtake volumes of 1,034 GWh and revenues of P9,309 million fell from last year resulting primarily from lower customer nominations and spot sales volumes. On the other hand, operating income increased to P2,066 million on account of high bilateral rates to customers and spot market prices.

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

a. **LPI, RES**

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

Consequently, an operating income of P679 million in 2023 was registered compared to the P228 million operating loss posted for the same period in 2022.

b. **MPPCL, RES and BESS**

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

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

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

2022 vs. 2021

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

Revenues
The Group's consolidated revenues for the first quarter of 2022 registered at P43,036 million, 57% or P15,670 million higher than the same period in 2021 at P27,366 million. The increase was mainly due to: (i) higher average realization prices attributable to higher fuel cost passed on to customers as a result of rising coal prices and the increase in overall spot sales price in Luzon, (ii) improvement in nominations from Meralco, other distribution utilities and industrial customers arising from relatively lighter Coronavirus Disease 2019 (COVID-19) quarantine restrictions compared to 2021, thereby increasing offtake volumes by 10% to 6,991 GWh from 5,344 GWh in 2021, and (iii) commencement of commercial operations of the 20 MW Kabankalan 1 BESS on January 26, 2022.

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

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

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

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

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

Interest Income
Interest incoma increased by 74% or P02 million from P125 million for the seme period in 2021 to P217 million in the first quarter of 2022, driven primarily by higher avarage interest rate for the period.

Equity in Net Esrnings of an Aasnciate and Joint Ventures
Equity in net eamings of an associate and joint ventures increased from P37 million in 2021 to P60 miilion in the same penod of 2022 due mainly to the imprevement in the financial performance results of AHC.

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

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

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

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

1. POWER OENERATION

a. SPI, IPPA of Sual Power Plant

For tha first quarter of 2022, nat generation of 1,575 GWh at 69% nat capacity factor rate was 180% higher than the net capacity factor for 2021 same period. This was mainly due to lower outages in 2022 as Sual Unit 2 was on extended outege for the repair of turbine blades and diaphragm during the first quarter of 2021. Likewise, total offtake volumas increased by 9% to 1,036 GWh from the total offtake volumes reported in the same period of 2021 on account of higher Meralco nominations and the significant improvament in velumes sold to spot and affiliate generators for the first quarter of 2022.

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

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

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

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

Revennes of P1,259 million for the first quarter of 2022 was 12% higher than revenuos raported in same period of 2021, mainly due to higher average realization price and the volume of bllataral sales,

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

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

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

Revenues of P8,628 million for the first quarter of 2022 was 14% higher compared to trie revonues tor 2021 despite lewer offtake volumes. This was on account of the significant increase in spot sales pricas and the improved average realization prices for bilatarai salos.

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

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

Total net generation of tho Limay Power Plant from all operating units of 981 GWh at 85% net capacity factor rate for the first quarter of 2022 was 3% lower than the same pariod of 2021 at 1,018 GWh duo to higher plant outages for preventive maintananca servicas. LPI dispatched 389 GWh of the plant's net generation to its power generation customers while tho rest was dispatched to its RES customers. Total offtake velumes of 407 GWh fell from 2021 by 11% dua to decline in both bileteral and spot sales volumes.

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

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

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

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

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

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

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

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

a. **LPI, RES**

For the first quarter of 2022, total offtake volumes of 666 GWh was at par with the offtake volumes of 663 GWh in 2021. Revenues increased by 21% from P3,154 million for the same period in 2021 to P3,826 million due to higher bilateral rates. This was offset by higher generation cost as a result of rising fuel prices due to increasing coal indices. Consequently, P226 million operating loss was registered in 2022, a turnaround from the P565 million operating income posted for the same period in 2021.

b. **MPPCL, RES and BESS**

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

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

On January 8, 2022, the Energy Regulatory Commission granted provisional authority for the implementation of the Ancillary Services Procurement Agreement between the National Grid Corporation of the Philippines and SMCGP Philippines Energy Storage commencing on January 26, 2022. SMCGP Philippines Energy Storage reported revenues and operating income of P173 million and P116 million for the first quarter of 2022, respectively.

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

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

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

III. FINANCIAL POSITION

2023 vs. 2022

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

Forward

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

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

a. Increase in property, plant and equipment by P11,860 million as a result of the ongoing construction of the BCCPP project, Masinloc Power Plant Units 4 and 5, rehabilitation of the Ilijan Power Plant, repair and maintenance works in the Limay and Malita Power Plants, BESS projects and the Mariveles Power Plant.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2022 vs. 2021

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

Forward

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

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

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

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

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

d. Decrease in cash and cash equivalents by P6,667 million was due mainly to the (i) capital expenditures for BCCPP project, BESS and Mariveles Power Plant projects; (ii) payments of maturing long-term loans by MPI and LPI, and MPPCL's short-term loan; (iii) distributions paid to holders of capital securities by the Parent Company; partly offset by the (iv) proceeds from the US$200 million term loan drawn by the Parent Company in January 2022.

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

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

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

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

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

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

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

IV. CASH FLOW

SOURCES ANU USES OF CASH

A brief summary of cash flow movements is shown below:

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

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

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

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

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

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

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

V. KEY PERFORMANCE INDICATORS

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

LIQUIDITY RATIO

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

	Conventional		***Adjusted*** [1]	
(in Millions Peso)	**March 2023**	December 2022	**March 2023**	December 2022
(A) Current Assets	**174,242**	168,761	**174,242**	188,761
(B) Current Liabilities	**153,418**	168,680	**134,259**	169,606
Current Ratio (A) / (B)	**1.14**	1.00	**1.30**	1.11

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

SOLVENCY RATIO

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

Per relevant Loan Covenants of San Miguel Global Power

(in Millions Peso)	**March 2023**	December 2022
(A) Net Uebt [2]	**271,337**	293,672
(B) Total Equity [3]	**263,346**	252,707
Net Ceht-to-Equity Ratio (A) / (S)	0.96	1.16

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

[2] Consolidated net total debt plus total PSALM lease liabilities.
[3] Consolidated total equity.

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

	Conventional		***Adjusted*** [4]	
(in Millions Peso)	**March 2023**	December 2022	**March 2023**	December 2022
(A) Total Assets	**720,470**	717,515	**622,247**	616,399
(B) Total Equity	**283,826**	262,317	**283,826**	262,317
Asset-to-Equity Ratio (A) / (B)	**2.54**	2.84	**2.19**	2.45

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

PROFITABILITY RATIO

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

(in Millions Peso)	**March 2023**	December 2022
(A) Net Income [5]	**6,550**	3,134
(B) Total Equity	**263,620**	252,317
Return on Equity (A) / (B)	**2.3%**	1.2%

[5] Annualized for quarterly reporting.

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

Per relevant Loan Covenants of San Miguel Global Power

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

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

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

OPERATING EFFICIENCY

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

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

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

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

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

(in Millions Peso)	Periods Ended March 31 2023	2022
(A) Income from Operations	**7,575**	6,790
(B) Revenues	**41,124**	43,030
Operating Margin (A) / (B)	**18.4%**	15.8%

VI. OTHER MATTERS

a. Fuel Commodity Price Volatility

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

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

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

b. Malampaya Gas Supply Restrictions

The Ilijan Power Plant uses natural gas from the Malampaya gas facility in Palawan (Malampaya) as fuel for its power generation. As early as March 2021, the National Power Corporation issued notices of gas supply restrictions from Malampaya. This significantly reduced the net generation of the Ilijan Power Plant to 60% of its total installed capacity for the remainder of 2021 until the end of the Ilijan IPPA Agreement on June 4, 2022. The Group was constrained to use its available capacity from its portfolio of generation assets, and in certain cases, purchase from the WESM spot market, to augment its generation from the Ilijan Power Plant to meet its bilateral demand from its customers, primarily from Meralco pursuant to its power supply agreements. This reduced the gross margins of the Group in cases where the cost of replacement supply exceeds the power generation costs from the Ilijan Power Plant using Malampaya natural gas. This accounts for a significant portion in the reduction of the Group's gross margins and operating income in 2022 from the comparative numbers in prior period.

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

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

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

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

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

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

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

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

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

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

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
OF

SMC GLOBAL POWER HOLDINGS CORP.

Held on 07 June 2022, 10:00 a.m.
via remote communication (through Zoom weblink)
with the Chairman presiding at
40 San Miguel Avenue, Mandaluyong City

PRESENT:	No. of Common Shares
San Miguel Corporation (By Proxy)	1,250,000,500
Ramon S. Ang	500
John Paul L. Ang	500
Aurora T. Calderon	500
Virgilio S. Jacinto	500
Jack G. Arroyo, Jr.	500
Consuelo M. Ynares-Santiago	500
Josefina Guevara-Salonga	500
Total Number of Shares Present:	1,250,004,000
Total Number of Shares Issued and Outstanding:	1,250,004,000
Percentage of shares present and voting	100%

ALSO PRESENT:

Ferdinand K. Constantino
Elenita D. Go
Paul Bernard D. Causon
Ramon U. Agay
Gonzalo B. Julian, Jr.
Julie Ann B. Domino-Pablo
Maria Floreselda S. Abalos-Sampaga
Dennis I. Ilan
Joyce Jimsie G. Aguinaldo
Danilo T. Tolarba
Reynabeth D. De Guzman
Harold M. Abrenica
Jose Mari R. Valte
Beatriz Irina Denise A. Garcia
Irene M. Cipriano

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I. CALL TO ORDER

Mr. Ramon S. Ang, the Chairman of the Board and the Chairman of the meeting, called the meeting of the stockholders to order and presided over the same. Atty. Virgilio S. Jacinto, the Corporate Secretary, recorded the minutes of the proceedings.

II. CERTIFICATION OF QUORUM AND VOTING PROCEDURE

Stockholders owning or representing 100% of the outstanding capital stock of the Corporation being present, in person, by ballot or by proxy, the Corporate Secretary certified that a quorum existed for the valid transaction of business.

For each Agenda Item, taking into consideration the ballots casts, a motion shall be made by any stockholder and when duly seconded by another shareholder (there being no objections from any stockholder) shall be declared as duly approved and carried by the all the stockholders present in the meeting. Should there be any objection from a stockholder, such objection shall be registered as a dissent to and a vote against the passage of the subject resolution.

For purposes of election of the members of the Board of Directors, a stockholder may vote the number of common shares held in his name in the stock and transfer book of the Corporation and may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle as among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of common shares owned by him as shown in the books of the Corporation multiplied by the total number of directors to be elected.

For the record, proxies for 100% of the total outstanding capital stock of the Corporation have been issued by the stockholders in favor of the Chairman of the meeting, Mr. Ramon S. Ang, authorizing hm to vote for the election of the Board of Directors and the approval all corporate acts which require the conformity of the stockholders as provided in the Agenda for the meeting.

III. APPROVAL OF THE PREVIOUS MEETING MINUTES

The Minutes of the Annual Stockholders' Meeting held on 01 June 2021 was presented to the stockholders for approval.

Upon motion duly made and seconded, there being no objections, the stockholders unanimously approved the following resolution:

Stockholders' Resolution No. 2022-06-07-01
Approval of Previous Meeting Minutes

"**RESOLVED**, as it is hereby resolved, that the stockholders approve the Minutes of the Annual Stockholders' Meeting held on 01 June 2021."

IV. APPROVAL OF THE 2021 AUDITED FINANCIAL STATEMENTS

Mr. Paul D. Causon, the Chief Finance Officer of the Corporation, presented to the Board the 2021 Audited Financial Statements, summarizing the financial results and financial position of the SMC Global Power Group on a consolidated basis for the year ended as follows:

For the Group's consolidated financial performance for the year ended, December 31, 2021:

SMC Global Power Group delivered off-take volumes of 27,221 gigawatt hours in 2021, a 4% growth versus 2020, as industrial activities started to pickup with relatively lighter Corona Virus Disease 19 quarantine restrictions compared to 2020. Correspondingly, with higher spot and average bilateral rates, consolidated revenues for the year rose by 16% to Php133.7 Billion.

Operating income declined by 14% to Php31.9 Billion on account of a significant rise in average coal input costs and higher power purchases. The higher power purchases were the result of lack of peak capacity to serve the Group's improved bilateral requirements, with the continued deration of the Ilijan power plant due to gas supply restriction and the extended outages of Sual power plant Unit 2.

Consequently, net income amounted to Php16.0 Billion, down by 15% from the previous year. Without the recorded liquidated damages from a third-party contractor arising from non-fulfillment of obligations under its procurement-related contracts in 2020, net income would have been higher by around 5%.

For the Group's consolidated financial position as of December 31, 2021:

Consolidated assets stood at Php635.7 Billion. This was 4% higher than the 2020 year-end total due mainly to higher balance of property, plant and equipment which is attributable to the ongoing construction of the Group's battery energy storage system, Batangas liquefied natural gas (LNG), Mariveles and Masinloc power plant projects.

Liabilities of Php384.0 Billion was at par with last year as the Group continued to settle its IPPA finance lease liabilities paying a total of Php21.7 Billion in 2021, and has recognized additional liabilities to contractors for its Mariveles project as well as secured additional term loans for LNG projects and for general corporate purposes.

Equity increased by 11% to Php251.7 Billion from the issuance of USD750 Million senior perpetual notes, consolidated net income of Php16.0 Billion less the redemption of USD300 Million undated subordinated capital securities and distributions paid to various capital securities holders amounting to Php14.8 Billion.

The Group has remained compliant with its financial covenants. Net debt-to-equity ratio was 0.74x, well below the ceiling of 3.25x. Also, the interest coverage ratio of 2.50x was more than the minimum requirement of 2.25x.

The Corporation's external auditors, R.G. Manabat & Co., a member firm of KPMG International, rendered an Unqualified Opinion on the 2021 Audited Financial Statements of the Corporation and subsidiaries, as presented.

The 2021 Audited Financial Statements of the Corporation are included in the Definitive Information Statement provided to the stockholders.

The Chairman then proceeded with the open forum. After giving sufficient time and opportunity for any of the stockholders to ask questions, none of the stockholders asked any questions. As such, the Chairman proceeded to entertain a motion to approve the 2021 Audited Financial Statements of the Corporation as presented.

Upon motion duly made and seconded, there being no objections, the following resolution was unanimously approved by the stockholders:

Stockholders' Resolution No. 2022-06-07-02
Approval of 2021 Audited Financial Statements

"**RESOLVED**, as it is hereby resolved, that the stockholders approve the Annual Report and the Audited Financial Statements of the Corporation for the year ended 31 December 2021."

V. RATIFICATION OF ALL ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS

The Chairman presented to the stockholders for its approval the acts and proceedings of the Board of Directors and corporate officers since its Annual Stockholders' Meeting held on 01 June 20221, as set out in the minutes of meetings of the Board of Directors and as disclosed in the Definitive Information Statement of the Corporation.

Upon motion duly made and seconded, there being no objections, the following resolution was unanimously approved by the stockholders:

Stockholders' Resolution No. 2022-06-07-03
Ratification of All Acts and Proceedings of the Board of Directors and Corporate Officers

"**RESOLVED**, as it is resolved, that all acts, proceedings and resolutions of the Board of Directors and the Corporate Officers of the Corporation since the date of the Annual Stockholders' Meeting held on 01 June 2021 up to the date of this meeting, as set out in the minutes of the meetings of the Board of Directors, be approved, confirmed and ratified."

VI. APPOINTMENT OF EXTERNAL AUDITORS

As endorsed by the Audit and Risk Oversight Committee and the Board of Directors, upon motion duly made and seconded, there being no objections, the following resolution was unanimously approved by the stockholders:

Stockholders' Resolution No. 2022-06-07-04
Appointment of External Auditors

"**RESOLVED**, as it is resolved, that the accounting firm of R.G. Manabat & Co., be designated as external auditors of the Corporation for fiscal year 2022."

VII. ELECTION OF THE BOARD OF DIRECTORS

Atty. Jacinto presented to the stockholders the names of the nominees for election to the Board of Directors of the Corporation:

Ramon S. Ang	
John Paul L. Ang	
Aurora T. Calderon	
Virgilio S. Jacinto	
Jack G. Arroyo, Jr.	*(Independent Director)*
Consuelo M. Ynares-Santiago	*(Independent Director)*
Josefina Guevara-Salonga	*(Independent Director)*

On behalf of the Board, Atty. Jacinto reported that each of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago has served the Company as independent directors for more than nine (9) years. Their retention as Independent Directors beyond the nine (9) year term-limit is justified by their meritorious contributions to the Corporation. They have both brought high standards of corporate governance to the Corporation and objectively contributed insights to the Board Committees and to the Board. Their years of experience and expertise in their fields have enhanced the corporate values of the Company by their sustained advisory relationship with the Corporation.

Atty. Jacinto further explained that the Information Statement circulated to the stockholders provided the names of the nominees for election as independent directors of the Board of Directors and they are Jack G. Arroyo, Jr., Consuelo M. Ynares-Santiago and Josefina Guevara-Salonga. He likewise informed the stockholders that all the named independent directors comply with the mandatory requirements imposed by the Securities and Exchange Commission.

A motion was made for the above-named nominees be unanimously elected as directors, including the re-election of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago as Independent Directors beyond their cumulative term of nine (9) years, until their successors are elected and qualified, and that the votes of the stockholders present by ballot and represented by proxies be distributed and recorded accordingly.

Upon said motion being duly seconded, and there being no objections, stockholders unanimously approved the following resolutions:

Stockholders' Resolution No. 2022-06-07-05
Election of the Board of Directors

"**RESOLVED**, as it is resolved, that the following be, as they are hereby are, elected as members of the Board of Directors of the Corporation, to serve as such for the ensuing year, until their successors are duly elected and qualified:

1. Ramon S. Ang	
2. John Paul L. Ang	
3. Aurora T. Calderon	
4. Virgilio S. Jacinto	
5. Jack G. Arroyo, Jr.	*(Independent Director)*
6. Consuelo M. Ynares-Santiago	*(Independent Director)*
7. Josefina Guevara-Salonga	*(Independent Director)*.

"**RESOLVED**, **FURTHER**, that the re-election of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago, as Independent Directors of the Corporation, beyond their cumulative term of nine (9) years, taking into consideration the meritorious justifications presented by the Board for their retention as Independent Directors of the Corporation, is hereby likewise approved."

VIII. ADJOURNMENT

There being no other matters to be discussed, the meeting was adjourned.

IX. VOTING RESULTS

The voting results for each Agenda Item is set out in the attached Annex "A" hereof.

ATTESTED BY:

RAMON S. ANG
Chairman

Certified Correct:

VIRGILIO S. JACINTO
Corporate Secretary

Annex "A"

Voting Results of each Agenda Item of the
Annual Meeting of the Stockholders of
SMC Global Power Holdings Corp. held on 07 June 2022

No. of shares present/represented: 1,250,004,000 votes

Agenda Item	*Percentage of Outstanding Shares Voted For the Approval of the Agenda Item and No. of Votes Received*
Approval of the Minutes of the Annual Stockholders' Meeting held on 01 June 2021	100% (1,250,004,000 votes)
Approval of the 2021 Audited Financial Statements	100% (1,250,004,000 votes)
Election of the Board of Directors	
Ramon S. Ang	100% (1,250,004,000 votes)
John Paul L. Ang	100% (1,250,004,000 votes)
Aurora T. Calderon	100% (1,250,004,000 votes)
Virgilio S. Jacinto	100% (1,250,004,000 votes)
Jack G. Arroyo, Jr.*	100% (1,250,004,000 votes)
Consuelo M. Ynares-Santiago*	100% (1,250,004,000 votes)
Josefina Guevara-Salonga	100% (1,250,004,000 votes)
*re-election of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago as Independent Directors beyond their cumulative term of nine (9) years, taking into consideration the meritorious justifications presented by the Board	
Ratification of All Acts and Proceedings of the Board of Directors and Corporate Officers since 2021 Annual Stockholders' Meeting	100% (1,250,004,000 votes)
Appointment of R.G. Manabat & Co. as External Auditors for fiscal year 2022	100% (1,250,004,000 votes)

ANNEX "H"

2022 PERFORMANCE APPRAISAL

I. Audit and Risk Oversight Committee Performance Assessment Results

For each criteria, the highest score is 5 and lowest is 1.

a. under the category Quality and Integrity of the Corporation's Financial Statements and Financial Reporting Process, comprised of five questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.68;

b. under the category Effectiveness of the Corporation's Internal Control Systems, comprised of sixteen questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.6;

c. under the category Independence and Performance of the Corporation's Internal and External Auditors, comprised of sixteen questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.7;

d. under the category Compliance by the Corporation with Accounting Standards, Legal and Regulatory Requirements, including Corporation's Disclosure Policies and Procedures, comprised of three questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.6; and

e. under the Category Evaluation of Management's Process to Assess and Manage the Corporation's Enterprise Risk Issues, comprised of six questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.6.

II. Corporate Governance Committee Performance Assessment Results

For each criteria, the highest score is 5 and lowest is 1.

a. under the category Oversight Responsibilities in Corporate Governance Development and Implementation, comprised of six questions, the average rating given by the members of the Corporate Governance Committee is 4.4;

b. under the category Recommendation of Continuous Education and Training, comprised of two questions, the average rating given by the members of the Corporate Governance Committee is 4.6;

c. under the category Effectiveness of the Nomination, Election and Employment Process of the Corporation, comprised of five questions, the average rating given by the members of the Corporate Governance Committee is 4.6;

d. under the category Transparency of Executive Remuneration, comprised of four questions, the average rating given by the members of the Corporate Governance Committee is 4.6;

e. under the category Reporting Process, comprised of one question, the average rating given by the members of the Corporate Governance Committee is 4.6; and

f. under the category Performance of Other Activities, comprised of one question, the average rating given by the members of the Corporate Governance Committee is 4.4.

III. Related Party Committee Performance Assessment Results

For each criteria, the highest score is 5 and lowest is 1.

a. under the category Identification and Review of Related Party Transactions, comprised of three questions, the average rating given by the members of the Corporate Governance Committee is 4.46;

b. under the category Periodic Disclosure and Review of Related Party Transactions, comprised of four questions, the average rating given by the members of the Corporate Governance Committee is 4.55; and

c. under the category Performance of Other Activities, comprised of one question, the average rating given by the members of the Corporate Governance Committee is 4.4.

IV. Internal Board Performance Assessment Results

For each criteria, the highest score is 5 and lowest is 1.

a. under the category Fulfillment of the Board’s Key Responsibilities, comprised of nine questions, the average rating given by the members of the Board is 4.68;

b. under the category Recommendation of Board-Management Relationship, comprised of four questions, the average rating given by the members of the Board is 4.7;

c. under the category Effectiveness of Board Processes and Meetings, comprised of nine questions, the average rating given by the members of the Board is 4.7; and

d. under the category Individual Performance of Board Members, comprised of nine questions, the average rating given by the members of the Board is 4.7.

V. Management Performance Assessment Results

For each criteria, the highest score is 5 and lowest is 1.

a. under the criteria on the confidence of the Board of the Management's qualifications, the average rating given by Management is 4.7;

b. under the criteria on provision of complete, adequate, and timely information of Management to the board about the matters to be taken up during their meetings, the average rating given by Management is 4.7;

c. under the criteria on Management's strategies to implement and execute the approved plans, goals and targets and is satisfied in the Management's ability to perform its responsibilities in the best interest of the Company, the average rating given by Management is 4.7;

d. under the criteria on the establishment and maintenance of Management of an adequate, effective, and efficient internal control framework and functional and effective risk management system that provides a systematic process for the identification of risks and assessment of their potential impact, the average rating given by Management is 4.7;

e. under the criteria on the promptness of the reply of Management to the Internal Auditor's findings and recommendations, the average rating given by Management is 4.7;

f. under the criteria on the formulation by Management of rules and procedures on financial reporting and internal controls, the average rating given by Management is 4.7; and

g. under the criteria on efficiency of Management in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation, promptness of Management in reporting and communicating to the Board any risk exposures and risk management activities, and addressing the same, the average rating given by Management is 4.6.

VI. Chief Executive Officer Performance Assessment Results

For each criteria, the highest score is 5 and lowest is 1.

a. under the criteria on the integrity of the President and Chief Executive Officer ("P/CEO"), the P/CEO gave himself a rating of 5;

b. under the criteria on the ability of the P/CEO to clearly define, communicate, and implement the Company's vision, mission, values, and overall strategy, promote any organizational or stakeholder change in relation to the same, the P/CEO gave himself a rating of 5;

c. under the category that the efficiency and effectiveness in the general supervision, administration and management of the P/CEO of the business of the Company, the P/CEO gave himself a rating of 5;

d. under the criteria on the integration of the P/CEO of the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times, the P/CEO gave himself a rating of 5;

e. under the criteria on the establishment by the P/CEO of general administrative and operating policies, and initiation and development of programs for management training and development, as well as executive compensation plans, the P/CEO gave himself a rating of 5;

f. for each of the following functions performed by the P/CEO, the P/CEO gave himself a rating of 5:

(i) determination of the Company's strategic direction and formulation and implementation of its strategic plan on the direction of the business;
(ii) oversight of the operations of the Company and management of human and financial resources in accordance with the strategic plan;
(iii) possession of a good working knowledge of the Company's industry and market, including updates with regard to its core business purpose
(iv) direction, evaluation and guidance of work of the key officers of the Company;
(v) prudent management of the Company's resources and maintenance of a proper balance of the same; and
(vi) functioning as the link between internal operations and external stakeholders

g. under the criteria on the accountability of the P/CEO for the Company's organization and procedural controls. the P/CEO gave himself a rating of 5.