

COVER SHEET

C	S	2	0	0	8	0	1	0	9	9

S. E. C. Registration Number

S	A	N		M	I	G	U	E	L		G	L	O	B	A	L			

P	O	W	E	R		H	O	L	D	I	N	G	S						

C	O	R	P	.															

(Company's Full Name)

5	t	h		F	l	o	o	r	,		C	5		O	f	f	i	c	e

B	u	i	l	d	i	n	g		C	o	m	p	l	e	x	,			

#	1	0	0		E	.		R	o	d	r	i	g	u	e	z			

J	r	.		A	v	e	.	,		C	5		R	o	a	d	,		

B	o	.		U	g	o	n	g	,		P	a	s	i	g				

C	i	t	y		1	6	0	4	,		M	e	t	r	o				

M	a	n	i	l	a														

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

Julie Ann B. Domino-Pablo

Contact Person

(02) 5317-1000

Company Telephone Number

1	2

Month

3	1

Day

SEC Form 17-A (31 December 2023)

FORM TYPE

First Tuesday of

0	6

Month
Annual Meeting

1 st Tues.

Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.
Number/Section

Amended Articles

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

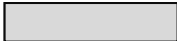
S T A M P S

Remarks = Pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 177
OF THE REVISED CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2023**
2. SEC identification number **CS2008-01099**
3. BIR Tax Identification No **006-960-000-000**
4. Exact name of issuer as specified in its charter **SAN MIGUEL GLOBAL POWER HOLDINGS CORP. (formerly, SMC Global Power Holdings Corp.)**
5. **Philippines**
Province, Country or other jurisdiction
of incorporation or organization
6.  SEC Use Only)
Industry Classification Code:
7. **5th Floor, C5 Office Building Complex,
#100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong,
Pasig City 1604, Metro Manila**
Address of issuer's principal office
- 1604**
Postal Code
8. **(632) 5317-1000**
Issuer's telephone number, including area code
9. **SMC GLOBAL POWER HOLDINGS CORP.**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

₱15 Billion worth of Fixed Rate Bonds issued in July 2016
₱20 Billion worth of Fixed Rate Bonds issued in December 2017
₱15 Billion worth of Fixed Rate Bonds issued in August 2018
₱30 Billion worth of Fixed Rate Bonds issued in April 2019
₱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 December 31, 2023)
Common Shares	2,823,604,000
Consolidated Total Liabilities (in Thousands)	₱441,462,085

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

Yes [] No [V]

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

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 25 and 177 of the Revised Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**V**] No []

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

Yes [**V**] No []

13. The aggregate market value of the voting stock held by non-affiliates of the Company as of December 31, 2023: **N/A**

DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are attached and incorporated by reference.

None

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business.

Company Overview

San Miguel Global Power Holdings Corp.¹ (formerly known as “SMC Global Power Holdings Corp.” and hereinafter referred to as “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 in the Philippine Stock Exchange (“PSE”). San Miguel Corporation today owns market-leading businesses and has investments in various sectors, including beverages, food, packaging, fuel and oil, energy, infrastructure, property development and leasing, cement, 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 5,057 MW of combined capacity as of December 31, 2023. 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 Energy Regulatory Commission (“ERC”) Resolution No. 02, Series of 2024 dated March 12, 2024 (“ERC Resolution on Grid Market Share Limitation”), the Company believes that its combined installed capacity comprises approximately 20% of the National Grid, 26% of the Luzon Grid and 8% of the Mindanao Grid, in each case, as of December 31, 2023. 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 (17,961,724 kW, 4,187,838 kW and 25,567,270 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 (“PSALM”). The following companies under the San Miguel Corporation group became the Independent Power Producer Administrator (“IPPA”) of the following plants: (1) Sual Power Inc.² (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”)³ 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 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, San Miguel Global Power has

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.”.

² On March 9, 2023, the SEC approved the change of name of “San Miguel Energy Corporation” to “Sual Power Inc.”.

³ On March 31, 2023, the SEC approved the change of name of “Strategic Power Devt. Corp.” to “San Roque Hydropower Inc.”.

controlled the 1,345 MW combined contracted capacity of the IPPA Power Plants and the Ilijan Power Plant through the IPPA agreements executed by SPI, SRHI and SPPC.

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.⁴ (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.⁵ (formerly known as SMC Consolidated Power Corporation and 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 ("AHEPP").

In March 2018, San Miguel Global Power completed the acquisition of 51% and 49% 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 owned, through its subsidiaries, at the time of such acquisition, Masinloc Power Co. Ltd.⁶ ("MPCL", formerly Masinloc Power Partners Co. Ltd.) and SMGP Kabankalan Power Co. Ltd.⁷ ("SMGP Kabankalan", formerly SMCGP Philippines Energy Storage Co. Ltd.), (SMCGP Masin and its subsidiaries are collectively referred to as the "Masinloc Group"). MPCL owns, operates and maintains the 1 x 344 MW (Unit 1), 1 x 344 MW (Unit 2), 1 x 335 MW (Unit 3) coal-fired power plant (together, comprising the "Masinloc Power Plant") and the 10 MWh battery energy storage system project ("Masinloc BESS"), all located in Masinloc, Zambales, while SMGP Kabankalan holds the 30 MWh battery energy storage system facility in Kabankalan, Negros Occidental ("Kabankalan BESS"). The capacity of Phase 1 of Kabankalan BESS (20 MWh) is contracted under an Ancillary Service Procurement Agreement ("ASPA") with the National Grid Corporation of the Philippines ("NGCP") 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 SMGP Kabankalan from subsidiaries of SMCGP Masin. San Miguel Global Power was admitted as an additional limited partner of SMCGP Masinloc Partners Co. Ltd. ("MAPACO") in 2019 (a limited partnership under the Masinloc Group) and of MPCL in June 2020. In 2022, San Miguel Global Power was also admitted as a partner of SMCGP Masinloc Powers Co. Ltd. ("MAPOCO", 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 MPCL. Alpha Water is the owner of the land which is the current site of the Masinloc Power Plant and Masinloc BESS in Zambales Province.

⁴ On March 9, 2023, the SEC approved the change of name of "San Miguel Consolidated Power Corporation" to "Malita Power Inc."

⁵ On February 7, 2023, the SEC approved the change of name of "SMC Consolidated Power Corporation" to "Limay Power Inc."

⁶ On November 13, 2023, the SEC approved the change of name of "Masinloc Power Partners Co. Ltd." to "Masinloc Power Co. Ltd."

⁷ On September 21, 2023, the SEC approved the change of name of "SMCGP Philippines Energy Storage Co. Ltd." to "SMGP Kabankalan Power Co. Ltd."

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 (“PVGC”) 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 70 MW Modular Diesel Engine Power Plant in Isabel, Leyte.

San Miguel Global Power, through its subsidiaries SPI, SRHI, SPPC, AHC, LPI, MPI and MPCL, sells power through offtake agreements directly to customers, including 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, interest 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. 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 San Miguel Global Power 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 SPI and its subsidiaries, Bonanza Energy Resources, Inc. (“BERI”), Daguma Agro-Minerals, Inc. (“DAMI”) and Sultan Energy Phils. Corp. (“SEPC”), 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.

For reference, the Group Structure of San Miguel Global Power as of December 31, 2023, is attached hereto as **Annex “C-1”**.

Business of Issuer

Principal Products and Services

San Miguel Global Power has a portfolio that includes some of the newest and largest power plants in the Philippines. The baseload and peaking plants with diversified fuel sources of the Company allow it to manage costs and offer more competitive baseload power rates. In addition, the Company also has capacity from its BESS facilities, which can provide more efficient ancillary services, and has synergistic effects with renewable technologies, among other applications. In particular, BESS technologies can strengthen the stability of a grid, while improving power quality.

As of December 31, 2023, the major power assets of San Miguel Global Power consist of (i) the IPPA Power Plants administered by the company, through its subsidiaries, as the IPPA (comprising of the Sual Power Plant representing 20% of San Miguel Global Power’s capacity and the San Roque Power Plant representing 7% of San Miguel Global Power’s capacity), (ii) the AHEPP, through AHC, which represents 2% of the capacity of San Miguel Global Power, (iii) the power plants owned by San Miguel Global Power, particularly the Ilijan Power Plant of SPPC which represents 24% of the capacity of San Miguel Global Power⁸, the Limay Greenfield Power Plant of LPI which represents 12% of the capacity of San Miguel Global Power, the Davao Greenfield Power Plant of MPI which represents 6% of the capacity of San Miguel Global Power, and the Masinloc Power Plant (with the Masinloc BESS) which represents another 20% of the capacity of San Miguel Global Power, and the (iv) battery

⁸ SPPC was the IPPA of the Ilijan Plant until June 4, 2022, when ownership and operations of the Ilijan Power Plant was transferred by PSALM to SPPC pursuant to the IPPA Agreement and the Deed of Sale dated June 3, 2022, executed by and between SPPC and PSALM.

energy storage system facilities of San Miguel Global Power located in different parts of the country which represents 5% of the capacity of San Miguel Global Power.

The IPPA Power Plants have an average age of 21 years. In terms of installed capacity in the Philippines, the Sual Power Plant is the largest coal-fired power plant. The Ilijan Power Plant, which used to be the subject of the Ilijan IPPA Agreement, is the largest natural gas power plant. IPPA Power Plants contribute 1,345 MW to the total capacity of San Miguel Global Power.

Power generated by the Sual Power Plant, Ilijan Power Plant, Limay Greenfield Power Plant, Davao Greenfield Power Plant, and Masinloc Power Plant is primarily used as baseload supply and sold to customers pursuant to bilateral offtake agreements. Power generated by the San Roque Power Plant and the AHEPP is used as peaking supply and sold through the WESM or as replacement power to affiliates.

San Miguel Global Power also owns several BESS facilities in Luzon, Visayas and Mindanao which provide regulatory and contingency reserve to the National Grid Corporation of the Philippines ("NGCP"). The 10 MWh Masinloc BESS of MPCL and several BESS sites of SMGP BESS in Luzon, Visayas and Mindanao with a total capacity of 330 MWh were contracted by NGCP after MPCL and SMGP BESS were declared as winning bidders in the competitive selection process conducted by NGCP in 2023 for its ancillary services requirement. Out of the 330 MWh, 220 MWh commenced operations in 2023 while the remaining 110 MWh commenced operations in March 2024, following the Provisional Authority granted by the ERC on the relevant ASPAs. The 20 MWh (Phase 1) of Kabankalan BESS in Negros Occidental also has an existing Ancillary Services Procurement Agreement ("ASPA") with NGCP.

Most of the power plants of San Miguel Global Power have offtake agreements with various customers, which provide San Miguel Global Power, through its subsidiaries, with stable and predictable cash flow by enabling it to manage both market and price risks. Despite the general volatility in market prices for electric power due to supply and demand imbalances, San Miguel Global Power has been able to manage such risks through the contracted sale prices with offtakers, which also provide a long-term stable source of demand. The majority of the tariffs under these agreements take into account adjustments for fuel, foreign exchange, and inflation, thereby allowing San Miguel Global Power to pass through these costs to its offtakers. In addition, San Miguel Global Power's diversified portfolio of baseload and peaking power plants helps mitigate market risks through long-term, intercompany, replacement power contracts.

If the generation output available from subsidiaries of San Miguel Global Power power plants exceeds the amount deliverable under their offtake agreements, such subsidiaries of San Miguel Global Power may offer the excess power for sale through the WESM at the market clearing price. For the year ended December 31, 2023, sales volume through bilateral offtake agreements compared to sales through the WESM for the Sual Power Plant, San Roque Power Plant, Limay Greenfield Power Plant, and Masinloc Power Plant were 87% to 13%, 82% to 18%, 92% to 8% and 92% to 8%, respectively.

The power generation capacity of the San Roque Power Plant and the AHEPP at any given time depends on the water levels in the reservoir and downstream irrigation requirements. As such, these plants sell the majority of their generated capacity to the WESM at the prevailing spot prices. The San Roque Power Plant and the main units of the AHEPP are operated as peaking units. Available water is used to generate power during peak hours when prices are higher.

In the years ended December 31, 2021, 2022 and 2023, approximately 92%, 90% and 86%, respectively, of total consolidated sales revenue from San Miguel Global Power were sold to customers pursuant to offtake agreements. In the years ended December 31, 2021, 2022 and 2023, approximately 91%, 91% and 86% respectively, of consolidated volume of power sold by the Company are to customers pursuant to offtake agreements. Sales to Meralco accounted for approximately 48%, 46% and 41% of the total consolidated sales volume of San Miguel Global Power for the years ended December 31, 2021, 2022 and 2023, respectively. Sales through the WESM accounted for approximately 9%, 9% and 14% of San Miguel Global Power's total consolidated sales volume for the years ended December 31, 2021, 2022 and 2023, respectively.

Power Generation Business

A. Sual Power Plant

i. Background

The Sual Power Plant is a 2 x 647 MW coal-fired thermal power plant located in Sual, Pangasinan, on the Lingayen Gulf, that commenced commercial operations in October 1999. It is the largest coal-fired thermal power plant in the Philippines in terms of installed capacity. The Sual Power Plant was built by CEPA Pangasinan Electric Limited pursuant to an Energy Conversion Agreement (“Sual ECA”) with National Power Corporation (“NPC”) under a 25-year Build-Operate-Transfer (“BOT”) scheme that expires on October 24, 2024.

On September 1, 2009, SPI was declared the winning bidder and received the notice of award for the IPPA for the Sual Power Plant. On November 6, 2009, SPI assumed the administration of the capacity of the Sual Power Plant in accordance with the provisions of the IPPA Agreement with PSALM (the “Sual IPPA Agreement”).

ii. Sual IPPA

San Miguel Global Power, through its wholly-owned subsidiary, SPI, has the contractual right to manage, control, trade, sell or otherwise deal in up to 1,000 MW of the generation capacity of the Sual Power Plant pursuant to the Sual IPPA Agreement.

The Sual Power Plant is operated by TeaM Sual Corporation (“TeaM Sual”), the successor-in-interest of CEPA Pangasinan Electric Limited. Under the Sual ECA, TeaM Sual is responsible, at its own cost, for the management, operation, maintenance, including the supply of consumables and spare parts, and the repair of the Sual Power Plant. TeaM Sual is required to use its best endeavors to ensure that the Sual Power Plant is in good operating condition and capable of converting fuel supplied by SPI under the Sual IPPA Agreement into electricity in a safe and reliable manner.

Under the Sual IPPA Agreement, SPI also has the option to acquire the Sual Power Plant in October 2024 without any additional payment by SPI. Discussions among PSALM, TeaM Sual and SPI on the turnover of the Sual Power Plant in October 2024 are ongoing. SPI may exercise the option to acquire the Sual Power Plant prior to October 2024 under certain circumstances, such as changes in applicable law or non-performance by TeaM Sual of its obligations under the Sual ECA as operator of the Sual Power Plant. In this case, the transfer price will be the net present value of the sum of the agreed monthly payments remaining unpaid at the date of termination of the Sual IPPA Agreement.

iii. Power Offtakers

The capacity of the Sual Power Plant is contracted to (i) Meralco (DU) under a 10-year 330 MW offtake agreement expiring in December 2029 as a result of the Competitive Selection Process (“CSP”) conducted by Meralco in 2019 (the “330MW Meralco PSC”), (ii) Meralco (RES) under a long-term offtake agreement expiring in 2024, subject to extension upon mutual agreement by the parties, and (iii) various electric cooperatives, distribution utilities, directly connected customers and third party RES under existing Power Supply Contracts (“PSCs”). The supply pursuant to the 330MW Meralco PSC ceased effective July 24, 2023. The 290MW PSA of SPPC with Meralco which will expire on December 25, 2024, has been assigned by SPPC to SPI effective January 19, 2024.

iv. Operations Review

The table below is a summary of operating statistics of the Sual Power Plant for the periods

indicated.

	Year ended December 31,		
	2021	2022	2023
Actual Energy Generated (GWh)	4,676	6,374	5,957
Electricity sold (GWh):	7,932	8,532	9,496
of which: bilateral offtake agreements	7,730	7,566	8,228
of which: WESM sales	202	967	1,268
Average realized electricity prices(₱/MWh):			
for electricity sold under bilateral offtake agreements . .	4,845	8,699	6,719
for electricity sold on WESM	3,491	8,835	8,641
Net Capacity Factor (%)	53	62	57
Availability Factor (%)	64	85	89
Reliability Factor (%)	89	97	99
Average Net Dependable Capacity (MW)	781	1,000	1,000
Net Heat Rate (Kilo-Calorie/Kilowatt hour or “Kcal/KWh”).			
.....	2,496	2,519	2,542

v. **Fuel Supply**

The table below sets forth certain information regarding the coal consumption of Sual Power Plant as of the periods indicated.

	Year ended December 31,		
	2021	2022	2023
Metric tons (thousands)	1,894	2,609	2,467
Average calorific value (kcal/kg)	6,133	6,138	6,069
(in millions ₱)	12,183	47,812	28,441

SPI has existing coal supply agreements with Vitol Asia Pte. Ltd. (“Vitol”), PT Trubaindo Coal Mining (“Banpu”), PT Bayan Resources Pte. Ltd. (“Bayan”) and Asian Trade Commodities Pte. Ltd. (“ATC”) until December 31, 2024. Pricing under the coal supply agreements is linked to the Global Coal NewCastle index, subject to adjustment based on agreed formula applicable to the quality of the coal delivered.

vi. **Power Transmission**

Power from the Sual Power Plant is transmitted through a 25 km 230 KV transmission line from the Sual Power Plant switchyard to the Kadampat Substation located at Labrador, Pangasinan. The transmission line is owned by National Transmission Corporation (“TransCo”) and operated and maintained by its concessionaire, NGCP.

B. **San Roque Power Plant**

i. **Background**

The 345 MW San Roque Power Plant in San Manuel, Pangasinan, commenced operations on May 1, 2003, and is a peaking plant that was constructed by a consortium composed of Marubeni Corporation, Sithe Philippines Holdings, Ltd., and Italian-Thai Development Public Company Limited (the “Consortium”) pursuant to a Power Purchase Agreement (“PPA”) with NPC under a BOT scheme (the “San Roque PPA”).

San Roque Power Corporation ("SRPC"), the successor-in-interest of the Consortium, is responsible for the operations and maintenance of the San Roque Power Plant for 25 years effective May 1, 2003. SRPC is owned by Marubeni Corporation and Kansai Electric Power Company Ltd. Under the San Roque PPA, SRPC is responsible for the management, operation, maintenance and repair of the San Roque Power Plant at its own cost until transfer to NPC or SRHI, as the case may be. The San Roque Power Plant utilizes the Agno River for peaking power, irrigation, flood control and water quality improvement for the surrounding region and comprises three power generation units of 115 MW each.

On December 15, 2009, SRHI, a wholly owned subsidiary of San Miguel Global Power, successfully bid for the appointment to be the IPPA for the San Roque Power Plant and received a notice of award on December 28, 2009. SRHI assumed administration of the San Roque Power Plant on January 26, 2010 in accordance with the IPPA Agreement with PSALM (the "San Roque IPPA Agreement"). PSALM remains responsible under the San Roque PPA to remunerate the IPP of the San Roque Power Plant for the electricity it produces.

ii. *San Roque IPPA*

Under the San Roque IPPA Agreement, SRHI has the right to manage, control, trade, sell or otherwise deal in the electrical generation capacity of the San Roque Power Plant, while NPC, which owns and operates the dam and related facilities thereof, obtained and maintains water rights necessary for the testing and operation of the power plant. SRHI is required to assist PSALM so that the San Roque Power Plant can draw water from the Agno River required by the power plant and necessary for it to generate the electricity required to be produced under the San Roque PPA of NPC with SRPC.

Under the San Roque IPPA Agreement, SRHI has the right to acquire the San Roque Power Plant in May 2028, which is the end of the cooperation period between NPC and SRPC under the San Roque PPA, or on some earlier date due to certain events such as changes in applicable law or non-performance by SRPC of its obligations under the San Roque PPA.

The San Roque Power Plant is a peaking plant. Under the terms of the San Roque PPA, power and energy are delivered to SRHI at the delivery point (the high voltage side of the step-up transformers) located at the perimeter fence of the San Roque Power Plant site. SRHI is responsible for contracting with NGCP to wheel power from the delivery point.

iii. *Operations Review*

The table below is a summary of operating statistics of the San Roque Power Plant during the periods indicated.

	Year ended December 31,		
	2021	2022	2023
Actual Energy Generated (GWh)	1,036	619	874
Electricity sold (GWh):	1,096	918	1,920
of which: bilateral offtake agreements	700	654	1,571
of which: WESM sales	396	264	349
Average realized electricity prices(₱/MWh):			
for electricity sold under bilateral offtake agreement .	4,779	8,362	11,706
for electricity sold on WESM	6,755	9,548	2,170
Net Capacity Factor (%)	34	20	29
Availability Factor (%)	96	97	95
Reliability Factor (%)	100	100	100
Average Net Dependable Capacity (MW)	373	318	373

iv. Water Rights

The generated output energy of the San Roque Power Plant is limited by the “Irrigation Diversion Requirements” set by the National Irrigation Administration (“NIA”) of the Philippines.

Generally, the output energy of San Roque Power Plant is high during planting seasons which cover the months of December through April (dry planting season) and July through September (wet planting season). The water releases from the dam, and thus, energy generation during the dry planting season is much higher due to the absence of rain. The water rights of NPC are used by the San Roque Power Plant, and NPC, until the date of transfer of the San Roque Power Plant to NPC (or SRHI, as the case may be), must obtain such renewals or extensions as may be required to maintain the water rights in full force and effect at all times. NPC derives its water rights from a permit granted by the National Water Resources Board (“NWRB”).

v. Power Transmission

Power from the San Roque Power Plant is transmitted through a nine km 230 KV transmission line from the San Roque Power Plant switchyard to the San Manuel substation located in Pangasinan. The transmission line is owned by TransCo and operated and maintained by NGCP.

C. Ilijan Power Plant

i. Background

The Ilijan Power Plant commenced commercial operations on June 5, 2002, and is located on a 60-acre site at Arenas Point, Barangay Ilijan, Batangas City. The Ilijan Power Plant was constructed and owned by KEPCO Ilijan Corporation (“KEILCO”) pursuant to a 20-year ECA with NPC (“Ilijan ECA”) under a BOT scheme that expired on June 4, 2022. The Ilijan Power Plant consists of two blocks with a dependable capacity of 600 MW each.

SPPC was initially the administrator of the output of the Ilijan Power Plant from June 2010 to June 2022 after SMC successfully bid for the appointment to be the IPP Administrator for the Ilijan Power Plant on April 16, 2010, which rights it subsequently assigned to SPPC. SPPC assumed administration of the Ilijan Power Plant on June 26, 2010, in accordance with an IPPA Agreement with PSALM (the “Ilijan IPPA Agreement”).

As an IPPA, San Miguel Global Power, through its wholly-owned subsidiary, SPPC, had the contractual right to manage, control, trade, sell or otherwise deal in the generation capacity of the Ilijan Power Plant pursuant to the Ilijan IPPA Agreement.

During the term of the Ilijan ECA and the Ilijan IPPA Agreement, NPC/PSALM remained responsible for securing the natural gas and diesel fuel supply to the Ilijan Power Plant and was required to deliver and supply to KEILCO the fuel necessary to operate the Ilijan Power Plant. NPC/PSALM supplied natural gas to the Ilijan Power Plant from the Malampaya gas field in Palawan (“Malampaya”) under a gas supply agreement with Shell Exploration Philippines BV (“Malampaya GSPA”). The Ilijan Power Plant can also run on diesel oil stored onsite when natural gas is unavailable, subject to certain technical and regulatory limitations.

Under the Ilijan ECA, KEILCO was required to operate the Ilijan Power Plant pursuant to certain operating criteria and guidelines, governing the output of 1,200MW guaranteed contracted capacity, baseload operation, and spinning reserve capability and was responsible, at its own cost, for the management, operation, maintenance, including the supply of consumables and spare parts, and the repair of the Ilijan Power Plant.

ii. Turnover

The Ilijan IPPA Agreement and the Ilijan ECA expired on June 4, 2022, after which ownership and operations of the Ilijan Power Plant was transferred by PSALM to SPPC pursuant to the Deed of Sale dated June 3, 2022, executed by the parties.

Upon turnover, Luzon Power Dynamics Services Inc. (formerly known as Mantech Power Dynamics Services Corp. and hereinafter referred to as “LPDSI”), another wholly-owned subsidiary of San Miguel Global Power, became responsible for the operation and maintenance of the Ilijan Power Plant.

iii. Power Offtakers

The majority of the capacity of the Ilijan Power Plant is contracted to Meralco under long-term PSAs. Meralco conducted CSP for its power supply in accordance with the DOE CSP Policy. The Ilijan Power Plant was awarded two (2) offtake contracts to supply an aggregate of 960 MW, of which 670 MW is contracted for ten years (“670 MW Meralco PSC”) while the remaining 290 MW (the “290 MW Meralco PSC”) is contracted for five years. The supply pursuant to the 670 MW Meralco PSC ceased effective December 7, 2022, while the 290 MW Meralco PSC has been assigned by SPPC to SPI effective January 19, 2024.

As a result of the termination of the 670 MW Meralco PSC, SPPC and Meralco executed two separate emergency PSAs in 2023 dated March 23, 2023, for the supply of 300 MW from March 26, 2023, which increased to 480 MW from April 1, 2023, and dated August 7, 2023, for the supply of 330 MW both with terms expiring on March 25, 2024.

On February 5, 2024, SPPC executed a power supply agreement with Meralco for the supply of 1,200 MW capacity for a term of 15 years (the “1,200 MW PSC”) after it was declared as winning bidder in the competitive selection process held by Meralco on January 23, 2024, for its 1,200 MW capacity requirements. Pending implementation of the 1,200 MW PSC, Meralco and SPPC executed an emergency power supply agreement for the supply by SPPC of 1,200 MW (net) to Meralco starting March 26, 2024.

iv. Operations Review

The table below is a summary of operating statistics of the Ilijan Power Plant for the periods indicated.

	Year ended December 31,		
	2021	2022	2023
Actual Energy Generated (GWh)	5,999	2,681	2,512
Electricity sold (GWh):	7,328	6,128	5,822
of which: bilateral offtake agreements	6,533	5,867	5,402
of which: WESM sales	795	261	420
Average realized electricity prices(₱/MWh):			
for electricity sold under bilateral offtake.	4,541	4,705	7,227
for electricity sold on WESM	3,075	5,538	6,081
Net Capacity Factor (%)	57	26	24
Availability Factor (%)	92	98	82
Reliability Factor (%)	99	100	99
Average Net Dependable Capacity (MW)	1,109	1,168	979
Net Heat Rate (Kilo-Joule/KWh)	7,230	6,978	7,600

v. Fuel Supply

During the term of the Ilijan IPPA Agreement, NPC was responsible for securing the natural gas and diesel fuel supply to the Ilijan Power Plant. Pursuant to a fuel supply and management agreement among Shell Philippines Exploration B.V., Occidental Philippines, Inc. and NPC, NPC supplied natural gas to the Ilijan Power Plant through a 480 km undersea pipeline from the Camago-Malampaya field in Palawan to the Shell Refinery in Tabangao. From there, the natural gas was transported through a 16-inch-diameter onshore pipeline running 15 km to the Ilijan Power Plant. The Malampaya GSPA expired simultaneously with the Ilijan IPPA Agreement on June 4, 2022.

Prior to the expiration of the Ilijan IPPA Agreement, SPPC executed a fuel supply agreement for imported liquified natural gas (LNG) from an international supplier and contracted Linseed Field Corporation ("LFC"), the developer of an integrated liquefied natural gas ("LNG") import terminal at Barangay Ilijan, Batangas City, adjacent to the Ilijan Plant, and designed to utilize onshore regasification and storage facilities supplemented with a floating storage unit (the "Batangas LNG Terminal"), for the receipt, regasification and storage of its imported LNG through the Batangas LNG Terminal. The delivery of LNG, however, has been deferred due to the delay in the completion of the Batangas LNG Terminal, expected to commence operations in May 2023. As a temporary measure to address the immediate fuel needs of the Ilijan Power Plant, SPPC also executed a gas supply and purchase agreement with the Philippine National Oil Company ("PNOC") for the supply of Malampaya banked gas to the Ilijan Power Plant. However, PNOC has not commenced delivery of the Malampaya banked gas as of date.

With the Batangas LNG Terminal infrastructure, SPPC executed fuel supply agreements with Vitol, Trafigura Pte. Ltd and Shell Eastern Trading (Pte) Ltd for the supply of LNG.

The Batangas LNG terminal started supplying imported LNG during its commissioning on May 31, 2023.

vi. Power Transmission

Power from the Ilijan Power Plant is transmitted through a 500 KV transmission line that connects to the Luzon grid through the Ilijan-Dasmarinas line and Ilijan-Tayabas line. The transmission line is owned by TransCo and operated and maintained by NGCP.

D. Angat Hydroelectric Power Plant ("AHEPP")

i. Background

The AHEPP is an operating hydroelectric power plant located at the Angat reservoir in San Lorenzo, Norzagaray, Bulacan, approximately 58 km northeast of Metro Manila. The AHEPP was privatized through an asset purchase agreement between PSALM and Korea Water Resource Corporation ("K-water"). K-water assigned its rights in favor of AHC, a joint venture between K-water and PVEI.

AHC undertakes the operation and maintenance of AHEPP. The operations and maintenance team consists of the local technical team who have been operating the AHEPP, supported by technical experts seconded from K-water.

The project has a total electricity generating capacity of 218 MW, comprised of four main units of 50 MW capacity each, and three auxiliary units of 6 MW capacity each. Main units 1 and 2 together with auxiliary units 1 and 2 were commissioned in 1967. Main units 3 and 4 were commissioned in 1968 and auxiliary unit 3 was commissioned in 1978. Auxiliary unit 3 was manufactured by Allis-Chalmer and Ebara and all the other units were manufactured by Toshiba Corporation of Japan. All units are run by Francis-type turbines, which are the most commonly used model in hydroelectric power generation. In

August 2018, AHC completed the rehabilitation and turnover of the Angat Dam and Dykes in accordance with the Operations and Maintenance Agreement with PSALM and NPC.

In September 2021, AHC entered into a Rehabilitate-Operate-Maintain (ROM) Agreement for auxiliary units 4 and 5 with combined capacity of 28 MW, owned by the Metropolitan and Waterworks Sewerage System (MWSS) and located at the AHEPP. Under the Agreement, AHC will rehabilitate auxiliary units 4 and 5 and thereafter operate and maintain the same for twenty-three (23) years under a profit-sharing arrangement with MWSS. The rehabilitation of the units is currently ongoing and is targeted to be fully completed by the second quarter of 2025 after which the operation period will commence.

ii. Fuel Supply and Water Rights

The AHEPP utilizes water resources of the Angat reservoir. The Angat reservoir is 35 km long and 3 km wide at its widest points and has surface of 2,300 hectares and viable storage volume of 850 million cubic meters. The water discharged by the project is used for the following two purposes: (i) water discharged through Auxiliary Units and through the spillway that flows to the Ipo reservoir is used to supply 97% of the residential drinking water of Metro Manila; and (ii) water discharged through Main Units that flows downstream to the Bustos reservoir is utilized for irrigation purposes.

Water rights surrounding the AHEPP are co-owned and governed by the following entities with its respective purposes, pursuant to the Water Code of the Philippines, Angat Reservoir Operation Rules issued and regulated by NWRB as implemented by a Memorandum of Agreement on the Angat Water Protocol between MWSS, NIA, AHC, PSALM, NPC and NWRB: (i) MWSS, for domestic water supply to Metro Manila; (ii) provincial government of Bulacan, for water supply in the Bulacan Province; (iii) NIA, for irrigation diversion requirements; and (iv) AHC (through a lease contract with KWPP), for power generation.

iii. Power Offtakers

AHC sells majority of its generated capacity to the WESM at the prevalent spot price. The main units are operated as peaking units. The strategy for the main units is to allocate daily water release during peak hours. The auxiliary units are operated as baseload units, as the water requirement of MWSS for domestic consumption in Metro Manila is continuous throughout the day, thus eliminating any discrete optionality to choose the hour of allocation.

iv. Operations Review

The table below is a summary of operating statistics of the AHEPP for the periods indicated.

	For the year ended December 31,		
	2021	2022	2023
Net Capacity Factor (%)	23	10	12
Availability Factor (%)	94	51	44
Reliability Factor (%)	100	98	100
Average Net Dependable Capacity (MW)	187	95	91

E. Limay Greenfield Power Plant

i. Background

The Limay Greenfield Power Plant owned by San Miguel Global Power through its subsidiary, LPI, is a 4 x 150 MW circulating fluidized bed coal-fired power plant located in Limay, Bataan. Units 1, 2, 3 and 4 of the Limay Greenfield Power Plant achieved commercial operations in May 2017,

September 2017, March 2018 and July 2019, respectively. The EPC contractors of the Limay Greenfield Power Plant are Formosa Heavy Industries and True North Manufacturing Services Corporation. In June 2017, LPI acquired Units 3 and 4 of the Limay Greenfield Power Plant from another wholly-owned subsidiary, Lumiere Energy Technologies Inc. (formerly, Limay Premiere Power Corp.).

LPDSI is responsible for the operation and maintenance of the Limay Greenfield Power Plant.

ii. Power Offtakers

The Limay Greenfield Power Plant is fully contracted to various directly connected customers, electric cooperatives, distribution utilities and contestable customers, including facilities of SMC subsidiaries, under long-term offtake agreements mostly expiring in ten (10) years from its effective date, subject to extension upon mutual agreement between the parties. LPI also executed a power supply agreement with Meralco on March 20, 2024, for the supply of 400 MW until February 25, 2025, after it was declared as the winning bidder in the competitive selection process conducted by Meralco on February 27, 2024, for its 400MW baseload power requirements. LPI was granted a RES license which is valid until September 29, 2028. The RES license enables LPI to directly contract with contestable customers.

iii. Operations Review

The table below is a summary of operating statistics of the Limay Greenfield Power Plant for the periods indicated.

	Year ended December 31,		
	2021	2022	2023
Actual Energy Generated (GWh)	4,177	4,144	3,976
Electricity sold (GWh):	4,591	4,356	4,281
of which: bilateral offtake agreements	4,447	4,245	3,924
of which: WESM sales	144	111	357
Average realized electricity prices(₱/MWh):			
for electricity sold under bilateral offtake agreements . .	5,181	8,583	6,564
for electricity sold on WESM	5,490	7,631	5,573
Net Capacity Factor (%)	89	88	85
Availability Factor (%)	93	91	91
Reliability Factor (%)	98	98	97
Average Net Dependable Capacity (MW)	528	528	536
Net Heat Rate (Kilo-Calorie/Kilowatt hour or “Kcal/KWh”).			
.....	2,777	2,761	2,726

iv. Fuel Supply

LPI has executed long-term coal supply agreements with Bayan with terms expiring January 31, 2029 and January 31, 2032. Pricing under the coal supply agreements is subject to adjustment based on a certain formula applicable to the quality or grade of the coal delivered by the supplier. LPI has also executed a spot coal supply contract with Semirara Mining and Power Corporation.

v. Power Transmission

Power from the Limay Greenfield Power Plant is transmitted through a 230 KV transmission line that connects to the Luzon Grid through the Lamao, Limay Bataan Substation. The transmission line is owned by TransCo and operated and maintained by NGCP.

F. Davao Greenfield Power Plant

i. Background

The Davao Greenfield Power Plant owned by San Miguel Global Power through its subsidiary, MPI, is a 2 x 150 MW circulating fluidized bed coal-fired power plant located in Malita, Davao Occidental. Units 1 and 2 of the Davao Greenfield Power Plant achieved commercial operations in July 2017 and February 2018, respectively.

The EPC contractors of the Davao Greenfield Power Plant are Formosa Heavy Industries and True North Manufacturing Services Corporation. VisMin Power Dynamics Services Inc. (formerly known as Safetech Power Services Corp.), another wholly-owned subsidiary of San Miguel Global Power, is responsible for the operation and maintenance of the Davao Greenfield Power Plant.

ii. Power Offtakers

Units 1 and 2 of the Davao Greenfield Power Plant are substantially contracted to various electric cooperatives and directly connected customers under long-term offtake agreements mostly expiring in ten (10) years from effective date, subject to extension upon mutual agreement between the parties.

iii. Operations Review

The table below is a summary of operating statistics of the Davao Greenfield Power Plant for the periods indicated.

	Year ended December 31,		
	2021	2022	2023
Actual Energy Generated (GWh)	1,835	1,586	1,557
Electricity sold (GWh):	1,954	1,958	1,581
of which: bilateral offtake agreements	1,954	1,958	1,100
of which: WESM sales	—	—	481
Average realized electricity prices(₱/MWh):			
for electricity sold under bilateral offtake agreements . .	5,572	9,234	8,492
for electricity sold on WESM	—	—	5,188
Net Capacity Factor (%)	79	69	67
Availability Factor (%)	92	93	97
Reliability Factor (%)	98	99	100
Average Net Dependable Capacity (MW)	264	264	264
Net Heat Rate (Kilo-Calorie/Kilowatt hour or “Kcal/KWh”).			
.....	2,808	2,895	2,916

iv. Fuel Supply

MPI executed two long-term coal supply agreements with Bayan, effective until January 31, 2029, and January 31, 2032. Pricing under the coal supply agreements is subject to adjustment based on a certain formula applicable to the quality or grade of the coal delivered by the supplier. MPI has also executed a spot coal supply contract with PT Arutmin Indonesia.

v. Power Transmission

Power from the Davao Greenfield Power Plant is transmitted through a 230 KV transmission line that connects to the Mindanao grid through the Culaman, Malita Substation. The transmission line is owned by TransCo and operated and maintained by NGCP.

G. Masinloc Power Plant and Masinloc BESS

i. Background

The Masinloc Power Plant comprises 1 x 344 MW (Unit 1), 1 x 344 MW (Unit 2) and 1 x 335 MW (Unit 3) coal-fired power plant located in Masinloc, Zambales, and is owned and operated by MPCL. Units 1 and 2 of the Masinloc Power Plant commenced commercial operations in June 1998 and December 1998, respectively, and were originally developed and owned by NPC. Unit 3, which is a brownfield/expansion project within the Masinloc Power Plant, commenced commercial operations on September 26, 2020. MPCL also owns the 10 MWh Masinloc BESS.

The Masinloc Power Plant and Masinloc BESS were acquired by San Miguel Global Power on March 20, 2018, pursuant to its acquisition of 51% and 49% equity interests in SMC GP Masin from AES Phil and Gen Plus B.V., respectively.

LPDSI is responsible for the operation and maintenance of the Masinloc Power Plant and the Masinloc BESS effective June 1, 2019.

ii. Power Offtakers

Units 1, 2 and 3 of the Masinloc Power Plant are substantially contracted through medium to long-term bilateral contracts with Meralco, distribution utilities, contestable customers and third-party RES. The recently renewed RES license of MPCL is valid until September 29, 2028. The Masinloc BESS provides regulating reserve ancillary services to the Luzon grid under an ASPA with NGCP with a take-or-pay scheme for capacity payments for both charging and discharging capacity, subject to dispatch protocols and guidelines.

iii. Operations Review

The table below is a summary of operating statistics of the Masinloc Power Plant for the periods indicated.

	Year ended December 31,		
	2021	2022	2023
Actual Energy Generated (GWh)	6,136	6,086	5,407
Electricity sold (GWh)*:	8,055	7,949	6,301
of which: bilateral offtake agreements	7,079	7,230	5,805
of which: WESM sales	976	719	496
Average realized electricity prices(₱/MWh)*:			
for electricity sold under bilateral offtake agreements . .	4,708	8,749	6,542
for electricity sold on WESM	4,719	7,538	5,929
Net Capacity Factor (%)	76	75	65
Availability Factor (%)	88	94	85
Reliability Factor (%)	90	87	82
Average Net Dependable Capacity (MW)	917	924	950
Net Heat Rate (Kilo-Calorie/Kilowatt hour or "Kcal/KWh").			
.....	2,458	2,537	2,454

Note: *Includes data relating to the Masinloc BESS

iv. Fuel Supply

The table below sets forth certain information regarding the supply of coal to the Masinloc Power Plant as of the periods indicated.

	Year ended December 31,		
	2021	2022	2023
Metric tons (thousands)	2,708	2,919	2,599
Average calorific value (kcal/kg)	5,583	5,346	5,123
(in millions ₱)	15,617	39,524	20,581

MPCL continues to maintain multiple supply agreements, both short and long-term, with various reputable mining companies and traders that can deliver the qualities required by the Masinloc Power Plant with different boiler designs and required coal specifications. MPCL has two (2) units with sub-critical boiler technology and one (1) unit with supercritical boiler technology that require different qualities of coal for optimal operations. MPCL's contracts with Semirara Mining and Power Corporation, KPC, Bayan and Vitol covered majority of the coal requirements of the Masinloc Power Plant. All contracts had standard adjustments based on a certain formula applicable to the quality or grade of the coal delivered.

v. Power Transmission

Power from the Masinloc Power Plant is transmitted through a 230 KV transmission line that connects to the Luzon Grid through the Bolo Substation. The transmission line is owned by TransCo and operated and maintained by NGCP.

Retail Services

Retail Electric Supply

San Miguel Global Power is pursuing downstream vertical integration by capitalizing on changes in the Philippine regulatory structure to expand its sales of power to a broader range of customers, including retail customers. The two RES licenses issued to San Miguel Global Power, through LPI and MPCL, which allow these entities to enter into Retail Supply Contracts ("RSC") with contestable customers and expand its customer base, have a term of five years each and are both valid until September 29, 2028.

The RES licenses allow the relevant subsidiary of San Miguel Global Power to enter into RSCs with contestable customers and expand its customer base. As of July 2023, LPI and MPCL supply an equivalent of 466 MW to various facilities of SMC subsidiaries and other contestable customers. Based on data obtained from the ERC, San Miguel Global Power believes that it is a major player in the RES markets where it operates, supplying over 90 contestable customers as of July 2023. The Company currently holds a market share of 11% of the contestable customer market, with Aboitiz, Meralco, Ayala and the EDC group holding 32%, 29%, 9% and 5%, respectively, based on the Competitive Retail Electricity Market Report from the ERC as of July 2023.

New Products

Expansion Projects

San Miguel Global Power, through its subsidiary, MPGC, is currently constructing the Mariveles Greenfield Power Plant, a coal-fired power plant and associated facilities using high efficiency low emission technologies ("HELE Technologies") with an installed capacity of 600 MW (capable of up to 1,200 MW) in Mariveles, Bataan. Unit 1 commenced commercial operations on March 28, 2024, while Unit 2 is undergoing testing and commissioning. Overall project completion as of March 28, 2024, is 98%.

Another subsidiary, MPCL, is further expanding the Masinloc Power Plant by constructing additional units utilizing supercritical boiler technology (Units 4 and 5) with a planned gross installed capacity of 350 MW each. The Company has signed the engineering, procurement and construction ("EPC") contracts for the construction of Masinloc Power Plant Units 4 and 5, which are targeted for completion between 2025-2026.

In addition, and as part of the Company's diversification of its power portfolio away from traditional coal technologies, the Company, through its subsidiary Excellent Energy Resources Inc. ("EERI"), is constructing a 1,320 MW combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas City ("Batangas Combined Cycle Power Plant"). The Batangas Combined Cycle Power Plant will utilize regasified liquefied natural gas ("LNG"). The EPC contract with Black & Veatch, BVI (Philippines) Corporation and First Balfour, Inc. for this project was signed in December 2021 and is targeted for completion in 2024. On February 5, 2024, EERI executed a power supply agreement with Meralco for the supply of 1,200 MW capacity after it was declared as winning bidder in the competitive selection process conducted by Meralco on January 5, 2024, for its 1,800 MW power requirements.

The Company has executed a terminal use agreement for the use of the Batangas LNG Terminal for its LNG power plants in Batangas and is also exploring possible improvements to, or the retrofitting of, the Ilijan Power Plant.

In line with its decision to significantly reduce its carbon footprint and transition to cleaner sources of energy, San Miguel Global Power, through its wholly-owned subsidiary, SMC Global Light and Power Corp. ("SGLPC"), is developing a portfolio of solar power projects in its pre-development stages with an initial aggregate capacity of 800 MWp across various sites in Luzon including in the provinces of Bataan and Isabela. The proposed solar projects will be situated in areas with moderate to high photovoltaic potential. In February and August 2022, SGLPC obtained a Certificate of Registration from the DOE as a renewable energy ("RE") developer for a solar project located in Bataan and has entered into a Solar Energy Operating Contract (221 MWp) with the DOE for the development and operation of RE projects using solar energy as a renewable source ("Bataan Solar Project"). The lease agreements for the property in Bataan and in Isabela where the solar projects will be located have been executed. Currently, the Bataan Solar Project already secured its System Impact Studies ("SIS") and Facilities Studies ("FS") approval from the National Grid Corporation of the Philippines ("NGCP"). The generation output of the proposed solar power projects is intended to be offered to various contestable customers.

Meanwhile, San Miguel Global Power will no longer pursue some of its intended coal facilities, including the previously planned power plant to be located in Pagbilao, Quezon, with planned installed capacity of 600 MW through its wholly-owned subsidiary, Central Luzon Premiere Power Corp. ("CLPPC").

The Company, through its subsidiaries, SMGP BESS Power Inc. (formerly known as Universal Power Solutions, Inc. and hereinafter referred to as "SMGP BESS"), MPCL and SMGP Kabankalan, is undertaking the expansion of its portfolio of BESS projects of 1,000 MWh. Of these 1,000 MWh BESS projects, 630 MWh across 18 sites attained substantial completion as of February 2024, including the 30 MWh Kabankalan (Phase 1 and 2) and 20 MWh Masinloc (Phase 2). A total of 30 MWh across 2 sites are expected to be substantially completed in 2024. One of the BESS projects was inaugurated on March 31, 2023, in Limay, Bataan.

The Company continues to participate in the Government-mandated CSPs for power supply agreements ("PSAs") with distribution utilities and negotiate for RSCs with contestable customers for these expansion plans.

Competition

Based on the total installed generating capacities in the ERC Resolution on Grid Market Share Limitation, the Company believes that its combined installed capacity comprises approximately 20% of the National Grid, 26% of the Luzon Grid and 8% of the Mindanao Grid, in each case, as of December 31, 2023. 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 (17,961,724 kW, 4,187,838 kW and 25,567,270 kW, respectively based on data provided under the ERC Resolution on Grid Market Share Limitation). Its main competitors are the Aboitiz Group, which holds interests in Aboitiz Power Corporation and Hedcor, Inc., among others, ACEN Corporation and First Gen Corporation.

The move towards a more competitive environment could result in the emergence of new and numerous competitors. These competitors may have greater financial resources and may have more extensive

experience than San Miguel Global Power, giving them the ability to respond to operational, technological, financial and other challenges more quickly than San Miguel Global Power. These competitors may therefore be more successful than San Miguel Global Power in acquiring existing power generation facilities or in obtaining financing for and the construction of new power generation facilities, or in successfully bidding at CSPs conducted by distribution utilities. The type of fuel that competitors use for their generation facilities may also allow them to produce electricity at a lower cost and to sell electricity at a lower price. In addition, other sources for the provision of ancillary services may arise, including technological developments or establishment of new market regimes, which may increase competition and reduce prevailing prices for these services. Moreover, a decline in oil and gas prices, which reduces the cost of producing electricity from fossil fuels, could make energy storage solutions integrated with renewable energy sources less competitive against other solutions including conventional generation. San Miguel Global Power may therefore be unable to meet the competitive challenges it will face.

As a result of increased competition, San Miguel Global Power could also come under pressure to review or renegotiate the terms of existing offtake agreements with customers, which may lead to a downward adjustment of tariffs, and could adversely affect the business, financial performance and results of operations of San Miguel Global Power. To the extent that distribution utilities or industrial offtakers agree to purchase from other generation companies instead of purchasing from San Miguel Global Power, or the Company is unable to participate or otherwise successfully compete in bids for supply contracts, the ability of San Miguel Global Power to increase its sales and sell additional electricity to distribution utilities or industrial offtakers through its generation facilities would be adversely affected.

Notwithstanding the foregoing, San Miguel Global Power manages a large, reliable and diverse portfolio of power plants that allows it to supply at competitive rates and terms. Further, the Company has an experienced sales and marketing team that actively markets to its existing and new financially capable prospective customers and intends to continuously participate in CSPs to be conducted by distribution utilities. In addition, the Company maintains good working relationships with its offtakers and has cultivated a long history of reliability and good customer service.

Customers

San Miguel Global Power, through its subsidiaries, sells power, through PSAs, either directly to customers (e.g., distribution utilities, electric cooperatives, industrial customers and retail electricity suppliers) or through the WESM.

Customers	Year ended December 31,					
	2021		2022		2023	
	Volume Sold (GWh)	Revenue (in millions ₱)	Volume Sold (GWh)	Revenue (in millions ₱)	Volume Sold (GWh)	Revenue (in millions ₱)
Meralco	12,967	53,313	12,713	82,050	10,456	70,420
WESM	2,513	11,221	2,345	21,656	3,640	24,054
Total Major Customers	15,480	64,534	15,058	103,706	14,096	94,474
Others ⁽¹⁾	11,741	69,176	12,344	117,683	11,109	75,116
Total Sales	27,221	133,710	27,402	221,389	25,205	169,590

⁽¹⁾ Includes non-Meralco distribution utilities, electric cooperatives, retail electricity suppliers, directly connected customers, contestable customers, sales to distribution customers, sales to related parties and to NGCP for ancillary services.

Transactions with and/or Dependence on Related Parties

San Miguel Global Power, its subsidiaries associates and joint ventures, and their respective shareholders, 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 considered as arms-length. 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. Please see Note 19, Related Party Disclosures, of the Audited Consolidated Financial Statements attached hereto as **Annex “B”**.

Patents, trademarks, licenses, franchises

The ERC has issued in favor of San Miguel Global Power the following relevant licenses for the operation of its power plants:

Power Plant		Certificate of Compliance (COC) License No.
1	Davao Greenfield Power Plant	COC No. 17-09-M-00135M for the Davao Greenfield Power Plant expired on October 4, 2021, but was extended through Provisional Authorities to Operate (PAO) issued by the ERC in its letters dated October 28, 2021, and 11 October 2022, for a validity period ending on October 4, 2023. The PAO has been extended until October 4, 2024, pursuant to Resolution No. 17 Series of 2023, otherwise known as the “2023 Revised Rules for the Issuance of Certificates of Compliance for Generation Facilities”. The extension was confirmed by the ERC in its letter dated December 1, 2023, to MPI.
2	Limay Greenfield Power Plant	COC No. 15-10-M-13789L for Limay Greenfield Power Plant expired on March 8, 2022. A PAO was subsequently issued by the ERC, which expired on March 8, 2023. The PAO has been extended until March 8, 2024, pursuant to Resolution No. 17 Series of 2023, otherwise known as the “2023 Revised Rules for the Issuance of Certificates of Compliance for Generation Facilities”. The extension was confirmed by the ERC in its letter dated December 18, 2023, to LPI. Further extension of the PAO is pending evaluation by the ERC.
3	Masinloc Power Plant	The PAO issued by the ERC on January 5, 2024, for the Masinloc Plant is valid until January 4, 2025.
4	Ilijan Power Plant	PAO for the Ilijan Power Plant issued by the ERC under the name of KEILCO expired on October 25, 2022. Renewal and transfer of the PAO to SPPC following the turnover of the Ilijan Power Plant is pending evaluation by the ERC. The PAO has been extended until October 25, 2024, pursuant to Resolution No. 17 Series of 2023, otherwise known as the “2023 Revised Rules for the Issuance of Certificates of Compliance for Generation Facilities”. The extension was confirmed by the ERC in its letter dated December 20, 2023, to SPPC.

The COCs of the Sual Power Plant and San Roque Power Plant are not included in the table as these were issued in favor of the respective IPPs of the IPPA Power Plants.

For its retail supply business, the following subsidiaries of San Miguel Global Power have been issued RES licenses by the ERC with details below:

	Subsidiary RES Holder	RES License No.	Term
1	LPI	RES-08-2016007	August 24, 2016, to August 24, 2021 and extended until September 29, 2028
2	MPCL (Coal)	RES-07-2016-006	August 2, 2016, to August 1, 2021, and extended until September 29, 2028

For the operation of the Corporation's BESS Projects, the ERC also issued the following licenses:

1	Toledo BESS	The PAO for Toledo's Battery Energy Storage System with a capacity of 23.743 MW located in Brgy. Calong-calong, Toledo City, Cebu is valid for a period of one (1) year from January 28, 2024 to January 27, 2025. The possible conversion of the PAO into a COC is pending evaluation by the ERC.
2	Malita BESS	The PAO for Malita's Battery Energy Storage System with a capacity of 22.830 MW located in Brgy. Culaman, Malita, Davao Occidental is valid for a period of one (1) year from January 28, 2024 to January 27, 2025. The possible conversion of the PAO into a COC is pending evaluation by the ERC.
3	Ormoc BESS	The PAO for Ormoc's Battery Energy Storage System with a capacity of 47.486 MW located in Brgy. Milagro, Ormoc City, Leyte is valid for a period of one (1) year from February 23, 2024 to February 22, 2025. The possible conversion of the PAO into a COC is pending evaluation by the ERC.
4	Jasaan BESS	The PAO for Jasaan's Battery Energy Storage System with a capacity of 22.830 MW located in Brgy. Aplaya, Jasaan, Misamis Oriental is valid for a period of one (1) year from February 23, 2024 to February 22, 2025. The possible conversion of the PAO into a COC is pending evaluation by the ERC.
5	Concepcion BESS	The PAO for Concepcion's Battery Energy Storage System with a capacity of 72.281 MW located in Brgy. Sta. Rosa, Concepcion, Tarlac is valid for a period of one (1) year from February 23, 2024 to February 22, 2025. The possible conversion of the PAO into a COC is pending evaluation by the ERC.
6	Masinloc BESS	The COC for Masinloc (Phase 1) Battery Energy Storage System with a capacity of 12.376 MW located in Brgy. Bani, Masinloc, Zambales, is valid for a period of five (5) years from May 15, 2022, to May 14, 2027. Application for Masinloc (Phase 2) Battery Energy Storage System with a capacity of 20MW is pending evaluation by the ERC.
7	Magapit BESS	Magapit's application for its PAO is pending evaluation by the ERC.
8	Gamu BESS	Gamu's application for its PAO is pending evaluation by the ERC.
9	Kabankalan 1 BESS	The extension of PAO issued by the ERC for the Kabankalan 1 Plant will expire on May 4, 2024. Kabankalan's application for renewal of its PAO is pending evaluation by the ERC.

10	Kabankalan 2 BESS	The extension of PAO issued by the ERC for the Kabankalan 2 Plant will expire on June 30, 2024. Kabankalan's application for renewal of its PAO is pending evaluation by the ERC.
11	Villanueva BESS	The extension of PAO issued by the ERC for the Villanueva Plant will expire on May 3, 2024. Villanueva's application for renewal of its PAO is pending evaluation by the ERC.
12	Ubay BESS	The extension of PAO issued by the ERC for the Ubay Plant will expire on May 4, 2024. Ubay's application for renewal of its PAO is pending evaluation by the ERC.
13	San Manuel BESS	The extension of PAO issued by the ERC for the San Manuel Plant will expire on May 4, 2024. San Manuel's application for renewal of its PAO is pending evaluation by the ERC.
14	Maco BESS	The extension of PAO issued by the ERC for the Maco Plant will expire on May 3, 2024. Maco's application for renewal of its PAO is pending evaluation by the ERC.
15	BCCPP BESS	The extension of PAO issued by the ERC for the BCCPP Plant will expire on May 3, 2024. BCCPP's application for renewal of its PAO is pending evaluation by the ERC.
16	Lamiao BESS	The extension of PAO issued by the ERC for the Lamiao Plant will expire on May 4, 2024. Lamiao's application for renewal of its PAO is pending evaluation by the ERC.

Government Regulation and Approval Process

The business of San Miguel Global Power is subject to extensive government regulation, particularly for its greenfield power plants and retail supply business. Moreover, as the Company expands its BESS capabilities and projects, it will be subject to applicable regulations under ancillary services and energy storage systems. To conduct its business, San Miguel Global Power and its subsidiaries must obtain various licenses, permits and approvals. Even when San Miguel Global Power and its subsidiaries obtain the required licenses, permits and approvals, their operations are subject to continued review under the applicable regulations, and the interpretation or implementation of such regulations is subject to change.

As of date, San Miguel Global Power has been compliant with and continues to perform its obligations under applicable laws and regulations relevant to its businesses. Further, San Miguel Global Power and its subsidiaries are in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. San Miguel Global Power and its subsidiaries also maintain a strong compliance culture and have processes in place in order to manage adherence to laws and regulations.

Energy Regulatory Commission

As set forth in the Electric Power Industry Reform Act of 2001 ("EPIRA"), power generation is not considered a public utility operation. Thus, an entity engaged or intending to engage in the generation of electricity is not required to secure a national franchise. However, no person or entity may engage in the generation of electricity, unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a COC or PAO from the ERC to operate facilities used in the generation of electricity. A COC is valid for a period of five years from the date of issuance while a PAO is only valid for a period of one year. If a generator company cannot comply with all COC requirements, it may apply for a PAO with the ERC. The ERC may issue a PAO in lieu of the COC, pending the completion of COC requirements. One of the requirements for the issuance of a COC is compliance with the public offering

requirement under Section 43 of the EPIRA and ERC Resolution No. 9, Series of 2011, as amended by ERC Resolution No. 4, Series of 2019, entitled “A Resolution Amending Resolution No. 9, Series of 2011 Requiring Generation Companies and Distribution Utilities which are not Publicly Listed to Offer and Sell to the Public a Portion of not less than fifteen percent (15%) of their Common Shares of Stock pursuant to Section 43 (t) of Republic Act No. 9136 And Rule 3, Section 4 (m) of its Implementing Rules and Regulations (IRR)”, which is the subject of a pending rule-making petition before the ERC.

In addition to the certificate of compliance requirement, a generation company must comply with government-prescribed technical, financial capability, health, safety and environmental standards. A generation company must ensure that all its facilities connected to the grid meet the technical design and operational criteria of the Philippine Grid Code and Philippine Distribution Code promulgated by the ERC. In this connection, the ERC has issued guidelines setting the minimum financial capability standards for generation companies. Under the guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service capability ratio (which measures the ability of the power generation company to service its debts) of 1.5x throughout the period covered by its certificate of compliance. For certificate of compliance applications and renewals, the guidelines require the submission to the ERC of, among other things, a schedule of liabilities, and a five-year financial plan. For the duration of the certificate of compliance, the guidelines also require a generation company to submit audited financial statements and forecast financial statements to the ERC for the next two financial years, as well as other documents. The failure of a generation company to submit the requirements prescribed by the guidelines may be grounds for the imposition of fines and penalties.

With the introduction of Retail Competition and Open Access (“RCOA”), the rates charged by a generation company are no longer regulated by the ERC, except rates for Captive Markets (as determined by the ERC). In addition, since the establishment of the WESM, generation companies are now required to comply with the membership criteria and appropriate dispatch scheduling as prescribed under the WESM Rules.

In the course of developing a power plant, other permits, approvals and consents must also be obtained from relevant national, provincial and local government authorities, relating to, among others, site acquisition, construction and operation, including environmental-related licenses and permits.

In October 2020, DOE Secretary Alfonso G. Cusi announced that the periodic assessment of the country’s energy requirements has led the DOE to declare a moratorium on endorsements for greenfield coal power plants.

On January 11, 2021, the DOE issued an Advisory dated December 22, 2020, with the subject “Moratorium of Endorsements for Greenfield Coal-Fired Power Projects in Line with Improving the Sustainability of the Philippines’ Electric Power Industry”. Under this advisory, effective October 27, 2020, the DOE would no longer process applications for greenfield coal-fired power generation facility projects requesting for endorsements. However, existing and operational coal-fired power generation facilities as well as any coal-fired power project which comply with the following parameters will not be affected by the moratorium:

- (i) committed power projects;
- (ii) existing power plant complexes which already have firm expansion plans and existing land site provision; and
- (iii) indicative power project with substantial accomplishments, specifically
 - with signed and notarized acquisition of land or lease agreement for the project; and
 - with approved permits or resolutions from local government units (“LGUs”) and the relevant regional development council where the power plant will be located.

Ancillary Services

Under the EPIRA, NGCP has the obligation to ensure and maintain the reliability, adequacy, security, stability and integrity of the grid in accordance with the performance standards for its operations and maintenance, as set forth in the Philippine Grid Code, and to adequately serve generation companies,

distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system.

In the performance of its functions as the grid system operator, NGCP requires ancillary services to ensure the power quality and stability of the grid. Ancillary services, as defined in Section 4(b) of the EPIRA, are services necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with the good utility practice and the Philippine Grid Code. These are support services to provide frequency control and include Primary Reserve, Secondary Reserve, and Tertiary Reserve.

In order to maintain the security and integrity of the grid, the system operator shall operate the grid in such a manner as to provide adequate frequency control to achieve operations within frequency limits at all times. Achieving effective frequency control requires the following ancillary services which are differentiated depending on their response time and sustainability:

- Primary Reserve Ancillary Service ("PRAS"). This reserve shall cover sudden outage or failure of synchronized generating unit or transmission line links or the power import from a single circuit interconnection, whichever is larger. The capacity of the PRAS provider should not be used in the regular energy supply but can be set to respond on small variations to system frequency to support the Secondary Reserves.
- Secondary Reserve Ancillary Service ("SRAS"). The system operator through AGC shall use the Secondary Reserve to restore the system frequency from the quasi-steady state value as established by the Primary Response and Reserve of generating units back to the nominal frequency of 60 Hz during contingent event. Small variations to system frequency to support the balance through Governor Control Mode ("GCM") may be initiated. Where the Automatic Generation Control ("AGC") function of the system operator is not fully operational, dispatcher may instruct the generator to transfer to GCM as well. SRAS should be controlled by the system operator through AGC with various AGC modes and frequency deadband settings in order to regulate the system frequency and the speed governing system shall be capable of accepting raise and lower signals or set point signals from the Control Center of the system operator.
- Tertiary Reserve Ancillary Service ("TRAS"). The capacity of the qualified generating units offered for this Ancillary Service should not be part of the regular energy supply and can either be synchronized to respond within 15 minutes or off-line provided that it can fully provide the required reserve within 30 minutes from the receipt of dispatch instruction. The Tertiary Reserve provider should be able sustain its contributed capacity for at least 60 minutes. If and only if, the Primary and Secondary Reserves have been exhausted, the system operator shall make use of the Tertiary Reserve to return/maintain the system frequency to 60Hz in cases of: tripping of a generating unit or a transmission line which creates generation-load unbalance, unplanned loss of the power import, disconnection of a large load or load blocks, system frequency increases above 60.1 Hz or reduces below 59.9 Hz and it is not possible to return it to nominal values with appropriate use of the Primary and Secondary Reserves. TRAS should be capable of operating through AGC or manual mode and shall be monitored and controlled by the system operator.

To implement and regulate the procurement of ancillary services, the ERC approved the Ancillary Services Procurement Plan (the "ASPP") and the Ancillary Services - Cost Recovery Mechanism (the "AS-CRM") on March 9, 2006 and October 3, 2007, respectively. Under the AS-CRM, NGCP secures Ancillary Services through the ASPA with qualified generation companies. For ancillary services arranged via the ASPA, the OATS Rules, the ASPP and the AS-CRM will be applied.

All ancillary services contracted by NGCP from qualified generators will be recovered through rates and charges from the generation customers, embedded generation customers and load customers, where applicable, subject to approval of the ERC.

ASPAs require the substantial completion of the project prior to contracting with the NGCP and are subject to ERC approval. These are generally for a term of five years, extendible for another five years with relatively standard rates, particularly for regulating reserves.

Under prevailing DOE regulations, the system operator (or NGCP as the current concessionaire of TransCo) is mandated to conduct CSP for its ASPAs in accordance with the guidelines promulgated by the DOE. On October 4, 2021, DOE issued Department Circular No. 2021-10-0031 entitled “Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services by the System Operator” (“DC2021-10-0031”), which prescribes the policy for the transparent and efficient procurement of ancillary services by the system operator and requires that all ASPAs shall be entered into by NGCP in accordance with the competitive procurement mechanisms provided thereunder. DC2021-10-0031 provides that within six months from effectivity thereof, NGCP shall conduct a CSP for the procurement of ancillary services for a contract period of a maximum of five years. Direct negotiation may be made after at least two CSPs, provided that there is no outstanding dispute on the conducted CSP. The ERC, in the exercise of its powers and functions under the EPIRA shall have the power to review whether the parties have complied with the requirements of CSP for ancillary services. All non-firm ASPAs not converted to firm ASPAs upon effectivity of DC2021-10-0031 shall be valid and effective. However, for purposes of dispatching of ancillary services, the firm ASPAs will be prioritized. The Company, through SMGP BESS and MPCL, participated in the competitive selection process conducted by the NGCP in 2023 for its ancillary service requirements and were able to secure ASPAs with a total capacity of 330 MWh for Masinloc BESS and several BESS facilities of SMGP BESS in Luzon, Visayas and Mindanao.

San Miguel Global Power also intends to offer its remaining BESS facilities to NGCP and will participate in the next CSP that will be conducted by NGCP for the procurement of ancillary services.

Philippine Downstream Natural Gas Regulations

On November 28, 2017, DOE issued Department Circular No. 2017-11-0012 (“DC2017-11-0012”), which provides the Rules and Regulations Governing the Philippine Downstream Natural Gas Industry (“PDNGI”). DC2017-11-0012 sets forth the rules and regulations for siting, design, construction, expansion, rehabilitation, modification, operation, and maintenance of the downstream natural gas industry value chain. DC2017-11-0012 covers all downstream natural gas facilities and the operations or activities relating thereto, such as importation of LNG, storage, regasification, transmission and distribution to customers including the pipeline and its related facilities used to transport natural gas, as well as the operations or activities related thereto after the point of sale up to the last connection point to the customers.

Under DC2017-11-0012, no person, natural or juridical, shall construct, expand, rehabilitate, modify, operate or maintain a downstream natural gas facility unless authorized to do so by the DOE. Further, a person who intends to engage in the importation of any quantity of natural gas shall apply for accreditation with the Oil Industry Management Bureau of the DOE (“DOE-OIMB”). Prior to any importation, the accredited importer shall send a pre-importation notice to DOE-OIMB within the required period prior to loading of every importation. Upon compliance with the pre-importation requirements of the DOE, the DOE-OIMB shall issue an Acknowledgement to Import LNG which shall serve as primary authority for the accredited importer to import the specified quantity of LNG. Post-importation notice shall be submitted to the DOE-OIMB not later than 20 working days after unloading of every importation. SPPC as owner and operator of the Ilijan Power Plant must apply for certain permits with the DOE as required under DC2017-11-0012.

Retail prices of natural gas converted from LNG shall be deregulated. However, such retail price is required to be unbundled to the extent of reflecting the following basic pricing components: (i) Landed Cost of the natural gas; and (ii) Tolling Fee. The term “Landed Cost” refers to the cost of imported LNG upon delivery to the Philippines, which consists generally of the total of free on board, insurance, freight cost, currency conversion, custom duties, taxes, port-related fees, and other applicable fees. The “Tolling Fee” is composed of capacity payments, operating expenses, taxes and other incidental costs used for receiving, storage, and regasification of LNG into natural gas form usable as fuel and its delivery to the customer or buyer.

Excess capacity of the LNG import terminal facilities, transmission system (i.e., the pipeline and related facilities used to transport LNG extending between the connections from the gathering facilities to the last connection point before the distribution system), distribution system (i.e., the pipeline and related facilities

used to transport LNG extending between the last delivery points of the transmission system to the last connection point to the customer) and other services offered by the grantee of a permit to operate and maintain under DC2017-11-0012 (the “POM Grantee”) shall be available and accessible to third parties on a transparent and non-discriminatory basis. The term “capacity” is defined under DC2017-11-0012 as the “maximum capacity of the natural gas facility to provide the services for which that natural gas facility is developed, expressed in normal cubic meters per time unit or in energy unit per time.”

On February 1, 2019, the DOE issued DC2019-02-004 entitled “Implementing the Natural Gas Quality Standard for All Natural Gas Supply in the Philippines”, requiring all entities engaged in the business of importing, trading, supply and distribution of natural gas to comply with the specifications of PNS/DOE QS 011:2016 “Petroleum gases — Natural gas — Quality Specification”. Non-compliance with the foregoing requirement shall be a ground for the suspension or cancellation of the accreditation and the non-issuance of Acknowledgement to Import for succeeding applications.

On January 12, 2024, the DOE issued Department Circular No. D2024 -01-0007 entitled “Adopting the Amended Rules and Regulations Governing the Philippine Downstream Natural Gas Industry”, which now allows third party access to the entire capacity of any downstream natural gas facility through negotiated Third Party Access or Competitive Third Party Access.

Registration under the Board of Investments (BOI)

Under the Executive Order No. 226, otherwise known as the “Omnibus Investments Code”, as amended (“EO No.226”), a BOI-registered enterprise enjoy certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with the BOI, the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25% of the estimated project cost, or as may be prescribed by the BOI.

Such incentives include: (i) income tax holiday, (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees; (iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; (ix) simplification of customs procedure; and (x) importation of consigned equipment.

On April 12, 2019, Republic Act No. 11285, otherwise known as the Energy Efficiency and Conservation Act, was enacted. Under the said law, upon certification by the DOE, energy efficiency projects shall be included in the annual investment priorities plan of the BOI and shall be entitled to the incentives provided under EO No. 226,, and any other applicable laws for 10 years from the effectivity of the Act. Said energy efficiency projects shall also be exempt from the requirements provided under Article 32(1) of EO No. 226. Energy efficiency projects refer to projects designed to reduce energy consumption and costs by any improvement, repair, alteration, or betterment of any building or facility, or any equipment, fixture, or furnishing to be added to or used in any building, facility, or vehicle including the manufacturing and provision of services related thereto; provided, that such projects shall be cost-effective and shall lead to lower energy or utility costs during operation and maintenance.

In view of the effectivity of the Republic Act No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises Act (“CREATE”) Law, registered business enterprises with incentives granted prior to the effectivity of the CREATE Law shall be subject to the following rules:

- i. registered business enterprises whose projects or activities were granted only an income tax holiday prior to the effectivity of the CREATE Law shall be allowed to continue to avail of the income tax holiday for the remaining period specified in the terms and conditions of their registration, provided that enterprises that have been granted the income tax holiday but have not yet availed of such incentive upon the effectivity of the CREATE Law may use the income tax holiday for the period specified in the terms and conditions of their registration;
- ii. registered business enterprises whose projects or activities were granted an income tax holiday prior to the effectivity of the CREATE Law and that are entitled to 5% tax on gross

- income earned incentive after the income tax holiday shall be allowed to avail of the 5% tax on gross income incentive subject to the 10-year limit under the CREATE Law; and
- iii. registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the CREATE Law shall be allowed to continue of such tax incentive for 10 years.

Local Government Code

Republic Act No. 7160, otherwise known as the Local Government Code of 1991 (the “LGC”) establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every LGU shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

The power to tax and police power are exercised by the LGU through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, impose real property taxes, regulate business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Labor and Employment

The Department of Labor and Employment (“DOLE”) is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines and the Occupational Safety and Health Standards (which set out, among others, the guidelines applicable to different establishments intended for the protection of every workingman against the dangers of injury, sickness or death through safe and healthful working conditions), as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 11199, the “Social Security Act of 2018” to ensure coverage of employees following procedures set out by the law and the Social Security System (“SSS”). Under the said law, an employer must deduct from its employees their monthly contributions in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with the monthly salary credits, the schedule and the rate of contributions as may be determined and fixed by the Social Security Commission, pay its share of contribution and remit these to the SSS within a period set by law and/ or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in a National Health Insurance Program administered by the Philippine Health Insurance Corporation, a government corporation attached to the DOH tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of Republic Act 10606, the “National Health Insurance Act of 2013”. On February 20, 2019, Republic Act No. 11223, the “Universal Health Care Act”, was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the National Health Insurance Program. However, membership is classified into two types, direct contributors and indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for health benefit package under the program.

Under Republic Act No. 9679, the “Home Development Mutual Fund Law of 2009”, all employees who are covered by the SSS must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund.

Environmental Impact Statement System (“EISS”) Law

The Philippine EISS Law established under Presidential Decree No. 1586, which is implemented by the Department of Environment and Natural Resources (“DENR”), is the general regulatory framework for any project or undertaking that is either (a) classified as environmentally critical or (b) is situated in an environmentally critical area. The DENR, through its regional offices or through the Environmental Management Bureau (“EMB”), determines whether a project is environmentally critical or located in an environmentally critical area and processes all applications for an Environmental Compliance Certificate (“ECC”).

The law requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an Environmental Impact Statement (“EIS”) which is a comprehensive study of the significant impacts of a project on the environment. The EIS serves as an application for the issuance of an ECC, if the proposed project is environmentally critical or situated in an environmentally critical area; or for the issuance of a Certificate of Non-Coverage, if otherwise. An ECC is a Government certification that, among others, (i) the proposed project or undertaking will not cause significant negative environmental impact; (ii) the proponent has complied with all the requirements of the EISS Law in connection with the project; and (iii) the proponent is committed to implement its approved Environmental Management Plan (“EMP”) in the EIS. The EMP details the prevention, mitigation, compensation, contingency and monitoring measures to enhance positive impacts and minimize negative impacts and risks of a proposed project or undertaking.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents are also required to establish an Environmental Monitoring Fund (“EMF”) when an ECC is eventually issued. The EMF is to support the activities of the team monitoring the project proponent's compliance with ECC conditions, EMP and applicable laws, rules and regulations.

Power plant operations are considered environmentally critical projects for which an EIS and an ECC are mandatory.

The Clean Water Act

The Clean Water Act (Republic Act No. 9275) and its implementing rules and regulations provide for water quality standards and regulations for the prevention, control, and abatement of pollution of the water resources of the country. The Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time. The DENR, together with other government agencies and the different local government units, is tasked to implement the Clean Water Act and to identify existing sources of water pollutants, as well as strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law.

The Clean Air Act

Pursuant to the Clean Air Act of 1999 (Republic Act No. 8749) and its implementing rules and regulations, enterprises that operate or utilize air pollution sources are required to obtain a Permit to Operate from the DENR with respect to the construction or the use of air pollutants. The issuance of the said permit seeks to ensure that regulations of the DENR with respect to air quality standards and the prevention of air pollution are achieved and complied with by such enterprises.

The Renewable Energy Act

The Renewable Energy Act of 2008 (Republic Act No. 9513) aims to promote development and commercialization of renewable and environment-friendly energy resources such as biomass, solar, and wind through various tax incentives. Some of the tax incentives granted to renewable energy developers under the said law include (i) a seven-year income tax holiday; (ii) duty free importation of renewable energy machinery, equipment, and materials; (iii) special realty tax rates on equipment and machinery; (iv) zero percent VAT rate for power generated from these energy sources; and (v) the imposition of a reduced corporate tax of 10% on its net taxable income after the income tax holiday.

The RE Act establishes the framework for the accelerated development and advancement of renewable energy resources as well as the development of a strategic program to increase its utilization. The RE Act defines renewable energy resources as energy resources that do not have an upper limit on the total quantity to be used. Such resources are renewable on a regular basis, and their renewal rate is relatively rapid to consider availability over an indefinite period of time. These include, among others, biomass, solar, wind, geothermal, ocean energy, and hydropower conforming to internationally accepted norms and standards on dams, and other renewable energy technologies.

The DOE is the lead agency mandated to implement the provisions of this law.

On October 1, 2019, the DOE issued Department Circular (“DC”) 2019-10-0013, which provided the omnibus guidelines governing the award and administration of renewable energy contracts and the registration of renewable energy developers. DC 2019-10-0013 became effective on November 22, 2019, or 15 days after its publication in two newspapers of general circulation. DC 2019-10-0013 primarily harmonized the existing guidelines and procedures governing the transparent and competitive system of awarding renewable energy contracts and registration of renewable energy projects.

Under DC 2019-10-0013, renewable energy contracts (i.e., service agreements between the government and a renewable energy developer which grant to the developer the exclusive right to explore, develop, or utilize the renewable energy resource within a particular area) shall be awarded through open and competitive selection process or direct application. The open and competitive selection process shall be adopted for the selection and award of the service contracts for pre-determined areas covering any type of resource for commercial purposes. On the other hand, direct application shall be available for the selection and award of (i) renewable energy operating contracts (i.e., service agreements for the development and/or utilization of renewable energy resources which, due to their technical characteristics need not go through pre-development stage); (ii) service contracts covering pre-determined areas following a failed open and competitive selection process; and (iii) service contracts for areas identified by the applicant and verified with and confirmed by the DOE-Information Technology Management Services as available for exploration, development and/or utilization of the proposed renewable energy resource.

On December 24, 2021, DOE issued DC2021-12-0042 which prescribed amendments to the rules and regulations implementing the RE Act. Among the amendments introduced is the requirement for registered renewable energy developers to submit a sworn undertaking to pass on the savings, which are derived from income tax incentives under the RE Act, to the end-users in the form of lower power rates. For purposes of availment of incentives under the RE Act, renewable energy developers must remain in good standing as determined based on specific criteria, such as, but not limited to: (i) compliance with obligations under the RE Act, its implementing rules and regulations and other applicable law; (ii) compliance with directives of DOE; (iii) compliance with pre-registration/registration conditions required by DOE; (iv) compliance with reportorial requirements; and (v) remittance of government shares and payment of applicable financial obligations. Failure by renewable energy developers to comply with the abovementioned criteria shall be sufficient ground for termination or cancellation of its renewable energy contract and certificate of registration.

Pursuant to the RE Law, the DOE has also established the Green Energy Option Program and provided guidelines thereof under Department Circular No. 2018-07-0019 entitled “Promulgating the Rules and Guidelines Governing the Establishment of the Green Energy Option Program pursuant to the Renewable Energy Act of 2008” On August 16, 2021, the ERC likewise issued Resolution No. 08, series of 2021, dated April 22, 2021 entitled “A Resolution Adopting the Rules for the Green Energy Option Program” which provides the necessary

regulatory framework to operationalize Section 9 of the RE Act calling for the establishment of a Green Energy Option Program (“GEOP”). The GEOP provides end-users the option to choose RE resources as their sources of energy and allows eligible end-users to directly contract with a renewable energy supplier for their electricity needs. Eligible end-users currently include those with a monthly average peak demand of 100 KW and above, for the past 12 months.

Renewable Portfolio Standards and Requirements

Under the Renewable Energy Act (Republic Act No. 9513), Renewable Portfolio Standards refer to a market-based policy that requires electricity suppliers to source an agreed portion of their energy supply from eligible renewable energy resources. The mandated participants to the annual Renewable Portfolio Standards requirements include: (i) all distribution utilities for their captive customers; (ii) all suppliers of electricity for the contestable market; (iii) generating companies only to the extent of their actual supply to their directly connected customers; and (iv) other entities as may be recommended by the National Renewable Energy Board and approved by the DOE.

Department Circular No. DC 2017-12-0015, which prescribes the rules and guidelines governing Renewable Portfolio Standards for on-grid areas, provides that the renewable energy share of electricity coming from renewable energy resources in the energy mix should be based on the aspirational target of 35% in the generation mix expressed in MWh by 2030, subject to regular review and assessment by the DOE. Non-compliance with the Renewable Portfolio Standards On-Grid Rules may result in administrative liability amounting to ₱100,000.00 to ₱500,000.00, criminal liability consisting of fine and/or imprisonment, or upon the DOE’s discretion, the revocation of the mandated participant’s license, franchise, or authority to operate.

The DOE updated its guidelines for the Green Auction Energy Program (GEAP) by issuing DOE Circular No. DC2021-11-0036 (the “Revised GEAP Guidelines”) dated November 3, 2021, which repealed DOE Circular No. DC2020-07-0017. Under the Revised GEAP Guidelines, the distinction between supply-only auctions and OCSP-supply auctions were removed. The principles and provisions governing green energy tariffs and green energy auctions were likewise updated. Moreover, the Revised GEAP Guidelines introduced an opt-in mechanism in order to reduce FIT-All charges to the electricity end-users, and to meet any DU supply and Renewable Portfolio Standards requirements. Under said opt-in mechanism, any distribution utility has the option to procure from the green energy auction program pool of a winning bidder under a particular auction round and thereby carve-out such DU-procured volumes from the pool compensable by the FIT-All. Under the Revised GEAP Guidelines, a distribution utility that contracts for renewable energy supply through the green energy auction, including the opt-in mechanism, shall be considered as having complied with the competitive selection process requirements.

Other Environmental Laws

Other regulatory environmental laws and regulations applicable to the businesses of San Miguel Global Power include the following:

- The Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 (Republic Act No. 6969), which regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines or the keeping in storage of hazardous wastes which include byproducts, process residue, contaminated plant or equipment or other substances from manufacturing operations. The said law is implemented by the DENR.
- The Ecological Solid Waste Management Act of 2000 (Republic Act No. 9003), which provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

- The Code on Sanitation of the Philippines (the “Sanitation Code”) (Presidential Decree No. 856), which provides for sanitary and structural requirements in connection with the operation of certain establishments such as industrial establishments. Under the Sanitation Code, which is implemented by the Philippine Department of Health, no person, firm, corporation, or entity shall operate any industrial establishment without first obtaining a sanitary permit.

Research and Development

San Miguel Global Power seeks to capitalize on regulatory and infrastructure developments by scheduling the construction of greenfield power projects to coincide with the planned improvements in the interconnectivity of the Luzon and Visayas grids, as well as the eventual interconnectivity and implementation of WESM in Mindanao. In addition, San Miguel Global Power seeks to maintain the cost competitiveness of these new projects by exploring new technologies and strategically locating them in high demand areas and in areas with the closest proximity to the grid.

San Miguel Global Power is considering further expansion of its power portfolio through new greenfield power plants nationwide over the next few years in line with the growth in market demand. San Miguel Global Power is confident that the experience it gained from building its greenfield power plants will enable it to build new cost competitive plants. In addition to power generation assets, the Company has invested in battery technology to add to the existing 10 MWh Masinloc BESS and the 30 MWh Kabankalan BESS, of which Phase 1 (20 MWh) commenced commercial operations in January 2022. Of the 1,000 MWh BESS projects, 630 MWh across 18 sites attained substantial completion as of February 2024, including the 30 MWh Kabankalan (Phase 1 and 2) and 20 MWh Masinloc (Phase 2). A total of 30 MWh across 2 sites are expected to be substantially completed in 2024. San Miguel Global Power also actively seeks to identify and pursue renewable energy investments such as hydroelectric power and solar power projects, subject to the outcome of viability and feasibility analyses. This is in line with the Company’s objective to operate in an environmentally-responsible manner, while taking into consideration energy security and affordability for its consumers.

Compliance with Environmental Laws

Power operations are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations include the Philippine Clean Air Act of 1999 (“Clean Air Act”), the Philippine Clean Water Act of 2004 (“Clean Water Act”), Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, the Department of Labor and Employment Occupational Safety and Health Standard of 1989, as amended, and Republic Act No. 11058 (otherwise known as “An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Therefor”). Such legislation addresses, among other things, air emissions, wastewater discharges as well as the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste. It also regulates workplace conditions within power plants and employee exposure to hazardous substances. The Occupational Safety and Health Standard, meanwhile, was formulated to safeguard the workers’ social and economic well-being as well as their physical safety and health.

For its BESS sites, the Company is committed to ensure the safety of its employees and the community and has designed measures such as a fire protection system, with a fire wall, automatic fire shutters, and sprinkler system, and a double wall system composed of the blast wall and fire wall, to add additional layers of safety. The fire wall (Boral) has a 60/60/60 fire resistance level meaning it is able to maintain structural adequacy, integrity, and insulation for at least 60 minutes during fire testing. Its thermal regulation features include louver-type windows and doors and dedicated high-voltage air conditioning units. The prismatic cell design of the BESS with can-type battery enclosures provides additional safety features such as its fuse countermeasure and overcharge safety device while also promoting stability, space-efficiency and flexibility. The BESS also has a disaster resilient design and is able to withstand 7-9 magnitude earthquakes (Seismic Zone 4) and super typhoons (i.e., wind speeds up to 270 kph).

San Miguel Global Power, through its relevant subsidiaries, complies, for its company-owned generation plants, and believes that the IPPs for each of the IPPA Power Plants whose capacities are managed by San Miguel Global Power, through its subsidiaries, comply, in all material respects with all applicable safety, health and environmental laws and regulations.

The Sual Power Plant received its Environmental and Management System Certificate (ISO 14001) in 2004, its Quality Management System Certificate (ISO 9001) in 2008, both of which have been recertified in July 2023. Its Occupational Health and Safety Management System (ISO 45001) certification was obtained in March 2021 and was recertified in July 2023. The same ISO certifications of the Limay Greenfield Power Plant and Davao Greenfield Power Plant were recertified in February 2021 and March 2023, respectively. The Masinloc Power Plant (Units 1 and 2) received its Environmental Management System Certificate in 2014 and Occupational Health and Safety Management System in October 2019, both of which were recertified in September 2023, and its Asset Management System (ISO 55001) in 2018 which was recertified in August 2023. The Davao Greenfield Power Plant was the first power plant in the Philippines to receive an Energy Management System Certificate (ISO 50001) in December 2018 which was recertified and transitioned to ISO 50001 ver 2018 in March 2020. The Davao Greenfield Power Plant also received its certification for Asset Management System (ISO 55001) in October 2019. In January 2021, it received its Business Continuity Certification (ISO 22301) which is currently undergoing audit for its recertification. The preparation for an Integrated Management System (IMS) at Ilijan Power Plant commenced in September 2023, covering ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 standards. SPPC has successfully completed Phase 1 (Personnel Training) and Phase 2 (Management System Planning). Currently, the Ilijan Power Plant is in Phase 3 (IMS Documentation), with Phase 4 (Assessment) scheduled for May 2024. Certification is targeted for the 3rd or 4th quarter of this year, pending internal audit results.

For each of its greenfield power plants, San Miguel Global Power will comply with all applicable safety, health and environmental laws and regulations, including securing the necessary ECC in accordance with Philippine law.

San Miguel Global Power applies the same focus and resources on operational excellence in its portfolio of coal-fired power plants as with its environmental compliance. Efficient emission mitigation begins with a dynamic fuel preparation process that ensures coal fineness through the use of reliable and versatile coal milling and grinding equipment. San Miguel Global Power plans to use dynamic classifiers to further improve coal fineness in the future. This would allow more efficient burning of coal (reducing nitrogen oxide or “NOx”) and the use of lower calorific value (“CV”) coal with lower sulfur content (reducing sulfur oxide or “SOx”). High CV coal with high sulfur content inherently does not only have higher emissions but are also significantly more expensive.

In addition to standard environmental control facilities customarily found in modern coal fired power plants such as enclosed coal conveyor and storage systems, ash storage systems, waste water treatment systems and air pollution and smoke stack systems, San Miguel Global Power’s power plants have the following environmental control equipment and features that ensure that its NOx, SOx and particulate matter (“PM”) emissions are within and below applicable local limits set by the DENR and emission limits set by the World Bank:

- Circulating fluidized bed technology (used in San Miguel Global Power’s greenfield power plants, Limay and Davao) operate the boilers at relatively lower pressure and temperatures (below 800 degrees centigrade) compared to Pulverized Coal (“PC”) technology. This results in better combustion and lower NOx and material particulates.
- Limestone injection to the fuel as it goes to the boiler is used for San Miguel Global Power’s Plants to further reduce their SOx and particulate matter emissions.
- Unit 3 of the Masinloc Power Plant uses supercritical boiler technology, which, relative to an ordinary PC boiler (subcritical), has a significantly better combustion process resulting to a much improved heat rate of coal – meaning less coal is required to produce a megawatt of electricity. This also allows the use of lower CV and lower sulfur coal, which is a key factor to lower SOx emissions.
- For Sual Power Plant and Unit 3 of the Masinloc Power Plant (the “Masinloc PC units”), San Miguel Global Power uses Flue Gas Desulfurization (“FGD”) equipment that can remove up to 90% of the SOx and particulate matter in the flue gas emissions of these plants. The Sual Power Plant uses

limestone, while the Masinloc PC Units use seawater to scrub SO_x and particulate matter from the flue gases.

- For the greenfield plants, San Miguel Global Power uses Electrostatic Precipitators (“ESP”) to remove particulate matter such as dust and soot, through an electrostatic charge that captures these materials from the flowing gases on their way out the smoke stack.
- San Miguel Global Power conducts regular meetings with the IPP of the Sual Power Plant to ensure the plant’s fuel efficiency and compliance to environmental standards.
- For the Masinloc PC units, San Miguel Global Power has reduced the CV and sulfur content of coal used from 6,100 kcal and 0.5% to only 5,500 kcal and 0.25%, respectively. This is accomplished without derating the power output of the units as a result of a recent retrofit work done on Unit 2 and preventive maintenance of Unit 1 that have retained and even improved the heat rate of these units.

San Miguel Global Power also plans to explore the use of catalytic reduction technology on its PC plants to further improve its NO_x emissions. This is an advanced active emission control technology that injects a liquid reductant agent through a special catalyst which is predominantly ammonia, into the flue gases to capture and remove NO_x emissions.

San Miguel Global Power closely monitors and publishes on a weekly basis the emission data of the Limay and Davao Greenfield Power Plants, which are reviewed by both the DOE and the DENR. These power plants have emission levels that are less than 50% of the applicable local and World Bank emission limits.

The coal-fired power plants of the Company have maintained levels of emission lower than the standards set by the DENR. The following table sets forth the level of NO_x, SO_x and PM emissions of the power plants owned and operated by the Company, as well as the applicable emission control standards, for the year ended December 31, 2023:

Power Plant	NO _x		SO _x		PM	
	Emission level	DENR Standard	Emission level	DENR Standard	Emission level	DENR Standard
	(ppm)		(ppm)		(Mg/Nm ³)	
Sual Power Plant*	156.3	732.0	274.1	524.0	16.6	200.0
Masinloc Power Plant	191.7	732.0	334.8	524.0	164.2	200.0
Limay Greenfield Power Plant	62.8	487.0	57.6	245.0	3.5	150.0
Davao Greenfield Power Plant.....	62.8	487.0	58.5	245.0	6.9	150.0

* Operated under IPPA Agreement

In addition, coal mining in the Philippines is subject to environmental, health and safety laws, forestry laws and other legal requirements. These laws govern the discharge of substances into the air and water, the management and disposal of hazardous substances and wastes, site clean-up, groundwater quality and availability, plant and wildlife protection, reclamation and rehabilitation of mining properties after mining is completed and the restriction of open-pit mining activities in conserved forest areas.

Notwithstanding the foregoing, the discharge of chemicals, other hazardous substances and pollutants into the air, soil or water by the power plants owned or managed by San Miguel Global Power may give rise to liabilities to the government and to local government units where such facilities are located, or to third parties. In addition, San Miguel Global Power may be required to incur costs to remedy the damage caused by such discharges or pay fines or other penalties for non-compliance.

Further, the adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require that San Miguel Global Power make additional capital expenditures or incur additional operating expenses in order to maintain the operations of its generating facilities at their current level, curtail power generation or take other actions that could have a material adverse effect on the financial condition, results of operations and cash flow of the Company.

On an annual basis, operating expenses incurred by the San Miguel Global Power to comply with environmental laws are not significant or material relative to the Group's total cost and revenues.

Employees

As of December 31, 2023, San Miguel Global Power and its subsidiaries have 2,591 employees, of which 109 are executives and managers and 246 are supervisors. All employees are based in Philippines.

Since 2008, employees of San Miguel Global Power have not been members of any labor union and are not parties to any collective bargaining agreement. San Miguel Global Power has not experienced any work stoppages and considers its relationship with its employees to be good. Consistent with the goal of San Miguel Global Power to be one of the Philippines' preferred employers, San Miguel Global Power has adopted a rewards and recognition policy that is competitive with industry standards in the Philippines. In addition to the statutory benefits, San Miguel Global Power initiates benefits to provide for the increased security of its employees in the following areas: healthcare, leaves, miscellaneous benefits, loans and financial assistance applicable to a variety of uses, retirement benefits and survivor security and death benefits.

With the ensuing 12 months, San Miguel Global Power may require additional hiring of employees to support its business expansion, the number of which cannot be determined.

Risks Relating to San Miguel Global Power

Increased competition in the Philippine power industry

The Government has sought to implement measures designed to enhance the competitive landscape of the power market, particularly for the unregulated sectors of the industry. These measures include the privatization of NPC-owned and controlled power generation assets, the establishment of the WESM, the start of the Retail Competition and Open Access ("RCOA"), implementation of mandatory CSP for distribution utilities, the implementation of the green energy option, which allows contestable customers to directly contract with a renewable energy supplier, the implementation of the Renewable Portfolio Standards ("RPS"), which mandates electricity suppliers to source an agreed portion of their energy supply from eligible renewable energy ("RE") resources, and the establishment of the Renewable Energy Market ("REM"), a venue for the trading of Renewable Energy Certificates ("RECs") and for the compliance of electricity suppliers with their RPS obligations. Further, Republic Act No. 10667 or the Philippine Competition Act was enacted to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities, prevent economic concentration which will manipulate or constrict the discipline of free markets, and penalize all forms of anti-competitive agreements, abuse of dominant position and anti-competitive mergers and acquisitions, with the objective of protecting consumer welfare and advancing domestic and international trade and economic development.

The move towards a more competitive environment could result in the emergence of new and numerous competitors. These competitors may have greater financial resources and may have more extensive experience than San Miguel Global Power, giving them the ability to respond to operational, technological, financial and other challenges more quickly than San Miguel Global Power. These competitors may therefore be more successful than San Miguel Global Power in acquiring existing power generation facilities or in obtaining financing for and the construction of new power generation facilities or in successfully bidding at CSPs conducted by distribution utilities. The type of fuel that competitors use for their generation facilities may also allow them to produce electricity at a lower cost and to sell electricity at a lower price. In addition, other sources for the provision of ancillary services may arise, including technological developments or establishment of new market regimes, which may increase competition and reduce prevailing prices for these services. Moreover, a decline in oil and gas prices, which reduces the cost of producing electricity from fossil fuels, could make energy storage solutions integrated with renewable energy sources less competitive against other solutions including conventional generation. San Miguel Global Power may therefore be unable to meet the competitive challenges it will face.

As a result of increased competition, San Miguel Global Power could also come under pressure to review or renegotiate the terms of existing offtake agreements with customers, which may lead to a downward adjustment of tariffs, and could adversely affect the business, financial performance and results of operations of San Miguel Global Power. To the extent that distribution utilities or industrial offtakers agree to purchase from other generation companies instead of purchasing from San Miguel Global Power, or the Company is unable to participate or otherwise successfully compete in bids for supply contracts, the ability of San Miguel Global Power to increase its sales and sell additional electricity to distribution utilities or industrial offtakers through its generation facilities would be adversely affected.

Availability of financing and significant long-term debt as well as perpetual capital securities

San Miguel Global Power expects to fund its expansion and growth plans through a combination of internally generated funds and external financing. The continued access to debt and equity financing of the Company is subject to factors, many of which are outside of the control of San Miguel Global Power. Political instability, economic downturn, social unrest, or changes in the Philippine regulatory environment could increase the cost of borrowing, decrease the price of its securities, or restrict the ability of San Miguel Global Power to obtain debt or equity financing. In addition, recent disruptions in global capital and credit markets may continue indefinitely or intensify. Disruptions in the global capital and credit markets, including as a result of geopolitical tensions and uncertainties caused by events such as the Russian invasion of Ukraine, rising tensions between Russia and the European Union and the U.S., as well as the potential for the continuation of global trade wars between key economic powers could adversely affect the Company's ability to access the liquidity needed to maintain its business and pursue its growth plans.

Other factors affecting the ability of San Miguel Global Power to borrow include (i) Philippine regulations limiting bank exposure (including single borrower limits) to a single borrower or related group of borrowers; (ii) compliance by the Company with existing debt covenants, which include debt to equity ratio and debt service coverage ratio covenants; and (iii) the ability of San Miguel Global Power to service new debt. The inability of San Miguel Global Power to obtain financing from banks and other financial institutions or from capital markets would adversely affect its ability to execute its expansion and growth strategies and have a material adverse effect on the business, financial condition, and results of operations of San Miguel Global Power.

In addition, San Miguel Global Power has significant long-term debt, finance lease obligations, and perpetual capital securities.

There is no assurance that the Company will be able to refinance or obtain additional financing when needed on commercially acceptable terms or at all. Any additional debt financing may place restrictions on the Company, which may, among others:

- increase vulnerability to general adverse economic and industry conditions;
- limit ability to pursue growth plans;
- limit ability to raise additional financing and access credit or equity markets to satisfy its repayment obligations as they become due on favorable terms, or at all;
- require the Company to dedicate a substantial portion of cash flow from operations to payments on debt and capital securities, thereby reducing the availability of its cash flow to fund capital expenditure, working capital requirements and other general corporate purposes; and/or
- limit its flexibility in planning for, or reacting to, changes in its business and its industry, either through the imposition of restrictive financial or operational covenants or otherwise.

Suspension of issuance and renewal of Retail Electricity Supplier ("RES") licenses

In June 2015, the DOE through DC 2015-06-0010 enjoined the ERC to immediately issue the supporting guidelines including the revised rules for issuance of RES licenses. In compliance with the department circular, the ERC issued the following resolutions to govern the issuance of new RES licenses and renewal of existing RES licenses and the registration of retail customers (collectively, the "2016 ERC RES Issuances"):

- Resolution No. 5, Series of 2016, entitled “A Resolution Adopting the 2016 Rules Governing the Issuances of the Licenses to Retail Electricity Suppliers and Prescribing the Requirements and Conditions Therefore” (the “RES License Guidelines”)
- Resolution No. 10, Series of 2016, entitled “A Resolution Adopting the Revised Rules for Contestability”
- Resolution No. 11, Series of 2016, entitled “A Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market”
- Resolution No. 28, Series of 2016, entitled “Revised Timeframe for Mandatory Contestability”, Amending Resolution No. 10, Series of 2016 Entitled Revised Rules for Contestability”

However, in February 2017, the Philippine Supreme Court, acting on a petition filed by certain entities, issued a temporary restraining order (TRO) on the implementation of DC 2015-06-0010 and the 2016 ERC RES Issuances. In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC 2017-12-0013 and DC 2017-12-0014 encouraging eligible contestable customers to voluntarily participate in RCOA. In 2019, the DOE issued DC 2019-07-0011, amending various issuances on the implementation of the RCOA. DC 2019-07-0011 provides that registration of contestable customers as trading participant in the WESM shall be on a voluntary basis and that contestable customers shall source its electricity supply requirements from ERC-licensed/authorized suppliers. In the light of the TRO issued by the Philippine Supreme Court, the ERC resumed the issuance of RES licenses using ERC Resolution No. 1, Series of 2011 (the “2011 RES Licensing Rules”) in 2020.

On March 2, 2021, the Philippine Supreme Court promulgated its decision, a copy of which was made publicly available on September 24, 2021, finally declaring DC 2015-06-0010 and the 2016 ERC RES Issuances, void for being bereft of legal basis (the “SC RES Decision”). As a result, the temporary restraining order issued by the Philippine Supreme Court in February 2017, which enjoined the DOE and ERC from implementing DC 2015-06-0010 and the 2016 ERC RES Issuances, has been made final. In the same decision, the Philippine Supreme Court also directed the ERC to promulgate the supporting guidelines to DC 2017-12-0013 and DC 2017-12-0014. Based on the 10th recital of ERC Resolution 9, Series of 2021, the ERC, in a regular commission meeting, approved the resumption of Resolution 1, Series of 2011, or the original RES Licensing Rules. Since 2021, the ERC has resumed their RES licensing process.

The two RES licenses issued to San Miguel Global Power, through LPI and MPCL, have a term of five years each and are both valid until September 29, 2028. The ability of San Miguel Global Power to directly contract with contestable customers may be limited if (a) the existing RES licenses are not timely renewed, or (b) the authority of the ERC to issue ERC licenses on the basis of the 2011 ERC Resolution, and the RES licenses issued and renewed by the ERC on such basis, are questioned.

Such limitation on the ability of San Miguel Global Power to directly contract with contestable customers could have a material adverse effect on the business, financial condition and results of operations of San Miguel Global Power.

Disruptions and fluctuations in fuel supply

The operations of the Sual Power Plant, Ilijan Power Plant, Masinloc Power Plant, Limay Greenfield Power Plant and Davao Greenfield Power Plant depend on the availability of fuel, in particular, coal and natural gas. San Miguel Global Power, through its subsidiaries, is responsible, at the cost of the latter, for supplying the fuel requirement of the Sual Power Plant, Masinloc Power Plant, Limay Greenfield Power Plant, Davao Greenfield Power Plant and Ilijan Power Plant. San Miguel Global Power, through its subsidiaries, has entered into fuel supply agreements for its power plants and, subject to regulatory approval, is able to pass on the fuel cost to its customers (particularly for distribution utilities and electric cooperatives).

There is no assurance that there will not be any interruption or disruption in, or change in terms of, the fuel supplies to these power plants, or that there will be sufficient fuel in the open market at competitive prices or sufficient transportation capacity available to ensure that these power plants receive sufficient fuel supplies required for their operations on a timely basis or at all. Moreover, the recent geopolitical tensions and uncertainties caused by events such as the Russian invasion of Ukraine, changes in foreign policy or regulatory requirements, trade restrictions, higher tariffs and changes to existing tariffs, or the imposition of additional regulations relating to the import or export of products such as fuel supplies could impact global trade and

supply chains and adversely affect the Company's ability to access fuel supplies at competitive prices or in sufficient amounts for the operations of its power plants.

There is also no assurance that the Company, through its subsidiaries, will be able to purchase all of its required fuel supplies from its regular suppliers that produce fuel of acceptable and known quality. Consequently, San Miguel Global Power could experience difficulties ensuring a consistent quality of fuel, which could negatively affect the stability and performance of these power plants.

For example, the Ilijan Power Plant sourced natural gas for its operations from the Malampaya gas facility in Palawan ("Malampaya") during the term of the IPPA Agreement. In 2022, prior to turnover of the Ilijan Power Plant, frequent and extended occurrences of gas supply restrictions of the Malampaya Gas Fields were experienced. San Miguel Global Power believes that it is well placed to secure access to alternative sources of fuel and has executed a binding agreement covering the use of the Batangas LNG Terminal, which is composed of onshore regasification units and onshore and offshore storage technologies, being constructed in Ilijan, Batangas and which is expected to allow the Company to receive, store, and process LNG from the global market. Alternatively, the Ilijan Power Plant may also be reconfigured to be a diesel or an LNG-type facility in the future. There can be no assurance that the planned Batangas LNG terminal will be completed within the expected time frame or at all, or that the Company will be able to access natural gas it requires for its operations. The Batangas LNG terminal started supplying imported LNG during its commissioning on May 31, 2023. San Miguel Global Power has invested in circulating fluidized bed ("CFB") or supercritical power plants (for the Limay Greenfield Power Plant, Davao Greenfield Power Plant, Units 3, 4 and 5 of the Masinloc Power Plant and Mariveles Greenfield Power Plant) that can use low-grade coal and has retrofitted its existing pulverized coal ("PC") power plants (Masinloc Units 1 and 2) to use low-grade coal, which is also less expensive and relatively more abundant compared to high-grade coal (i.e., coal of 6,000 kcal upwards). There can be no assurance that the Company will be able to obtain the quality of coal in such quantities that it requires for its operations. The Indonesian government imposed a coal export ban in January 2022, which was gradually lifted as its domestic power plants stock-piled their coal inventories. While coal sourced from Indonesia accounts for approximately 80% to 90% of the Company's coal supply, the ban did not adversely impact plant operations. The Company has a contract with an international trader-supplier that can source coal supply from other countries such as Australia, if needed. Coal inventory levels during the period runs at about one to one and a half months. If necessary, inventory from the portfolio if its power plants can be allocated to those plants urgently needing replenishment. The Company also sourced domestic suppliers to potentially cover its coal requirements to mitigate the impact of the restriction. Reduced supply of high-grade coal may also cause disruptions in the Company's fuel supply. Following recent developments and easing of the coal export ban, the Company has received certain Indonesian coal shipments from its suppliers to date. The Company has been able to pass-through the increase in coal prices in the majority of its contracted capacity.

Such factors, which may include events which are beyond the control of San Miguel Global Power, could affect the normal operation of these power plants or incur significant costs to source replacement power or to reconfigure its plants, which could have material adverse effect on the business, financial condition and results of operations of San Miguel Global Power.

San Miguel Global Power, through its subsidiaries, has fuel supply agreements with reputable and reliable international coal suppliers, such as but not limited to, Vitol, Banpu, Bayan and KPC, for its power plants. The diversity of coal suppliers of the Company provides assurance of fuel supply limiting any issues with any specific region or supplier. SPPC has entered and intends to also enter into various supply agreements with international suppliers for the supply of LNG for the Ilijan Power Plant.

San Miguel Global Power also believes that the size and diversity of the fuel supply of its power portfolio reduces the exposure of the Company and its customers to fuel-type specific risks such as variations in fuel costs, and regulatory concerns that are linked to any one type of power plant or commodity price.

Reliance on Independent Power Producers ("IPPs") for the operation and maintenance of the Independent Power Producer Administrator ("IPPA") Power Plants

Power generation involves the use of highly complex machinery and processes and the success of San Miguel Global Power depends on the effective maintenance of equipment for its power generation assets. IPPs

associated with the respective IPPA Power Plants are responsible for the operation and maintenance of their respective IPPA Power Plants.

Although the ECAs for the Sual Power Plant and the San Roque Power Plant contain bonus and penalty provisions, and the Company monitors the IPPs' adherence to the minimum operating protocols specified in the IPPA and ECAs, there is still a risk that the IPPs will fail to satisfactorily perform their respective operations and maintenance obligations. Any failure on the part of such IPPs to properly operate and/or adequately maintain their respective power plants could have a material adverse effect on the business, financial condition and results of operations of San Miguel Global Power.

In addition, if San Miguel Global Power, through its subsidiaries, fails to generate or deliver electricity beyond contractually agreed periods due to the failure of the IPPs to operate and maintain the power facilities, the counterparties of San Miguel Global Power in its PSAs may have a right to terminate those contracts for outages beyond applicable outage allowances in the PSAs, and replacement contracts may not be entered into on comparable terms or at all. Any of the foregoing could have a material adverse effect on the financial and operating performance of San Miguel Global Power.

San Miguel Global Power leverages on the strengths and track record of its world-class IPP partners in operating its existing power portfolio while monitoring their adherence to the minimum operating protocols specified in the IPPA and ECAs in line with international best practices.

Market limitations under the EPIRA

Based on the total installed generating capacities reported in the ERC Resolution on Grid Market Share Limitation, the Company believes that its combined installed capacity comprises approximately 20% of the National Grid, 26% of the Luzon Grid and 8% of the Mindanao Grid, in each case as of December 31, 2023. 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 (17,961,724 kW, 4,187,838 kW and 25,567,270 kW, respectively, based on data provided under the ERC Resolution on Grid Market Share Limitation). The EPIRA limits the market share of a participant to 30% per grid and 25% of the National Grid by installed capacity. Even though San Miguel Global Power is currently within its market share cap (taking into account the greenfield power plants and expansion projects under construction), it may not receive permission to increase its capacity and market share further if this would result in exceeding the permitted capacity or market share prescribed by the EPIRA. Such inability to expand and grow the power business could materially and adversely affect the business prospects of San Miguel Global Power.

Development of greenfield power projects and expansion projects of existing plants involves substantial risks

The development of greenfield power projects and expansion projects of existing power plants involves substantial risks that could give rise to delays, cost overruns, or unsatisfactory construction or development in the projects. Such risks include the inability to secure adequate financing, inability to negotiate acceptable offtake agreements, and unforeseen engineering and environmental problems, among others. Any such delays, cost overruns, unsatisfactory construction or development could have a material adverse effect on the business, financial condition, results of operations and future growth prospects of San Miguel Global Power.

Project risks could emanate from various sources such as poor project planning, execution and contractor/subcontractor issues. If not addressed in a timely manner, these issues may negatively impact the project which would ultimately affect the Company's financial condition and results of operations, such as revenue loss resulting from delay in commercial operations.

Further, any delay in the receipt of the relevant permits will also delay the completion of a project. Any of these project risks could have a material adverse effect on the business, financial condition, results of operations, and future growth prospects of the Company.

To manage these risks, the Company has strong credit lines to avail external financing and sufficient internally generated funds to finance its projects. Also, the Company intends to enter into offtake agreements

with various distribution utilities and industrial users to be able to substantially contract the projects' commercial capacity.

The Company has contracted world-class and industry-leading EPC contractors to construct its projects. Under the EPC contracts, the Company will be indemnified in the event of delay and/or default of the EPC contractor. To ensure timely delivery and performance, the EPC contracts provide for a schedule of payments of the contract price based on agreed milestones. San Miguel Global Power checks on the accomplishments of the EPC contractor prior to the release of the corresponding payment per milestone.

Adverse effect of WESM price fluctuations

From the time the WESM for Luzon began operating in June 2006, market prices for electric power have fluctuated substantially. Unlike many other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, power prices are subject to significant volatility from supply and demand imbalances. Long-term and short-term power prices may also fluctuate substantially due to other factors outside of the control of San Miguel Global Power, including:

- increases and decreases in generation capacity in the markets, including the addition of new supplies of power from existing competitors or new market entrants as a result of the development of new generation power plants or expansion of existing power plants or additional transmission capacity;
- changes in power transmission or fuel transportation capacity constraints or inefficiencies;
- electric supply disruptions, including power plant outages and transmission disruptions;
- changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools and practices;
- the authority of the ERC to review and, if warranted under applicable circumstances, adjust the prices on the WESM;
- climate, weather conditions, natural disasters, wars, embargoes, terrorist attacks and other catastrophic events;
- availability of competitively priced alternative power sources;
- development of new fuels and new technologies for the production of power; and
- changes in the power market and environmental regulations and legislation.

These factors could have a material adverse effect on the business, financial condition and results of operations of San Miguel Global Power.

On March 3, 2014, the ERC issued an order (the "March 3, 2014 ERC Order") declaring the prices in the WESM for the November and December 2013 billing months, as null and void, and ordered the PEMC, the operator of the WESM, to calculate and issue adjustment bills using recalculated prices. Subsequent orders were issued by the ERC setting the period for compliance of the March 3, 2014 ERC Order (collectively, the "2014 ERC Orders"). Certain parties including SPI, SPPC, SRHI and MPCL filed a request with the ERC for the reconsideration of the 2014 ERC Orders. Other generators also requested the SC to stop the implementation of the 2014 ERC Orders. On June 26, 2014, certain parties including SPI, SPPC and SRHI filed with the Court of Appeals ("CA") a Petition for Review of these orders. On the other hand, MPCL filed its Petition for Review with the CA on December 12, 2014. After consolidating the cases, the CA, in its decision dated November 7, 2017, granted the Petition for Review filed by SPI, SPPC, SRHI and MPCL declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months November to December 2013. The CA affirmed this decision in its March 29, 2019 Omnibus Resolution. The ERC appealed the decision and resolution of the CA, which nullified and set aside the 2014 ERC Orders declaring the WESM prices for November and December 2013 void. On August 3, 2021, a decision was rendered by the Supreme Court En Banc in a separate case declaring the March 3, 2014 ERC Order as null and void and which attained finality on October 11, 2022. Considering that this decision of the Supreme Court En Banc 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 amounting to up to P2,321,785 will have to be settled with the Independent Electricity Market Operator of the Philippines ("IEMOP", the current operator of the WESM).

The strategy of the Company is to source majority of its revenues from bilateral offtake agreements. This ensures cash flows while minimizing the exposure of the Company to any unfavorable fluctuations in WESM prices. Revenue from bilateral contracts with offtakers contributed 92%, 90% and 86% of total revenue for the years ended December 31, 2021, 2022 and 2023, respectively.

Non-renewal of or non-compliance with offtake agreements

San Miguel Global Power, through its subsidiaries, has offtake agreements with various distribution utilities, electric cooperatives and large industrial and commercial users. While San Miguel Global Power intends to renew the offtake agreements upon expiration to provide stable and predictable revenue streams, there is no assurance that San Miguel Global Power will be able to renew or enter into new offtake agreements for similar volumes or at similar prices, or that San Miguel Global Power will be able to enter into new offtake agreements. The Company may only renew the power supply agreements with distribution utilities/electric cooperatives it has entered prior to the effectivity of ERC resolution No. 1 series of 2016, entitled “A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series Of 2015” up to a maximum period of one year. If San Miguel Global Power is unable to enter into new offtake agreements, San Miguel Global Power will be further exposed to fluctuations in electricity prices in the WESM, which could materially and adversely affect the profitability of San Miguel Global Power.

When the current offtake agreements with Meralco expire or are otherwise renegotiated, they may be renewed for lower electricity volumes than in the past or on different terms, including under different pricing terms. In addition, there can be no assurance that Meralco and other offtakers will be able to meet their future payment obligations under their agreements with San Miguel Global Power. For the Company’s greenfield power plants, there is no assurance that the Company, through its subsidiaries, will be awarded contracts pursuant to any CSP conducted by Meralco or other distribution utilities or electric cooperatives, or will successfully negotiate with various contestable customers or RES.

The business, cash flows, earnings, results of operations and financial condition of San Miguel Global Power could be materially and adversely affected if San Miguel Global Power is unable to successfully participate and bid for supply contracts with Meralco and other offtakers under favorable terms or at all or if Meralco and other offtakers are unable to meet their payment obligations under existing agreements, and San Miguel Global Power is unable to find new customers to replace Meralco and other offtakers.

In September 2019, Meralco conducted a CSP for its power supply in accordance with the requirements under DOE Circular No. DC2018-02-0003 (the “DOE CSP Policy”). SPPC was awarded two offtake contracts to supply an aggregate of 960 MW from the Ilijan Power Plant. The first contract is for the supply of 670 MW for baseload power requirements for a period of 10 years from December 26, 2019 and the second contract is for the supply of 290 MW mid-merit power requirements for a period of five years from December 26, 2019. In addition, SPI was also awarded a contract to supply 330 MW for baseload power requirements from the Sual Power Plant for a period of 10 years from December 26, 2019. The three contracts have been executed between Meralco and the relevant IPPAs (“the 2019 Meralco PSCs”). The 2019 Meralco PSCs have been implemented under the provisional authority and are pending final approval from the ERC.

In another CSP conducted by Meralco in January 2021 for its 1,800 MW (net) power requirements. EERI and MPCL were awarded the following 20-year power supply agreements after emerging as the winning bidders: (i) PSA with EERI for the supply and delivery of 1,200 MW contract capacity with commercial operations date on November 26, 2024 and expiring on November 25, 2044; and (ii) PSA with MPCL for the supply and delivery of 600 MW contract capacity with commercial operations date on April 26, 2025 and expiring on April 25, 2045. These PSAs have been executed by the relevant parties and were filed with the ERC on March 23, 2021 for approval. These PSAs however were terminated by San Miguel Global Power effective April 1, 2023 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.

However, on May 11, 2022, SPI and SPPC filed separate Joint Motions for Price Adjustment with Meralco for the 670 MW and 330 MW PSCs to allow SPI and SPPC to temporarily increase the contract price under their respective Meralco PSCs for the January to May 2022 billing periods in view of the unprecedented

global increase in fuel and gas prices brought about by the Russia-Ukraine war. The said motions were denied by the ERC on September 29, 2022. On November 23, 2022, the Court of Appeals (“CA”) issued a 60-day TRO on the implementation of the September 29, 2022 decision of the ERC for the 670 MW Meralco PSC and consequently granted the writ of preliminary injunction. On December 7, 2022, SPPC ceased the supply of the 670 MW capacity under the relevant PSC with Meralco while SPI ceased supply on July 23, 2023.

In a CSP conducted by Meralco on January 5 and January 23, 2024, EERI, MPGC and SPPC emerged among the lowest bidders and are therefore set to supply 2,700 MW out of the 3,000 MW power requirement of Meralco with 1,200 MW, 300 MW and 1,200 MW in offered capacities, respectively. The contracts are for a term of 15 years and has full fuel pass-through scheme.

In another CSP conducted by Meralco on February 26, 2024, Limay Power Inc. emerged as the winning bidder for the latter’s 400 MW power requirement. The contract is for a term of one year and has full fuel pass-through scheme.

The Company manages a large, reliable and diverse portfolio of power plants that allows it to supply at competitive rates and terms. Further, the Company has an experienced sales and marketing team that actively markets to its existing and new financially capable prospective customers and intends to continuously participate in CSPs to be conducted by distribution utilities. In addition, the Company maintains good working relationships with its offtakers and has cultivated a long history of reliability and good customer service.

Administration of the output of the Company’s power portfolio necessarily involves significant risks

The administration of the output of power generation facilities necessarily involves significant risks, including:

- breakdown or failure of power generation equipment, transmission lines, pipelines or other equipment or processes, leading to unplanned outages and operational issues;
- flaws in the equipment design or in power plant construction;
- issues with the quality or interruptions in the supply of key inputs, including fuel or water;
- material changes in legal, regulatory or licensing requirements;
- operator error;
- performance below expected levels of output or efficiency;
- industrial actions affecting power generation assets owned or managed by the subsidiaries of San Miguel Global Power or its contractual counterparties;
- pollution or environmental contamination affecting the operation of power generation assets;
- planned and unplanned power outages due to maintenance, expansion and refurbishment;
- inability to obtain or the cancellation of required regulatory, permits and approvals;
- opposition from local communities and special interest groups; and
- force majeure and catastrophic events including fires, explosions, earthquakes, volcanic eruptions, floods and terrorist acts that could cause forced outages, suspension of operations, loss of life, severe damage and plant destruction.

There is no assurance that any event similar or dissimilar to those listed above will not occur or will not significantly increase costs or decrease or eliminate sales derived by San Miguel Global Power from its power generation assets. While the IPPA Agreements of the Company provide certain reliefs in the event the IPPA Power Plants cannot produce or dispatch electricity, if any of the power generation assets of the Company is unable to generate or deliver electricity to customers for an extended period of time which may be due to the aforementioned risks, its customers may be exempt from making certain payments so long as any such events continue. In addition, if the subsidiaries of San Miguel Global Power fail to generate or deliver electricity beyond the contractually agreed outage periods, its counterparts in its PSAs may have a right to terminate those contracts, and replacement contracts may not be entered into on comparable terms. Any of the foregoing could have a material adverse effect on the financial and operating performance of San Miguel Global Power.

San Miguel Global Power leverages on the strengths and track record of its partners in operating its existing power portfolio by monitoring their adherence to the minimum operating protocols specified in their respective IPPA Agreements or operations and maintenance agreements in line with international best practices.

Operating and other risks leading to network failures, equipment breakdowns, planned or unplanned outages.

Power generation is vulnerable to human error in operation, equipment failure, catastrophic events, natural disasters, sabotage, terrorist attacks or other events which can cause service interruptions, network failures, breakdowns or unplanned outages. There is no assurance that accidents will not occur with the Company's power plants or that the preventive measures taken by the Company will be fully effective in all cases, particularly in relation to external events that are not within its control. Moreover, any loss from such events may not be recoverable under the Company's insurance policies. The Company's income and cash flows will be adversely affected by any disruption of operations of its plants due to any of the foregoing risks. Any unplanned plant shutdowns for an extended period of time will have a material adverse effect on the Company's ability to sell power and the Company's results of operations could suffer. In the event of a service disruption, the Company would typically seek to purchase replacement power, which may be at a significantly greater cost than power generated by it or than it is able to recover. San Miguel Global Power is also entitled to reduction in the IPPA payments to PSALM for fixed and generation fees of the IPPA Power Plants that will compensate it for any loss in margins from prolonged outages. Nevertheless, any of these factors may be beyond the Company's control, and their occurrences could have a material adverse effect on the Company's business, financial condition or results of operations.

Insufficient insurance coverage for generation plants

The IPPs of the IPPA Power Plants are responsible for maintaining insurance for all of the facilities, equipment and infrastructure for those power plants, with the exception of the dam and spillway of the San Roque Power Plant, for which NPC is obligated to maintain insurance coverage. The IPPA of these IPPA Power Plants, namely SPI and SRHI, however, are not beneficiaries of any of these insurance policies. These IPPAs have no business interruption insurance coverage and are therefore uninsured for liabilities or any direct or indirect costs and losses which may be incurred, as a result of any business interruption that their respective IPPA Power Plant may experience. San Miguel Global Power believes that there is no business interruption insurance available for the IPPA business model under which its IPPA subsidiaries are currently operating. Accordingly, any uninsured liabilities or direct or indirect losses, including any third party claims that result from an interruption to the business of these IPPAs could have a material adverse effect on its financial condition and results of operations.

For the power plants of LPI, MPI, SPPC and MPCL and BESS facilities of SMGP BESS, these entities secure the necessary insurance for their respective power plants, the terms of which are reviewed regularly and cover industrial all risks, business interruption, marine cargo insurance, sabotage and terrorism, physical material loss or damage caused by natural disasters, breakdowns or other events that could affect the facilities and processes used by its businesses. The business interruption insurance policies of these entities however do not cover any declines in production or adverse publicity that LPI, MPI, or MPCL may suffer as well as any significant resource that LPI, MPI, or MPCL may invest to address such losses.

In addition, there is no assurance that the Company will be able to renew these policies on similar or otherwise acceptable terms, or at all, or that the Company will not experience a material increase in the premiums payable under its insurance policies. If one or more of the Company's power projects were to incur a serious uninsured loss, a loss that significantly exceeds the limits of its insurance policies or any unexpected losses against which these subsidiaries are not fully insured, this could have a material adverse effect on their businesses, financial condition and results of operations.

No direct contractual and operational relationship

San Miguel Global Power is dependent on the operators of the IPPA Power Plants to generate power from the IPPA Power Plants, and for the IPPs to comply with their contractual obligations to NPC under their IPP Agreements. San Miguel Global Power does not have a direct contractual relationship with the IPPs and cannot

directly enforce the IPP Agreements against the IPPs. Failure by an IPP to comply with its obligations under its IPP Agreement may significantly reduce or eliminate power generation volumes or increase costs, thereby decreasing or eliminating revenues that the IPPA subsidiaries of San Miguel Global Power can derive from selling the power generated by the IPPA Power Plants. Any claims for damages for breach, or other entitlement, benefit or relief under the IPPA Agreement arising from the breach, by the IPP, of its IPP Agreement obligations must be claimed by San Miguel Global Power against PSALM through specified claim mechanisms. The IPPA Agreements do not permit set-off of claims, and the IPPA subsidiaries of San Miguel Global Power are only entitled to payment of their claim after PSALM has received payment from the IPP of its corresponding claim. Accordingly, the IPPA subsidiaries of San Miguel Global Power bear the risks associated with the lack of direct recourse against the IPPs, delays in the enforcement of their claims and other risks related to pursuing claims or legal proceedings against a state-owned entity such as PSALM. Any of these factors could have a material adverse effect on the business, financial condition and results of operations of San Miguel Global Power.

Variations in hydrological conditions and irrigation requirements

Hydroelectric generation is dependent on the amount and location of rainfall and river flows, which vary widely from quarter to quarter and from year to year. NPC owns and operates the dam and the dam-related facilities of the San Roque Power Plant and has obtained a water permit allowing it to use the water flow from the Agno River to generate power from the San Roque Power Plant with an allowable volume dictated by downstream irrigation requirements set by the NIA.

The facilities of AHEPP are located within the Angat Watershed Reservation, which is managed by and is under the jurisdiction of NPC. NPC was issued a water permit dated November 28, 1979 by then National Water Resources Council pursuant to which NPC has authority to extract water from the Angat River for power generation purposes. In a resolution dated April 4, 2016, the NWRB granted KWPP Holdings Corporation's petition for the transfer of the said water permit to itself and authorized its lease to AHC. The water discharged by the AHEPP is used for the following purposes: (i) the water outflow of the three auxiliary units of 6 MW capacity each flows to the Ipo Dam and is conveyed by MWSS to Metro Manila for domestic use; and (ii) the water outflow of the four main units of 50 MW capacity each flows to the Bustos Dam and is conveyed by NIA to the province of Bulacan for irrigation purposes.

The levels of hydroelectric production can therefore vary from period to period depending on the water levels in the reservoir and downstream irrigation and water supply requirements. In years of less favorable hydrological conditions, such as periods of drought or when the El Niño weather phenomenon occurs, the reservoir has low water levels, which reduces the amount of power that the San Roque Power Plant and the AHEPP are able to generate. This could reduce the revenues from the sale of power from the San Roque Power Plant and the AHEPP, which could have a material adverse effect on San Miguel Global Power's business, financial condition and results of operations. Conversely, if too much rainfall occurs at any one time, such as during a typhoon, water may flow too quickly and at volumes in excess of the water intake capacity of the San Roque Power Plant and AHEPP, which may cause release of water using the spillway.

San Miguel Global Power, through its subsidiaries, actively manages the water supply of the hydro power plants to optimize generation while ensuring that the irrigation supply requirements are met in coordination with the relevant government agencies.

Challenges in successfully implementing its growth strategy

Implementing the growth strategy of San Miguel Global Power involves: (i) substantial investments in new power generation facilities such as LNG power plants and expansion of existing power generation facilities; (ii) acquisitions of existing power generation capacity; (iii) entering into alliances with strategic partners; (iv) entering into new and developing technologies and services, such as energy storage solutions, particularly BESS and ancillary services, such as frequency regulating reserves; and (v) targeting new markets, such as the renewable energy market. The success in implementing the strategy of the Company will depend on, among other things, its ability to identify and assess investment and acquisition opportunities as well as potential partners; its ability to successfully finance, close and integrate investments, acquisitions and relevant technologies for the production of power; its ability to manage construction of planned greenfield and expansion power projects within technical, cost and timing specifications; its ability to establish BESS projects and integrate

these with the grid and support renewable energy sources; its ability to secure offtake agreements through CSP; its ability to control costs and maintain sufficient operational, financial and internal controls; the strength of the Philippine economy (including overall growth and income levels); the growth of the relevant target markets and the overall levels of business activity in the Philippines.

San Miguel Global Power is also contemplating several additional potential investments and acquisitions but has not entered into any definitive commitment or agreement for any such contemplated investment or acquisition. If general economic and regulatory conditions or market and competitive conditions change, or if operations do not generate sufficient funds or other unexpected events occur, San Miguel Global Power may decide to delay, modify or forego some of its planned or contemplated projects or alter aspects of its growth strategy, and its future growth prospects could be materially and adversely affected. For example, the Company may consider alternative technologies for planned power projects that will improve efficiencies and lower emissions.

The growth strategy of San Miguel Global Power will also place significant demands on its management, financial and other resources. In particular, continued expansion will increase the challenges for financial and technical management, recruitment, training and retention of sufficient skilled technical and management personnel and developing and improving its internal administrative infrastructure. In addition, expansion into new markets will necessitate recruitment and development of expertise in new technologies, including natural gas and BESS technologies. Any inability to meet these challenges could disrupt the business of San Miguel Global Power, reduce its profitability and adversely affect its results of operations and financial condition.

To manage these risks, San Miguel Global Power: (i) maintains a highly experienced management team composed of experts with extensive knowledge of the Philippine power industry; (ii) has in place a system of financial prudence and corporate governance; and (iii) strengthens the competencies of its employees specifically those in the succession pipeline of key personnel, provides training to prepare employees to take on higher responsibilities, and pursues strategic hiring for identified critical positions.

San Miguel Global Power also undertakes prudent review and due diligence and evaluates the viability of any acquisition or investment. In addition, the Company is guided by metrics when assessing possible investments, which include, but are not limited to, financial returns and possible synergies, with an overall objective of maximizing returns.

Dependence on the existence of transmission infrastructure

The transmission infrastructure in the Philippines continues to experience constraints on the amount of electricity that can be delivered from power plants to customers, as well as limited interconnectivity between the Luzon, Visayas and Mindanao Grid.

The Company and its subsidiaries are in constant consultation and communication with NGCP and other relevant government institutions to address the transmission infrastructure requirements of the Company and its subsidiaries. The DOE is mandated by law to prepare a Transmission Development Plan to be implemented by NGCP which aims to address projected infrastructure limitations and interconnectivity of sub-grids.

If these transmission constraints continue, the ability of San Miguel Global Power to supply electricity from the IPPA Power Plants of its subsidiaries and its operating and planned greenfield power projects, as well as the ability of San Miguel Global Power to increase its geographical reach, will be adversely affected. This could have a material adverse effect on the business and revenue growth of the Company from the sale of power.

Changes in taxation and certain tax exemptions and tax incentives

On March 26, 2021, President Rodrigo Duterte signed into law Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE") Law" which introduces reforms to the corporate income tax and incentives systems. Effective July 1, 2020, corporate income tax rate on domestic corporations has been reduced from 30% to 25%, while domestic corporations with net taxable income not exceeding ₱5 million and total assets (excluding land on which the corporation's office, plant, and equipment are

situated) not exceeding ₱100 million are subject to 20% corporate income tax. The CREATE Law further enhanced certain incentives that investment promotion agencies may grant to business enterprises, such as additional deductions, increased net-operating loss carry-over, VAT exemption on importation and VAT zero-rating of local purchases of goods and services directly and exclusively used in the registered project or activity, among others. In view of the effectivity of the CREATE Law, registered business enterprises with incentives granted prior to the effectivity of the CREATE Law shall be subject to the following rules:

- i. registered business enterprises whose projects or activities were granted only an income tax holiday (“ITH”) prior to the effectivity of the law shall be allowed to continue to avail of the ITH for the remaining period specified in the terms and conditions of their registration, provided that enterprises that have been granted the ITH but have not yet availed of such incentive upon the effectivity of the law may use the ITH for the period specified in the terms and conditions of their registration;
- ii. registered business enterprises whose projects or activities were granted an ITH prior to the effectivity of the law and that are entitled to the 5% tax on gross income earned incentive after the ITH shall be allowed to avail of the 5% tax on gross income incentive subject to the 10-year limit provided under the CREATE Law; and
- iii. registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the law shall be allowed to continue to avail of such tax incentive for 10 years.

Registered subsidiaries of San Miguel Global Power with incentives granted prior to the effectivity of the CREATE Law may continue to avail of the same, subject to the rules prescribed under the said law. One of the incentives retained is the continued use of income tax holidays (ITH) for the original periods specified in the terms and conditions of their respective registrations. However, the entitlement to 5% gross income tax after the ITH (granted to MPGC by the Authority of the Freeport Area of Bataan or “AFAB”), subject to the 10-year limit for both incentives reckoned from the effectivity of the CREATE Law, instead of the original period of 21 years.

As of December 31, 2023, certain subsidiaries of San Miguel Global Power, namely, LPI for the Limay Greenfield Power Plant, MPI for the Davao Greenfield Power Plant, MPCL for the Masinloc Power Plant and Masinloc BESS, EERI for the Batangas Combined Cycle Power Plant, SMGP Kabankalan for the Kabankalan BESS and SMGP BESS for the various BESS projects, were registered with the BOI as new operators with pioneer status and non-pioneer status for its greenfield projects. BOI-registered entities are granted certain tax exemptions and tax incentives, deductions from taxable income subject to certain capital requirements and duty-free importation of capital equipment, spare parts and accessories.

For those plants currently availing of these incentives, if these tax exemptions or tax incentives expire, are revoked, or are repealed, the income from these sources will be subject to 25% regular corporate income tax of net taxable income or 1.5% minimum corporate income tax of the gross income, whichever is higher, as of December 31, 2023. As a result of a loss in any tax exemptions or tax incentives, the tax expense of San Miguel Global Power would increase and its profitability would decrease. The expiration, non-renewal, revocation or repeal of these tax exemptions and tax incentives, and any associated impact on San Miguel Global Power, could have a material adverse effect on the business, financial condition and results of operations of San Miguel Global Power. Furthermore, there can be no assurance that any pending tax legislation or future changes in the tax regime, including changes in fiscal incentives, in the Philippines would not have a material and adverse effect on the Company’s business, financial condition, and results of operations.

ERC Regulation of electricity rates of distribution utilities could have a material adverse effect on the Company

The imposition of more stringent regulations and similar measures by the ERC could have a material adverse effect on the business, financial conditions and results of operations of San Miguel Global Power.

Sales to distribution utilities account for majority of the consolidated sales volume of San Miguel Global Power for the year ended December 31, 2023. While rates charged by San Miguel Global Power through its subsidiaries under their offtake agreements, including those with distribution utilities, are not regulated by the

ERC, the rates that distribution utility customers charge to their customers are subject to review and approval by the ERC. Accordingly, the ability of distribution utility customers to pay the subsidiaries of San Miguel Global Power largely depends on their ability to pass on their power costs to their customers. There is also no assurance that the current laws, regulations, and issuances affecting the industry, particularly the EPIRA and the issuances of the ERC, will not change or be amended in the future.

There is no assurance that the ERC will permit the distribution utility customers of the subsidiaries of San Miguel Global Power to pass on or increase their rates or that subsequent reviews by the ERC will not result in the cancellation of any such increases or require such distribution utility customers to refund payments previously received from their customers. In addition, there is no assurance that any rate increases approved by the ERC will not be overturned by Philippine courts on appeal.

In May 2019, the Supreme Court issued a ruling in respect of the following ERC resolutions:

- Resolution No. 13, Series of 2015, entitled “A Resolution Directing All Distribution Utilities to Conduct a Competitive Selection Process in the Procurement of their Supply to the Captive Market” (“**CSP Guidelines**”); and
- Resolution No. 1, Series of 2016, entitled “A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015” (“**ERC Clarificatory Resolution**”)

The CSP Guidelines and the ERC Clarificatory Resolution were issued by the ERC to implement the CSP, pursuant to the DOE’s Department Circular No. DC 2015-06-0008 mandating all distribution utilities to undergo CSP in securing power supply agreements.

In its decision, the Supreme Court, acting on a petition filed by certain entities, declared as void the first paragraph of Section 4 of the CSP Guidelines and the ERC Clarificatory Resolution. Consequently, all PSAs filed with the ERC on or after June 30, 2015 were directed to comply with the CSP in accordance with prevailing rules and regulations. The power purchase cost resulting from the CSP (the “**CSP Power Purchase Cost**”) would be the generation cost which the relevant distribution utility may pass on to its customers commencing on June 30, 2015. In a resolution dated July 23, 2019, the Supreme Court denied with finality all motions for reconsideration filed by various parties. In consideration of the foregoing, the PSA between Meralco and MPGC, and the PSA between Meralco and CLPPC, were voluntarily terminated by mutual agreement of the relevant parties. The Company intends to participate in the power supply requirements of Meralco for which bidding is expected over the next few years. In the competitive selection process conducted by Meralco on January 5, 2024 for its 1,800 MW power requirement, MPGC was declared winning bidder for the supply of 300 MW for a period of 15 years. MPGC and Meralco executed a power supply agreement for said supply on February 5, 2024.

Further, as a result of the decision, the ERC released orders to the joint applicants of various PSA applications (the “**Joint PSA Applications**”) filed during the affected period requiring them to comply with the CSP requirements under DOE Circular No. DC 2018-02-0003 (the “**DOE CSP Policy**”) and to submit the necessary DOE certifications attesting their compliance to the said circular (the “**2019 ERC Orders**”). The lack of the necessary DOE certifications could result in the dismissal of the relevant Joint PSA Applications.

In October 2019, the Company, together with certain distribution utilities and electric cooperatives, filed motions for reconsideration of the 2019 ERC Orders claiming that the DOE CSP Policy should not apply to such Joint PSA Applications primarily on the ground that these were entered into before the implementation of the DOE CSP Policy in 2018. As of December 31, 2023, some of the motions for reconsiderations filed by the subsidiaries of San Miguel Global Power and its respective counterparty DUs were decided against the Company to which the relevant subsidiaries of San Miguel Global Power has filed its respective Petitions for Review with Prayer for the Urgent Issuance of a Temporary Restraining Order. These cases remain pending to date.

In a CSP conducted by Meralco on January 5 and January 23, 2024, EERI, MPGC and SPPC emerged among the lowest bidders and are therefore set to supply 2,700 MW out of the 3,000 MW power requirement of Meralco with 1,200 MW, 300 MW and 1,200 MW in offered capacities, respectively. The contracts are for a term of 15 years and has full fuel pass-through scheme.

In another CSP conducted by Meralco on February 26, 2024, Limay Power Inc. emerged as the winning bidder for the latter's 400 MW power requirement. The contract is for a term of one year and has full fuel pass-through scheme.

The ERC in the exercise of its regulatory powers may also impose fines, penalties, or sanctions on San Miguel Global Power in appropriate cases. Any such fines, penalties, sanctions or restriction on the ability of distribution utilities and/or generation companies to pass on such costs or any intervention in such rates could have a material adverse effect on the business, financial conditions and results of operations of San Miguel Global Power.

San Miguel Global Power continues to engage in comprehensive discussions and maintains good working relationship with the ERC to obtain proper resolution of its pending applications for tariff approval.

Trading on the WESM is affected by market volatility

While the subsidiaries of San Miguel Global Power only sell a small amount of power through the WESM, volatile market conditions on the WESM may nevertheless pose risks to San Miguel Global Power regardless of whether there is a shortage or a surplus of energy available. When the WESM experiences a shortage, there is little risk to suppliers in terms of their value-position being destroyed. However, such a suppliers' market exposes these suppliers to the risk that regulatory agencies may intervene (directly or indirectly) to dictate prices and dispatch of power plants. Consumer outrage, triggered by high prices, could precipitate attempts to suspend the WESM and return to subsidized rates regimes. Regardless of whether such a suspension ultimately comes to pass, market anticipation of such an occurrence could lead to value-destructive market distortions.

On the other hand, a surplus market tends to cause spot market prices to reflect the marginal cost of producing power. One of the main features of the WESM is a merit-order dispatch scheme wherein the cheapest sources of power, such as power produced from geothermal and hydroelectric energy, are dispatched first, before the more expensive power providers. While a supplier can mitigate its exposure to surplus risks by contracting the bulk of its capacity to offtakers to protect against low spot prices, as the subsidiaries of San Miguel Global Power have done, this also caps a supplier's ability to take advantage of price spikes caused by temporary market shortages.

As of December 31, 2023, the ERC has maintained a reduced primary bid cap of ₱32,000 per MWh. In addition, a permanent secondary price cap limits spot prices to ₱6,245 per MWh for as long as cumulative spot prices breach a certain threshold. Prices are automatically capped at ₱6,245 per MWh for hours where the average price for the last 72-hours exceeds ₱9,000 per MWh.

The occurrence of such events could have a material adverse effect on the business, financial condition and results of operations of San Miguel Global Power.

Majority of the capacity of the subsidiaries of the Company is contracted through PSAs with various offtakers. In addition, the Company continues to engage in comprehensive discussions and maintains good working relationship with the PEMC to align its trading strategies with reasonable and acceptable standards and best practices.

Foreign Exchange Risk.

While most of the offtake agreements of San Miguel Global Power allow adjustments for foreign exchange rate fluctuations, San Miguel Global Power remains subject to foreign exchange risk. A substantial amount of revenue from sales of power by San Miguel Global Power is denominated in Philippine Pesos, while a portion of its expenses and obligations are denominated in U.S. dollars. The scheduled payment obligations to PSALM pursuant to the IPPA agreements of the IPPA subsidiaries with PSALM are denominated in both U.S. dollars and Pesos. The proportion of U.S. dollars to Pesos payable under the IPPA agreements is approximately 50% at the exchange rates prevailing as of the dates of the respective IPPA agreements. San Miguel Global Power, through its subsidiaries, also purchases coal as fuel for the Sual Power Plant and its greenfield power

projects using U.S. dollars. In addition, a significant portion of the capital expenditures required for its greenfield power projects are denominated in U.S. dollars.

San Miguel Global Power also obtained U.S. dollar term facilities from various foreign financial institutions for its power projects which remain outstanding as of December 31, 2023. In addition, the Company issued several redeemable perpetual securities and senior perpetual capital securities in 2019, 2020 and 2021 denominated in U.S. Dollars. In November 2022, San Miguel Global Power repurchased portions of the senior perpetual securities issued in 2019, 2020 and 2021.

A depreciation of the Peso, particularly with respect to the U.S. dollar, increases the Peso equivalent value of the foreign currency-denominated costs and obligations of San Miguel Global Power. This could adversely affect the results of operations of San Miguel Global Power and its ability to service its foreign currency-denominated liabilities.

San Miguel Global Power actively evaluates combinations of natural hedges, such as holding U.S. dollar-denominated assets and liabilities and foreign exchange adjustments in the pricing for certain offtake contracts and derivative instruments to manage its exchange rate risk exposure. San Miguel Global Power has entered into derivative contracts covering its net foreign currency denominated monetary liabilities. As a general policy, San Miguel Global Power may hedge up to 50% of its exposure and subject to management approval, for more than 50% of its exposure if necessary. Less than 10% of the consolidated net foreign currency-denominated monetary liabilities has been hedged as of December 31, 2023 through financial hedging arrangements with counterparty institutions. San Miguel Global Power also considers redenomination of U.S. dollar-denominated obligations to Philippine Peso to minimize exposure to foreign exchange fluctuations. Nonetheless, there can be no assurance that the Peso will not depreciate significantly against the U.S. dollar or other currencies in the future or that such depreciation will not have an adverse effect on the growth of the Philippine economy or the financial condition of San Miguel Global Power.

Interest Rate Risk.

While San Miguel Global Power intends, whenever appropriate, to enter into hedging transactions which may mitigate its interest rate exposure, any such hedging policy may not adequately cover its exposure to interest rate fluctuations and such fluctuations may result in a high interest expense and an adverse effect on its business, financial condition and results of operations.

Regulatory Risks.

The business of San Miguel Global Power is subject to extensive government regulation, particularly for its greenfield power plants and retail supply business. Moreover, as the Company expands its BESS capabilities and projects, it will be subject to applicable regulations under ancillary services and energy storage systems. To conduct its businesses, San Miguel Global Power and its subsidiaries must obtain various licenses, permits and approvals. Even when San Miguel Global Power and its subsidiaries obtain the required licenses, permits and approvals, their operations are subject to continued review under the applicable regulations, and the interpretation or implementation of such regulations is subject to change. For example, in October 2020, DOE Secretary Alfonso G. Cusi announced that the periodic assessment of the country's energy requirements has led the DOE to declare a moratorium on endorsements for greenfield coal power plants and subsequently clarified that the moratorium would not apply to those greenfield power plants in the pipeline for which endorsements had already been previously issued (the Company's planned Masinloc Power Plant Units 4 and 5 expansion project, the Mariveles Greenfield Power Plant under construction and the planned Pagbilao Greenfield Power Plant (which the Company has decided to no longer pursue) have already obtained the relevant DOE endorsement). The DOE subsequently issued "Advisory on the Moratorium of Endorsements for Greenfield Coal-Fired Power Projects In Line with Improving the Sustainability of the Philippines' Electric Power Industry" on January 11, 2021 which was dated as of December 22, 2020, to implement the moratorium. Under this advisory, effective October 27, 2020, the DOE would no longer process applications for greenfield coal-fired power generation facility projects requesting for endorsements. However, existing and operational coal-fired power generation facilities as well as any coal-fired power project which comply with the following parameters will not be affected by the moratorium: (i) committed power projects; (ii) existing power plant complexes which already have firm expansion plans and existing land site provision; and (iii) indicative power project with substantial

accomplishments, specifically those with signed and notarized acquisition of land or lease agreement for the project, and with approved permits or resolutions from the relevant local government units and the relevant regional development council where the power plant will be located.

The operations of the Company's greenfield power plants are subject to a number of national and local laws and regulations, including safety, health and environmental laws and regulations. These laws and regulations impose controls on air and water discharges, on the storage, handling, discharge and disposal of waste, location of facilities, employee exposure to hazardous substances, site clean-up, groundwater quality and availability, plant and wildlife protection, and other aspects of the operations of the business of San Miguel Global Power and its subsidiaries. Failure to comply with relevant laws and regulations may result in monetary penalties or administrative or legal proceedings against San Miguel Global Power or its subsidiaries, which may cause or result in the termination or suspension of the licenses or operation of their facilities.

San Miguel Global Power and its subsidiaries have incurred, and expect to continue to incur, operating costs to comply with such laws and regulations. In addition, San Miguel Global Power and its subsidiaries have made, and expect to continue to make, capital expenditures on an ongoing basis to comply with safety, health, and environmental laws and regulations.

While the Company believes that it has, at all relevant times, materially complied with all applicable laws, rules and regulations, there can be no assurance that San Miguel Global Power and its subsidiaries will be able to remain in compliance with applicable laws and regulations or will not become involved in future litigation or other proceedings or be held liable in any future litigation or proceedings relating to safety, health, mining and environmental matters, the costs of which could be material. In addition, safety, health, mining and environmental laws and regulations in the Philippines have become increasingly stringent. There can be no assurance that the adoption of new safety, health, mining and environmental laws and regulations, new interpretations of existing laws, increased governmental scrutiny of safety, health, mining and environmental laws or other developments in the future will not result in San Miguel Global Power and its subsidiaries from being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade, supplement or relocate its facilities. Moreover, in the event that future laws are enacted imposing restrictions on operations and refinancing, particularly in relation to power plants utilizing fossil fuels, then certain capital expenditures or expenses may not be recovered.

For example, the implementing rules and regulations issued by the DOE on "Renewable Portfolio Standards" mandates electric power industry participants (such as generation companies, distribution utilities and electric cooperatives) to source or produce a fraction of their electricity requirements from eligible renewable energy resources and undertake CSP in sourcing renewable energy. While activities related to sourcing renewable energy are presently favored by certain public policies, these policies can be altered or reversed, which could reduce or slow demand for renewable energy sources and energy storage technologies, including BESS.

The Philippines is also a party to the 2015 Paris Agreement, which aims to keep the increase in global average of temperature to well below 2°C above pre-industrial levels and to limit the increase to 1.5°C, since this would substantially reduce the risks and effects of climate change. As a party to the agreement, the Philippines may impose more stringent regulations, particularly on coal-fired power plant emissions, requiring expensive pollution controls on coal-fired power plants, among other measures. These measures may significantly increase costs of coal-fired power plants and, at the same time, increase the cost competitiveness of renewable energy. A significant portion of the captive market may shift away from coal and other hydrocarbon fuels, which may expose the coal-fired power plants of the Company to stranded-asset risk (i.e., hazard of an asset suffering from an unanticipated write-down, devaluation, or conversion to liability).

The Company has been compliant with and continues to perform its obligations under applicable laws and regulations relevant to its businesses. If San Miguel Global Power and its subsidiaries fail to comply with all applicable regulations or if the regulations governing its business or their implementation change, San Miguel Global Power or its subsidiaries may incur increased costs or be subject to penalties, which could disrupt its operations and have a material adverse effect on its business and results of operations.

San Miguel Global Power and its subsidiaries are in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. The Company and its subsidiaries maintain a strong compliance culture and have processes in place in order to manage adherence to laws and regulations.

With respect to the ongoing trend and shift towards renewables, San Miguel Global Power believes that, given the various uncertainties on future sources of reliable and cost-effective energy, its existing power asset portfolio and pipeline of power plant projects are well suited and readily available to contract, at viable terms, a significant portion of the continuously increasing demand whether from the captured or the contestable markets. Nevertheless, San Miguel Global Power continues to pursue a diversified power portfolio which includes renewable energy plants and is confident that it can leverage on its existing network of partners should the need arise to source energy from eligible renewable energy sources.

It is also unlikely for the power generation assets of the Company to be stranded because a substantial portion of its existing capacity are contracted to qualified offtakers on a long-term basis. Moreover, in view of the ongoing market liberalization of the local power industry, the Company has open access to potential offtakers whether from the captured or contestable markets as long as it remains competitive in its pricing and quality of service.

Equally important is the Company's constant vigilance and awareness of the carbon footprint and potential environmental hazards associated with fossil fuel-fired power plants and how this may influence certain offtakers willingness to purchase power from such facilities. As such, San Miguel Global Power closely supervises and controls the operations of its power generation assets to ensure that emissions are well below international and local environmental compliance standards. For example, the Limay Greenfield Power Plant and Davao Greenfield Power Plant of the Company uses the circulating fluidized bed technology in addition to other facilities such as fine coal grinders, limestone injections, and electrostatic precipitators, to transform coal into a fuel source that is relatively low in pollutant emissions.

Climate change policies.

San Miguel Global Power is currently invested in certain coal-fired power plants in the Philippines. Policy and regulatory changes, technological developments and market and economic responses relating to climate change may affect the Company's business and the markets in which it operates. The enactment of an international agreement on climate change or other comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal and available financing arrangements for coal-related projects. Other efforts to reduce greenhouse gas emissions and initiatives in various countries to use cleaner alternatives to coal such as natural gas may also affect the use of coal as an energy source.

In addition, technological developments may increase the competitiveness of alternative energy sources, such as renewable energy, which may decrease demand for coal generated power. Other efforts to reduce emissions of greenhouse gases and initiatives in various countries to encourage the use of natural gas or renewable energy may also discourage the use of coal as an energy source. The physical effects of climate change, such as changes in rainfall, water shortages, rising sea levels, increased storm intensities and higher temperatures, may also disrupt the Company's operations.

As a result of the above, the Company's business, financial condition, results of operations and prospects may be materially and adversely affected.

Legal and other proceedings arising out of its operations.

The Company and its subsidiaries, from time to time, may be involved in disputes with various parties involved in the generation, supply and sale of electric power, including contractual disputes with subcontractors, suppliers and government agencies. For example, 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, the parties have arrived at different computations regarding the subject payments. Despite the

pendency of the resolution of the dispute, the turnover of the Ilijan Power Plant to SPPC by PSALM was completed on June 4, 2022. Regardless of the outcome, these disputes may lead to legal or other proceedings and may result in substantial costs and delays in the operations of San Miguel Global Power. The Company may also have disagreements with regulatory bodies in the ordinary course of its business, which may subject it to administrative proceedings and unfavorable decisions that will result in penalties and/or delay the development of its greenfield projects and its current operations. In May 2022, SPI and SPPC filed separate Joint Motions for Price Adjustment with Meralco seeking approval from the ERC to temporarily increase the contract price under their respective PSCs with Meralco for a period of six (6) months. After this request was denied by the ERC, SPI and SPPC filed separate petitions with the Court of Appeals.⁹ In such cases, the business, financial condition, results of operations and cash flows of San Miguel Global Power could be materially and adversely affected.

Compliance with and renewal of licenses, permits and other authorizations.

San Miguel Global Power and its subsidiaries are required to maintain licenses, permits, and other authorizations for the operations of their respective businesses, including business permits and permits concerning, for example, health and safety, and environmental standards. These licenses, permits, and other authorizations contain various requirements that must be complied with to keep the same valid. If San Miguel Global Power and its subsidiaries fail to meet the terms and conditions of any of their respective licenses, permits or other authorizations necessary for operations, these operations may be suspended or terminated.

While the Company believes, to the best of its knowledge, that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and has established a strong compliance culture to ensure that all requirements, permits, and approvals are obtained in a timely manner, there is no assurance that changes in laws, rules or regulations or the interpretation thereof by relevant government agencies, will not result in the Company having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities, or being subject to fines and penalties. The measures implemented by San Miguel Global Power and its subsidiaries to comply with laws and regulations may also be deemed insufficient by governmental authorities. If San Miguel Global Power and/or its subsidiaries fail to comply, or is deemed to be non-compliant with any applicable laws or regulations, San Miguel Global Power and/or its subsidiaries, as the case may be, may be subject to penalties, which could disrupt their operations and have a material adverse effect on their businesses and results of operations. Potential liabilities for such non-compliance with the legal requirements or violations of prescribed standards and limits under these laws include administrative, civil, and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, that could limit or affect its operations such as orders for the suspension and/or revocation of permits or licenses or suspension and/or closure of operations. There can be no assurance that San Miguel Global Power and its subsidiaries will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings, the costs of which could be material. In the event that San Miguel Global Power and its subsidiaries become involved in any future litigation or other proceedings or is subject to any adverse rulings or decisions, such events may materially and adversely affect the business, financial condition, and results of operations of San Miguel Global Power and its subsidiaries.

There can be no assurance that San Miguel Global Power and its subsidiaries will continue to be able to renew the necessary licenses, permits, and other authorizations as necessary or that such licenses, permits, and other authorizations will not be revoked. If San Miguel Global Power and its subsidiaries are unable to obtain or renew them or are only able to do so on unfavorable terms, this could have an adverse effect on the business, financial condition, and results of operations of San Miguel Global Power and its subsidiaries.

San Miguel Global Power and its subsidiaries are in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. The relevant compliance officers of San Miguel Global Power and its subsidiaries monitor, review, evaluate, and ensure compliance by each of San Miguel Global Power and its subsidiaries with the rules and regulations and all governance issuances of regulatory agencies. Such compliance officers also identify, monitor, and control compliance risks and possible areas of compliance issues. Further, San Miguel

⁹ This is further discussed under Item 3. Legal Proceedings.

Global Power and its subsidiaries maintain a strong compliance culture and has processes in place in order to manage adherence to laws and regulations.

Please refer to Note 30 of the Notes to the Audited Consolidated Financial Statements attached hereto as **Annex “B”** for the discussion of the San Miguel Global Power and its subsidiaries’ Financial Risk and Capital Management Objectives and Policies.

Item 2. Properties

A summary of information on the principal properties of San Miguel Global Power and its subsidiaries and their conditions thereof as of December 31, 2023, is attached hereto as **Annex “D”**. Except for the properties of LPI, MPI and MPCL as provided in Annex “D”, San Miguel Global Power and its significant subsidiaries have no principal properties that are subject to a lien or mortgage. There are no imminent acquisitions of any material property that cannot be funded by working capital of San Miguel Global Power and its subsidiaries.

For additional information on the properties of San Miguel Global Power and its subsidiaries, please refer to Note 12, Property, Plant and Equipment, of the Audited Consolidated Financial Statements attached hereto as **Annex “B”**.

Item 3. Legal Proceedings

Petition to stop the imposition of the increase in generation charge

On December 5, 2013, MERALCO wrote the ERC requesting for clearance and authority: (i) to collect a generation charge of ₱7.90 per kWh in its December 2013 billings to its customers for its generation cost for the month of November 2013; and (ii) to defer to February 2014 the recovery of the remaining ₱3 Billion, representing a portion of the generation costs for the November 2013 supply month which was not passed on to customers in December 2013, subject to the inclusion of the appropriate carrying charge. In response thereto, the ERC, in its letter dated December 9, 2013, granted MERALCO the authority to implement a staggered collection of its generation cost for the power supplied in November 2013. The ERC, however, did not approve Meralco’s request to recover the carrying costs and directed it to file a formal application for this instead.

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

As a result, Meralco was constrained to fix its generation rate to its October 2013 level of ₱5.67/kWh. The TRO originally had 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, MPCL and several generators as respondents to the case. On January 10, 2014, the SC issued an order treating the Counter-Petition as in the nature of a third party complaint docketed as G.R. 210502 and granting the prayer to include SPI, SPPC, SRHI and MPCL as respondents in the Petition.

On February 18, 2014, the SC extended the TRO issued on December 23, 2013 for another 60 days or until April 22, 2014 and granted additional TROs enjoining the 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 Supreme Court 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 counsel only on July 5, 2022, while MPCL 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 Supreme Court 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 MPCL received a copy of the same on January 5, 2023.

With this, the relevant subsidiaries namely, SPPC, MPCL and SPI intend to discuss with Meralco the implementation of the SC Decision. SPPC, MPCL and SPI have aggregate outstanding receivables from Meralco estimated at ₱1,276 million.

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 ₱32/kWh. The price was set to be effective for 90 days until a new cap is decided upon.

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

Subsequent orders were issued by the ERC setting the period for compliance of the March 3, 2014 ERC Order (collectively, together with the March 3, 2014 ERC Order, the “2014 ERC Orders”). Based on these orders, SPI and SRHI recognized a reduction in the sale of power while MPCL, 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 MPCL 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, MPCL, 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 MPCL, declared 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 MPCL, 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 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 Supreme Court En Banc in a separate case (as discussed under "*Petition to stop the imposition of the increase in generation charge*") declaring the March 3, 2014 ERC Order as null and void, which is the subject of the aforementioned Petition. Considering that this decision of the Supreme Court En Banc 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 MPCL amounting to up to ₱2,321,785 will have to be settled with the Independent Electricity Market Operator of the Philippines ("IEMOP", the current operator of the WESM).

Ilijan IPPA Agreement Dispute

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

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

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

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

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

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

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

On September 19, 2018, PSALM filed a Petition for Certiorari with Urgent Prayer for the Issuance of a TRO and/or Writ of Preliminary Injunction before the SC praying for the reversal and nullification of the 2017 CA Decision and the 2018 CA Resolution but was denied by the SC in its resolution dated March 4, 2019 (the "March 4, 2019 SC Resolution"). PSALM filed a Motion for Reconsideration thereof and was denied by the SC in a resolution dated August 5, 2019 which became final and executory on the same date.

Prior to the CA Decision, on December 18, 2017, the presiding judge of the RTC who conducted the judicial dispute resolution issued an order inhibiting himself from the instant case. The case was then re-raffled to another RTC judge in Mandaluyong City. SPPC filed a Motion for Production of Documents on February 28, 2018, while PSALM filed its Manifestation with Motion to Hear Affirmative Defenses and Objections Ad Cautelam.

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

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

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

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

On December 1, 2022, PSALM filed a Petition for Review on Certiorari with the SC, appealing the April 7, 2022 CA Decision denying its petition for certiorari and October 4, 2022 CA Resolution denying its motion for reconsideration. The Petition for Review has been docketed as G. R. No. 263773. On June 9, 2023, SPPC filed its Comment on the petition.

In a Resolution dated November 8, 2023, which SPPC received on March 6, 2024, the Supreme Court denied PSALM's Petition for Review of the Court of Appeals' Decision dated April 7, 2022 and Resolution dated October 4, 2022 in CA-G.R. SP No. 161706. The Supreme Court deemed it was not necessary to delve into PSALM's arguments that the trial court committed grave abuse of discretion in directing PSALM to respond to SPPC's modes of discovery because the Court of Appeals found that the trial court acted in accordance with law, the facts, and evidence, and that PSALM had complied with the directive. The Supreme Court also found that it was the regular courts that have jurisdiction and not the ERC.

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

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

PSALM also filed several other pleadings: (i) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (ii) 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 (iii) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction. SPPC filed a Motion for Leave to File Consolidated Rejoinder with Consolidated Rejoinder dated September 14, 2020 to PSALM's Reply to Opposition to the Motion to Dissolve.

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

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

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

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

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

After moving for an extension of time, on November 26, 2022, PSALM filed a Petition for Review on Certiorari with the SC, appealing the May 30, 2022 CA Decision and October 3, 2022 CA Resolution. The petition for review has been docketed as G. R. No. 263774. On January 25, 2023, the SC denied the petition for failure to show any reversible error in the May 30, 2022 CA Decision and October 3, 2022 CA Resolution as to warrant the exercise of the SC of its discretionary appellate jurisdiction. PSALM has filed a Motion for Reconsideration. SPPC has not yet received a directive to file a Comment.

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

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

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

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

Order.

SPPC presented its first witness on July 29, 2022 and its second witness on November 11, 2022. Comparison and pre-marking of documents were conducted on January 20, 2023. Trial resumed on January 26, 2024 and March 15, 2024 where SPPC presented its second witness. for the cross-examination of SPPC's second witness. No additional trial dates have been scheduled because the presiding judge will retire in June 2024.

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. This was denied by the CA in its decision dated March 21, 2024, which was received by the external counsel of SPPC on April 11, 2024.

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.

Complaints for estafa and corruption against PSALM officers

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 U.S.\$60 million. On June 13, 2017, the DOJ endorsed the complete records of the complaint to the Office of the Ombudsman for appropriate action where it is still pending to date.

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

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

On March 21, 2022, SPPC filed a Motion for Reconsideration of the resolution dismissing the criminal complaint. In an Order dated May 25, 2022, the Office of the Ombudsman denied SPPC's Motion for Reconsideration. SPPC has decided not to question the dismissal of the criminal complaint.

Complaints for plunder and corruption against PSALM, TPEC, and TeaM Energy

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 ("Team Sual"), relating to the illegal grant of the so-called "excess capacity" of the Sual Power Plant in favor of TPEC which enabled it to receive a certain amount at the expense of the Government and SPI.

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

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

While the said Motion for Partial Reconsideration is pending, SPI and the Respondents filed before the DOJ a Joint Motion to Dismiss dated June 6, 2022, praying for the dismissal of the criminal complaint filed by SPI. In a Resolution promulgated on May 5, 2023, the DOJ affirmed its Resolution dated October 25, 2017. The DOJ held that considering SPI's desistance, SPI's Motion for Partial Reconsideration of the DOJ's Resolution of October 25, 2017 was considered dismissed and/or withdrawn.

SPI Consignation Case

On June 17, 2016, SPI filed with the Regional Trial Court, 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 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 Power Plant and that the consignation should belong to Team (Philippines) Energy Corporation ("TPEC") as it is rightfully entitled to the 200 MW and to the payments which SPI made consequent therewith.

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

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

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

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

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

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

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

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

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

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

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

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

Further related thereto, on December 1, 2016, SPI received a copy of a Complaint filed by TPEC and Team Sual 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, TEAM 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 ₱491,242 was released to TPEC on December 20, 2022.

Refund of system loss charge

In 2008, Meralco filed a petition for dispute resolution against PEMC, TransCo, NPC and PSALM seeking, among others, the refund of the transmission line loss components of the line rentals associated with PSALM/NPC bilateral transactions from the start of the WESM operations and Transition Supply Contract ("TSC") implemented in 2006. In this case, the ERC concluded that Meralco was being charged twice considering that it

already paid line rental to the WESM beginning June 2006. Hence, the ERC ordered PSALM/NPC to refund Meralco the 2.98% system loss charge embedded in the NPC Time-of-Use ("NPC TOU") rate (Meralco vs. PSALM, NPC, TransCo).

On March 4, 2013, the ERC issued a subsequent order directing Meralco (i) to collect this system loss charge from the Successor Generating Companies ("SGCs") including SPI and MPCL, which supplied the Meralco-NPC TSC and charged the NPC TOU rates, and (ii) to file a petition for dispute resolution against the SGCs, to recover the line loss collected by them as these SGCs were not parties to the petition for dispute resolution filed by Meralco in 2008. On July 1, 2013, the ERC clarified its previous order stating that SPPC should be included as one of the SGCs against whom Meralco is directed to file a petition.

In compliance with the ERC's March 4, 2013 and July 1, 2013 Order, Meralco filed a petition for dispute resolution with the ERC against all SGCs which supplied portions of the TSC (the "Meralco Petition"). On September 20, 2013, SPI, SPPC and MPCL, with the other SGCs, jointly filed a Motion to Dismiss before the ERC, on the ground of the Meralco Petition's failure to state a cause of action and the ERC's lack of jurisdiction over the subject matter of the Petition. To date, the Joint Motion to Dismiss remains unresolved by the ERC.

Request 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 Power Supply Agreement (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, SPPC and SPI each 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").

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 Temporary Restraining Order ("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 million (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 the Rule 65 Petition filed by SPI which is docketed as CA-G.R. SP No. 176037 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 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 Temporary Restraining Order 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 million (the "Preliminary Injunction Bond"). The CA likewise directed Respondents ERC, Meralco and NASECORE to file their respective comment on the SPPC CA Petition and allowed SPPC to file a reply within 5 days from receipt of the Respondents' comment. The ERC and Meralco filed motions for reconsideration of the CA's Resolution dated January 25, 2023.

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

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

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

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

In its June 9, 2023 Resolution, the CA granted the Motion for Leave to Intervene filed by the representatives of Power for People Coalition, Bukluran ng Manggagawang Pilipino, Sanlakas, Philippine Movement for Climate Justice, and Freedom from Debt Coalition, and admitted their Comment-in-Intervention. In the same June 9, 2023 Resolution, the CA declared that the case (consolidated with the SPI Petition) is deemed submitted for decision.

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

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

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

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

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

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

On September 12, 2023, SPPC received a copy of Meralco's Motion to Withdraw its Motion for

Additional Time to File Petition for Review on Certiorari under Rule 45 of the Rules of Court.

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

On January 16, 2024, SPPC received, through its external counsel, a copy of the Resolution issued by the CA dated 28 December 2023 denying the separate Motions for Reconsideration filed by NASECOR and the ERC. In its Resolution, the Court of Appeals ruled that the "grounds relied upon by [NASECOR] and [ERC] were already thoroughly considered and passed upon in the Decision being sought to be reconsidered; and that contrary to the claims of [the ERC], the Court has clearly provided its basis in making its rulings. Thus, the Court finds no merit in the arguments set forth in their respective motions for reconsideration. Accordingly, there is no cogent reason to reverse the Court's Decision dated June 27, 2023."

On 6 March 2024, SPPC received, through external counsel, a copy of the ERC's Petition for Review on Certiorari filed with the Supreme Court.

SPI CA Petition

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

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

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

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

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

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

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 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.

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

In its June 9, 2023 Resolution, the CA granted the Motion for Leave to Intervene filed by the representatives of Power for People Coalition, Bukluran ng Manggagawang Pilipino, Sanlakas, Philippine Movement for Climate Justice, and Freedom from Debt Coalition, and admitted their Comment-in-Intervention. In the same June 9, 2023 Resolution, the CA declared that the case (consolidated with the SPPC Petition) is deemed submitted for decision.

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

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

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

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

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

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

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

On January 16, 2024, SPI received, through its external counsel a copy of the Resolution issued by the CA dated 28 December 2023 denying the separate Motions for Reconsideration filed by NASECOR and the ERC. In its Resolution, the Court of Appeals ruled that the "grounds relied upon by [NASECOR] and [ERC] were already thoroughly considered and passed upon in the Decision being sought to be reconsidered; and that contrary to the claims of [the ERC], the Court has clearly provided its basis in making its rulings. Thus, the Court finds no merit in the arguments set forth in their respective motions for reconsideration. Accordingly, there is no cogent reason to reverse the Court's Decision dated June 27, 2023."

On 6 March 2024, SPI received, through external counsel, a copy of the ERC's Petition for Review on Certiorari filed with the Supreme Court.

Item 4. Submission of Matters to a Vote of Security Holders

In its special meeting held on September 7, 2023, the stockholders approved the following:

- (i) the approval of the increase in the authorized capital stock of the Corporation by ₱1,774,400,000.00 (comprising of 1,774,400,000 shares with par value of ₱1.00 per share), or **from** ₱2,000,000,000.00, divided into 2,000,000,000 shares with par value of ₱1.00 per share **to** ₱3,774,400,000.00, divided into 3,774,400,000 shares with par value of ₱1.00 per share (the “ACS Increase”);
- (ii) the approval of the amendment of Article Seventh of the Amended Articles of Incorporation of the Corporation to reflect the ACS Increase; and
- (iii) the ratification of the subscription by San Miguel Corporation to 443,600,000 shares out of the ACS Increase in cash at a subscription price of ₱30.00, or for a total subscription amount of ₱13,308,000,000.00.

The SEC approved the Company’s application for ACS Increase and the amendment of its Amended Articles of Incorporation to reflect the ACS Increase on October 2023.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market Price and Dividends on Common Equity and Related Stockholder Matters

Market Information

The Company has an authorized capital stock of P3,774,400,000.00 comprised of 3,774,400,000 common shares with par value of ₱1.00, following the increase in authorized capital stock from ₱2,000,000,000.00 comprised of 2,000,000,000 common shares, as approved by the SEC on October 24, 2023. As of December 31, 2023, the Company has issued and outstanding 2,823,604,000 common shares as a result of a series of subscriptions by SMC of the Corporation's common shares in 2023 as follows:

- a. On July 25, 2023, SMC and the Company executed a subscription agreement for the subscription by SMC to 410,000,000 shares of the Company out of the latter's unissued capital stock at a subscription price of ₱30.00 per share, or for a total subscription amount of ₱12,300 million. Thereafter, the shares for the aforementioned shares were issued to SMC upon full payment of the same on August 7, 2023.
- b. On August 1, 2023, SMC and the Company executed a subscription agreement for the subscription by SMC to 443,600,000 shares of the Company at a subscription price of ₱30.00 per share or for a total subscription amount of ₱13,308 million, out of the ACS Increase to be applied by the Corporation with the SEC, which was fully paid by SMC on August 30, 2023. The ACS Increase was approved by the Board of Directors of the Company in its meeting held on July 25, 2023 and was approved by the stockholders of the Company in its special meeting held on September 7, 2023. As the subscription was conditioned upon the approval of the SEC of the said ACS Increase, the shares subscribed were only issued on October 25, 2023, upon receipt by the Company of the SEC approval of the ACS Increase dated October 24 2023.
- c. On November 13, 2023, SMC and the Company executed a subscription agreement for the subscription by SMC to 720,000,000 shares of the Company at a subscription price of ₱30.00 per share or a total subscription amount of ₱21,600 million. The shares subscribed were subsequently issued on December 15, 2023 upon full payment thereof on even date.

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.

Stockholders

As of December 31, 2023, the Company has eight (8) stockholders, composed of one (1) corporation and seven (7) individuals with at least five hundred shares each. The following sets out the shareholdings of the aforementioned eight stockholders and the approximate percentages of their respective shareholdings to the total outstanding common stock of San Miguel Global Power:

Name of Stockholder	Class of Securities	Number of Shares	% of Outstanding Shares
San Miguel Corporation	Common	2,823,600,500	100%
Ramon S. Ang	Common	500	nil
John Paul L. Ang	Common	500	nil
Aurora T. Calderon	Common	500	nil
Virgilio S. Jacinto	Common	500	nil
Jack G. Arroyo, Jr.	Common	500	nil
Consuelo M. Ynares-Santiago	Common	500	nil
Josefina Guevara-Salonga	Common	500	nil
Total	Common	2,823,604,000	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 the shareholders. The declaration of stock dividends is subject to the approval of shareholders 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 its 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 years ended December 31, 2023, 2022 and 2021.

Distributions to Senior Perpetual Capital Securities (SPCS) Holders

San Miguel Global Power paid ₱15,035 million, ₱15,362 million and ₱12,191 million to the SPCS holders in 2023, 2022 and 2021 as distributions in accordance with the terms and conditions of their respective subscription agreements.

Distributions to Redeemable Perpetual Securities (RPS) Holder

San Miguel Global Power paid nil, ₱1,617 million and ₱1,996 million to the RPS holder in 2023, 2022 and 2021 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 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	\$500,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	July 3, 2019	\$300,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	November 5, 2019	\$500,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	January 21, 2020	\$600,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	October 21, 2020	\$400,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	December 15, 2020	\$350,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	June 9, 2021	\$600,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	September 15, 2021	\$150,000,000.00	Section 10.1(l) of the SRC
			\$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.

In addition, the RPS issued by the Company in 2018 is still outstanding and has the following details:

Name of Security Sold	Underwriter	Date of Sale	Amount of Securities	Basis for Exemption
Redeemable Perpetual Securities	N/A	March 15, 2018	\$650,000,000.00	Section 10.1(k) of the SRC

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

Item 6. Management's Discussion and Analysis or Plan of Operation.

(A) Management Discussion and Analysis

The information required by Item 6 (A) may be found on **Annex "A"** hereto.

(B) Information on Independent Accountant and Other Related Matters

The accounting firm of R.G. Manabat & Co. served as the Company's external auditors for the last fourteen (14) fiscal years. The Board of Directors will again nominate R.G. Manabat & Co. as the Company's external auditors for this fiscal year.

R.G. Manabat & Co. has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate or to subscribe to the securities of the Company, in accordance with the professional standards on independence set by the Board of Accountancy and Professional Regulation Commission.

R.G. Manabat & Co. auditor has not acted and will not act as promoter, underwriter, voting trustee, officer or employee of the Company.

The aggregate fees billed by R.G. Manabat & Co. amounted to ₱2.5 million, ₱7.3 million and ₱8.8 million in 2023, 2022 and 2021, 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 for accounting, compliance, and planning services. There were no other fees paid to the independent auditors other than for the above-described services.

The Audit 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 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 the San Miguel Global Power, both in fact and appearance.

Item 7. Financial Statements

The Audited Consolidated Financial Statements and Statement of Management's Responsibility are attached as **Annex "B"** with the Supplementary Schedules attached as **Annex "C"** hereto. The auditors' professional tax receipt, name of certifying partner and address are attached as **Annex "B-1"** hereto.

Item 8. 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.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The overall management and supervision of the Company 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 Amended By-Laws of the Company, the directors are elected at each annual 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 December 31, 2023, the composition of the Board of Directors of the Company is as follows:

Name	Age	Citizenship	Position	Year
Ramon S. Ang	69	Filipino	Director / Chairman	2010
John Paul L. Ang	43	Filipino	Director / Vice Chairman	2021
Aurora T. Calderon	69	Filipino	Director	2010
Virgilio S. Jacinto	67	Filipino	Director	2011
Jack G. Arroyo, Jr.	67	Filipino	Independent Director	2011
Consuelo M. Ynares-Santiago	84	Filipino	Independent Director	2011
Josefina Guevara-Salonga	81	Filipino	Independent Director	2017

As of December 31, 2023, the following are the 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	67	Filipino	Corporate Secretary and Compliance Officer	2010 & 2011
Elenita D. Go	63	Filipino	General Manager	2011
Paul Bernard D. Causon	45	Filipino	Vice President and Chief Finance Officer	2018 & 2017
Ramon U. Agay	66	Filipino	Assistant Vice President and Comptroller	2015 & 2011
Irene M. Cipriano	49	Filipino	Assistant Corporate Secretary	2010
Reynaldo S. Matillano	63	Filipino	Internal Audit Manager	2017
Maria Floreselda S. Abalos-Sampaga	58	Filipino	Data Protection Officer	2019
Jeciel B. Campos	65	Filipino	Assistant Vice President and Sales & Marketing Manager	2018
Jose Ferlino P. Raymundo	64	Filipino	Assistant Vice President and Energy Sourcing & Trading Manager	2018
Danilo T. Tolarba	55	Filipino	Assistant Vice President and Human Resources Group Manager	2018
Julie Ann B. Domino-Pablo	42	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 business experience for the past five years of each of the directors and executive officers are set forth below.

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 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. The designation of Mr. Ang in SMC was changed to President and Chief Executive Officer in December 2022. He is the Chairman and President of several subsidiaries of San Miguel Global Power such as SPI, SMELC, SPPC, SRHI, LPI, MPI, UPSI, CLPPC, Lumiere Energy Technologies Inc. (“LETI”) and KWPP Holdings Corporation; Chairman of AHC; and the Chairman and President and CEO of 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, San Miguel Equity Investments Inc., Sea Refinery Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, and Philippine Diamond Hotel & Resort, Inc. He is the President of San Miguel Northern Cement, Inc.; President and Chief Executive Officer of Northern Cement Corporation; and the Chairman and President of San Miguel Properties, Inc., San Miguel Holdings Corp., 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, the Chairman of the Board of Privado Holdings, Corp., and the Chairman, President and Chief Executive Officer of Far East Holdings Inc. 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 in the last five years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University. Mr. Ang attended a corporate governance training seminar conducted by Center for Global Best Practices on November 10, 2023.

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 (“Eagle Cement”) 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., and the President of San Miguel Equity Investments Inc. He was the Managing Director of Sarawak ClinkerSdn. Bhd. Malaysia (2002 – 2008) and the Purchasing Officer of Basic Cement (2002–2003). He graduated in 2002 from the Ateneo de Manila University with a Bachelor of Arts degree in Interdisciplinary Studies. On September 20, 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, a member of its Executive Committee since September 2, 2011. 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 Company Limited, 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 a corporate governance training seminar conducted by the Center for Global Best Practices on November 10, 2023.

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 20, 2023, 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. He attended corporate governance training seminars conducted by the SGV & Co. on September 8, 2023 and Center for Global Best Practices on November 10, 2023.

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 10, 2023, 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 10, 2023, 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 MPCL and SMGP Kabankalan, and the Chief Operating Officer of MPGC. 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 10, 2023, 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 MPCL and SMGP Kabankalan, 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 10, 2023, 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 DAMI, BERI, SEPC, 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 10, 2023, 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 Program of the Asian Institute of Management. On October 20, 2023, she attended a corporate governance training seminar conducted by Risk, Opportunities, Assessment and Management (ROAM), Inc.

Reynaldo S. Matillano is the Audit Manager of SMC 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 of Science in Business Administration, major in Accounting from Saint Paul University in Dumaguete City. On November 10, 2023, 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 Manuel L. Quezon University. On November 10, 2023, he 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 10, 2023, 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 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 10, 2023, 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 10, 2023, 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 PSALM 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 10, 2023, 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 MPCL and other entities of the Masinloc Group, he was the Managing Partner and CEO of MPCL 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 10, 2023, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

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, a Director and the Vice Chairman of the Company, is the son of Ramon S. Ang, the Company's Chairman & Chief Executive Officer and President & 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.

Item 10. 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 ¹	2024 (estimated)	₱81.6	₱23.2
	2023	₱79.5	₱16.3
	2022	₱76.3	₱24.5
All other Officers and Directors as a group unnamed	2024 (estimated)	₱55.6	₱33.7
	2023	₱53.7	₱27.1
	2022	₱47.1	₱29.6

¹ The Chief Executive Officer, President & Chief Operating Officer, and Senior Executive Officers of the Company for 2021 to 2023 are Ramon S. Ang, Elenita D. Go, Paul Bernard D. Causon and Ramon U. Agay.

Standard Arrangements

The By-Laws of the Company provides 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 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 director received a total ₱685,000.00.00 for their attendance in the board meetings, annual stockholders' meeting, and board committee meetings in 2023.

The 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. Other than the aforesaid per diem allowance, 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.

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.

Employment Contract

There is no employment contract between the Company and a named Executive Officer. There was neither a compensatory plan nor an 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.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(A) Security Ownership of Certain Record and Beneficial Owners of More Than 5% of the Voting Securities of the Company as of December 31, 2023

Title of Class	Name 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)	% of Total Outstanding Shares
Common	San Miguel Corporation (Parent Company)	San Miguel Corporation (SMC)	Filipino	2,823,600,500	100%
Common	Ramon S. Ang (Director)	Nominee-director of SMC in the Board	Filipino	500	nil
Common	John Paul L. Ang (Director)	Nominee-director of SMC in the Board	Filipino	500	nil
Common	Aurora T. Calderon (Director)	Nominee-director of SMC in the Board	Filipino	500	nil
Common	Virgilio S. Jacinto (Director)	Nominee-director of SMC in the Board	Filipino	500	nil
	Total:			2,823,602,500	

(B) Security Ownership of Directors and Executive Officers of the Company as of December 31, 2023

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Position	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Total No. of Shares	% 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	nil
Common	John Paul L. Ang	Vice Chairman	SMC; Nominee-director of SMC in the Board	Filipino	500	nil

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Position	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Total No. of Shares	% of Total Outstanding Shares
Common	Aurora T. Calderon	Director	SMC; Nominee-director of SMC in the Board	Filipino	500	nil
Common	Virgilio S. Jacinto	Director	SMC; Nominee-director of SMC in the Board	Filipino	500	nil
Common	Jack G. Arroyo, Jr.	Independent Director	Jack G. Arroyo, Jr.	Filipino	500	nil
Common	Consuelo M. Ynares-Santiago	Independent Director	Consuelo M. Ynares-Santiago	Filipino	500	nil
Common	Josefina Guevara-Salonga	Independent Director	Josefina Guevara-Salonga	Filipino	500	nil

(C) Voting Trust Holders of 5% or More

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

(D) 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.

Item 12. Certain Relationships and Related Transactions

The Company, in the ordinary course of business, has entered into transactions with stockholders, affiliates and other related parties principally consisting of advances and reimbursement of expenses, construction contracts, and development, management, underwriting, marketing, leasing and administrative service agreements. Sale and purchase of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions.

Except for the transactions discussed in Note 20 ("Related Party Disclosures") to the accompanying financial statements, there were no other material related party transactions during the last three financial years, nor are there any material transactions currently proposed between San Miguel Global Power and any: (i) director or executive officer, direct or indirect owner of 10% or more of the outstanding shares in San Miguel Global Power; (ii) close family member of such director, executive officer or owner; (iii) associates of San Miguel Global Power; (iv) enterprises controlling, controlled by or under common control with San Miguel Global Power; or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any director, executive officer or owner of 10% or more of the outstanding shares in San Miguel Global Power or any close family member of such director, executive officer, or owner.

See Note 20, Related Party Disclosures, of the Notes to the Audited Consolidated Financial Statements.

Parent Company

The parent company of San Miguel Global Power is SMC. As of **December 31, 2023**, SMC owns 100% of the 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, 2023**.

PART IV – CORPORATE GOVERNANCE

Item 13. 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, with the end in view of ensuring that its performance accords with best practices and meets its objectives thereunder. The performance of the Board Committees, the Board of Directors, and Management for 2023 were assessed through self-rating forms approved by the Board during its meeting held on March 11, 2024 and accomplished by the Board Committees, the Board of Directors, and Management. The results of the 2023 Performance Assessments will be validated by the Compliance Officer and the Corporate Governance Committee and will be presented to the Board of Directors in its upcoming Board Meeting on May 13, 2024. The details of the foregoing matters, as well as all other disclosures made by the Company pursuant to relevant rules and regulation of the SEC are posted in the Company's website www.smcglobalpower.com.ph.

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 and 2022 on June 30, 2022 and June 30, 2023, respectively, in compliance with SEC MC No. 13. For the 2023 AGCR, the same shall be filed by the Company with the SEC on or before June 30, 2024.

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 8 and 20, 2023, (ii) by Risks, Opportunities, Assessment and Management (ROAM), Inc. on October 20, 2023; and (iii) by Center for Global Best Practices on November 10, 2023.

PART V – EXHIBITS AND SCHEDULES
17-C

Item 14. Exhibits and Reports on SEC Form

(a) Exhibits

The 2023 Audited Consolidated Financial Statements are attached as **Annex “B”** and the Supplementary Schedules required under the Revised Securities Regulation Code (SRC) Rule 68, Annex 68-J (with the covering external auditor’s report thereon, including the Reconciliation Retained earnings Available for Dividend Declaration and Map of the Conglomerate to which the Company belongs) and the Schedule on Aging of Receivables are attached as **Annex “C”** hereto. The other Schedules as indicated in the Index to Schedules are either not applicable to the Company and its subsidiaries or require no answer.

The following supplementary information required by the SEC under the Revised SRC Rule 68, are annexed to this report as follows:

- (i) Map of the Conglomerate (**Annex “C-1”**)
- (ii) Supplementary Schedules of Annex 68-J (**Annex “C-2”**)
- (iii) San Miguel Global Power and Subsidiaries Financial Soundness Indicators (**Annex “C-3”**)
- (iv) Schedule on Aging of Trade and Other Receivables (**Annex “C-4”**)
- (v) San Miguel Global Power’s Reconciliation of Retained Earnings Available for Dividend Declaration (**Annex “C-5”**)

(b) Reports on Form 17-C

A summary list of the reports on Form 17-C filed during year 2023 is attached as **Annex “E”**.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on APR 15 2024 2024.



RAMON S. ANG
Chairman of the Board
& Chief Executive Officer and
President & Chief Operating Officer



PAUL BERNARD D. CAUSON
Chief Finance Officer



RAMON U. AGAY
Comptroller



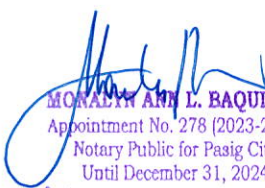
VIRGILIO S. JACINTO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15th day of April 2024 at Pasig City, the following persons with their Competent IDs, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Ramon S. ang	P2247867B	May 22, 2019	DFA Manila
Paul Bernard D. Causon	P8120059A	July 27, 2018	DFA NCR East
Ramon U Agay	P8388800B	Dec. 6, 2021	DFA Manila
Virgilio S. Jacinto	P3157226B	Sept. 12, 2019	DFA NCR East

Doc. No.: 199;
Page No.: 91;
Book No.: IV;
Series of 2024.




MONALYN ANN L. BAQUIRAN,
Appointment No. 278 (2023-2024)
Notary Public for Pasig City
Until December 31, 2024
5th Floor, C5 Office Building Complex,
#100 E. Rodriguez Jr. Ave., C5 Road,
Bo. Ugong, Pasig City 1604, Metro Manila
Roll No. 56497
PTR No. 1650870 / 01-03-2024 / Pasig City
IBP Lifetime No. 8246 / IBP-Rizal (RSM) Chapter
MCLE Compliance No. VII-0019561; 05-30-2022; Pasig City



**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 (“San Miguel Global Power” or “Parent Company”) and its subsidiaries (collectively referred to as the “Group”) for the three-year period ended December 31, 2023. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2023 and 2022, 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, 2023. All necessary adjustments to present fairly the Group’s consolidated financial position as at December 31, 2023 and the financial performance and cash flows for the year ended December 31, 2023, 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:

<i>(In Millions)</i>	Years Ended December 31		
	2023	2022	2021
Revenues	P169,590	P221,389	P133,710
Cost of power sold	(130,992)	(198,371)	(92,161)
Selling and administrative expenses	(6,166)	(5,740)	(4,915)
Other operating income	94	11,608	207
Operating income	32,526	28,886	36,841
Interest expense and other financing charges - net	(18,478)	(18,288)	(18,269)
Interest income	749	1,211	617
Equity in net losses of an associate and joint ventures	(272)	(400)	(117)
Other income (charges)	538	(7,240)	(1,194)
Income before income tax	15,063	4,169	17,878
Income tax expense	(5,160)	(1,035)	(1,900)
Net income	9,903	3,134	15,978

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.”.

2023 vs. 2022

<i>In Millions</i>	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
Revenues	P169,590	P221,389	(P51,799)	(23%)	100%	100%
Cost of power sold	(130,992)	(198,371)	(67,379)	(34%)	(77%)	(90%)
Gross profit	38,598	23,018	15,580	68%	23%	10%
Selling and administrative expenses	(6,166)	(5,740)	426	7%	(4%)	(3%)
Other operating income	94	11,608	(11,514)	(99%)	0%	5%
Operating income	32,526	28,886	3,640	13%	19%	12%
Interest expense and other financing charges	(18,478)	(18,288)	190	1%	(11%)	(8%)
Interest income	749	1,211	(462)	(38%)	1%	1%
Equity in net losses of an associate and joint ventures	(272)	(400)	128	32%	0%	0%
Other income (charges) - net	538	(7,240)	7,778	107%	0%	(3%)
Income before income tax	15,063	4,169	10,894	261%	9%	2%
Income tax expense	5,160	1,035	4,125	399%	3%	1%
Net income	P9,903	P3,134	6,769	216%	6%	1%

Revenues

The Group's consolidated revenues for the year 2023 amounted to P169,590 million, down by 23% from last year's P221,389 million. The decrease was driven by a decline in the fuel tariffs for the Group's bilateral customers as coal prices fell during the year -- averaging only US\$172.79 per metric ton (MT) in 2023 compared to US\$360.19/MT in 2022, in terms of GC Newcastle indexed prices. Revenues were also adversely affected by lower offtake volumes which declined by 8% during the year to 25,205 gigawatt hours (GWh) following the suspension and eventual termination of the Group's 670MW power supply agreement (PSA) with Manila Electric Company (Meralco) as allowed by a favorable decision from the higher court. The Group, however, has been able to secure several emergency power supply agreements (EPSA) from Meralco and other distribution utilities (DUs) that allowed the contracting of its available capacities, and the resumption of operations of the Ilijan Power Plant using commercial liquefied natural gas (LNG) on a fuel passthrough basis.

The decline in revenues was partially mitigated by additional revenues from ancillary services rendered by the 7 battery energy storage system (BESS) facilities of SMGP BESS Power Inc.² (SMGP BESS) for the National Grid Corporation of the Philippines (NGCP), with a combined capacity of 220 megawatt hours (MWh), which commenced commercial operations in the second semester of 2023. An additional 110 MWh started commercial operations during the first quarter of 2024 to render ancillary services for NGCP.

Cost of Power Sold

Cost of power sold decreased to P130,992 million in 2023, which is 34% lower than the P198,371 million incurred in 2022. The decrease was attributable mainly to lower fuel costs as international coal prices went down by an average of 52% in terms of GC Newcastle indexed prices. Moreover, the Group was able to substantially reduce its exposure to power purchases in the Philippine Wholesale Electricity Spot Market (WESM) to supplement its required generation output following the suspension and eventual termination of the obligation to deliver the 670 MW contract capacity with Meralco as allowed by a favorable decision by the higher court. Court of Appeals (CA).

² On November 3, 2023, the Philippine SEC approved the change in the corporate name of "Universal Power Solutions, Inc." to "SMGP BESS Power Inc.".

Selling and Administrative Expenses

Selling and administrative expenses increased by 7% or P426 million, from P5,740 million in 2022 to P6,166 million in 2023. The increase was mainly due to: (i) higher taxes and licenses representing documentary stamp taxes from various transactions of, and local business taxes for the account of Sual Power Inc.³ (SPI), San Miguel Global Power, Limay Power Inc.⁴ (LPI), Malita Power Inc.⁵ (MPI), San Roque Hydropower Inc.⁶ (SRHI) and Masinloc Power Co. Ltd.⁷ (MPCL), and (ii) higher personnel-related expenses of the Group driven by its continuing business expansion.

Other Operating Income

In 2022, the Group recognized gains from the sale of real properties, previously acquired as potential project sites for its several power plant expansion projects, in the normal course of business and consistent with its asset optimization strategies.

Income from Operations

Consolidated income from operations of P32,526 million was higher by 13% compared to 2022 owing to improved margins on contracted volumes, as the Group worked out a transition to fuel passthrough arrangements for most of its bilateral customers and following the significant reduction in its exposure to unplanned power purchases from the WESM market with the suspension and eventual termination of its 670 MW PSA with Meralco as allowed by the higher court.

Interest Expense and Other Financing Charges

Interest expense and other financing charges went up slightly to P18,478 million in 2023. This is due to the pervasive increase in global and local interest rates which affected primarily the new debt raised by the Group, but was partly mitigated by the declining principal balances of its finance lease liabilities owed to Power Sector Assets and Liabilities Management Corporation (PSALM) arising from Independent Power Producer Administration (IPPA) arrangements, such as on the Ilijan Power Plant, which was fully settled last June 2022 and on the Sual Power Plant, which is nearing full settlement by October 2024.

Interest Income

Interest income amounted to P749 million in 2023. The lower number compared to last year was due primarily to lower average interest rate and shorter placement periods as funds were utilized to cover 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 P272 million loss in 2023, down from the P400 million loss in 2022, mainly due to the improvement in the financial performance of Angat Hydropower Corporation (AHC) with better hydrological conditions seen in 2023.

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

⁴ On February 7, 2023, the Philippine SEC approved the change in the corporate name of "SMC Consolidated Power Corporation" to "Limay Power Inc."

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

⁶ On March 31, 2023, the Philippine SEC approved the change in the corporate name of "Strategic Power Devt. Corp." to "San Roque Hydropower Inc."

⁷ On November 13, 2023, the Philippine SEC approved the change in the corporate name of "Masinloc Power Partners Co. Ltd." to "Masinloc Power Co. Ltd."

Other income (charges) - net

Other income amounted to P538 million in 2023, a complete turn-around from the P7,240 million other charges in 2022. This was mainly due to the net foreign exchange gain recognized on the revaluation of the Group's US Dollar-denominated net monetary liabilities, with the appreciation of the Philippine Peso against the US Dollar during the year, which is in stark contrast to the significant depreciation of the Philippine Peso against the US Dollar seen in 2022.

Income Tax Expense

Provision for income tax amounted to P5,160 million in 2023. The higher number compared to last year was due mainly to: (i) higher deferred tax expense recognized by SPI and SRHI on its lease-related temporary tax base differences, and (ii) higher provision for deferred tax benefit on net operating loss carryover recognized by SPPC and SPI in 2022.

Net Income

Consequently, the consolidated net income of the Group surged to P9,903 million from P3,134 million net income reported last year which was burdened with significant net unrealized foreign exchange losses.

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

1. POWER GENERATION

a. SPI (IPPA of Sual Power Plant)

For the year 2023, net generation of 5,957 GWh, at 57% net capacity factor rate, was lower by 7% compared to 2022 due mainly to longer outages during the year. On the other hand, offtake volume was up by 11% as a result of higher replacement power sold to affiliate power plants, primarily Ilijan which was contracted to supply the 810 MW emergency power to Meralco.

Revenues of P66,238 million decreased by 13% compared to last year's P75,817 million due mainly to lower average realization price resulting from lower fuel tariff as global coal prices fell from an average of US\$360.19/MT in 2022 to an average of just US\$172.79/MT in 2023. Despite the decrease in revenue, operating income increased by 105% from P5,308 million in 2022 to P10,906 million in 2023 due to improved margins as Sual transitioned most of its pool of bilateral contracts to having fuel passthrough arrangements.

b. SRHI (IPPA of San Roque Power Plant)

The San Roque Power Plant's net generation of 874 GWh for the year 2023, at 29% net capacity factor rate, increased by 41% due to longer operating hours with higher water inflows resulting from high water reservoir level. Likewise, total offtake volume of 1,920 GWh increased by 109% compared to 2022 due to a new bilateral contract which took effect in March 2022, the supply of which was partly sourced from affiliate generators.

Revenues of P13,876 million were up by 31% compared to last year's P10,579 million due mainly to higher offtake volume partly offset by lower average realization price.

However, operating income of P3,842 million in 2023 dropped by 25% compared to last year due to lower margin owing to the aforesaid decline in the average realization price.

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

The net generation of Ilijan Power Plant for the year 2023 decreased by 6% due primarily to the plant's extended outage since its turnover from PSALM in June 2022 up to May 2023 while it underwent retrofitting works to improve its fuel efficiency and reliability, and as it awaited the substantial completion of the adjacent full-scale LNG terminal that has been tolled on a long-term basis to receive, store and re-gasify LNG fuel for the Ilijan Power Plant (the "Batangas LNG Terminal"). The said terminal started supplying LNG fuel to the Ilijan Power Plant in the latter part of May 2023.

Likewise, total offtake volume of 5,822 GWh for the year 2023 decreased by 5% compared to last year due to the suspension and eventual termination of the obligation to supply the 670 MW PSA with Meralco, which was partially offset by the 480 MW and 330 MW EPSAs which took effect in April and September 2023, respectively.

Revenues of P41,596 million for year 2023 improved by 43% compared to the revenues reported in 2022 mainly on account of higher average realization price.

For year 2023, SPPC recognized an operating income of P1,238 million, a complete turnaround from the P13,042 million operating loss in 2022. This was mainly due to higher bilateral contracts revenue and lower cost to supply.

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

The net generation of the Limay Greenfield Power Plant of 3,976 GWh for the year 2023, at 85% net capacity factor rate, was slightly lower by 4% than last year at 4,144 GWh. LPI dispatched 1,862 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 2,051 GWh went up from last year by 11% due to the increase in spot and replacement power sales volume. However, revenues decreased by 9% from P14,239 million in 2022 to P13,024 million in 2023 attributable to lower average realization price with the decline in fuel tariff passed-on to customers as a result of lower global coal prices.

Operating income registering at P3,415 million in 2023 was 47% higher than the P2,329 million posted in 2022 on account of higher offtake volume.

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

For the year 2023, a total of 1,557 GWh was generated by the plant, at a capacity factor rate of 67%, slightly lower than last year's by 2% due to the decrease in bilateral nominations.

On the other hand, revenues at P11,840 million dropped by 35% compared to last year due to lower bilateral offtake volume, on account of the aforesaid decline in bilateral nominations, as well as lower average realization price resulting from lower fuel tariff as global coal prices fell. As a result, operating income at P3,729 million fell by 45% compared to last year.

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

The Masinloc Power Plant's operating Units 1, 2, and 3 contributed a total net generation of 5,407 GWh for the year 2023 with 5,056 GWh or 94% supplied to power generation customers while the rest was discharged to RES customers. This was 11% lower, compared to the 6,086 GWh generated from last year, as a result of higher outage days attributed to the scheduled preventive maintenance of the 3 units and the turbine retrofit of Unit 1.

Total offtake volume of 5,529 GWh and revenues of P34,300 million fell from last year resulting primarily from lower customer nominations and spot sales volume. Operating income decreased to P5,648 million on account of lower offtake volume coupled with lower average realization price due to the decline in fuel tariff passed on to bilateral customers as global coal prices fell.

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

a. **LPI - RES**

For year 2023, total offtake volume registered at 2,230 GWh. Total offtake volume declined by 11% compared to last year's 2,509 GWh due to contracts that have expired or have been disconnected. Likewise, revenues went down by 36% from P23,045 million last year to P14,749 million in 2023 due to lower offtake volume and lower average realization price with the decline in global coal prices.

Consequently, operating income of P1,180 million for year 2023 was down compared to the P3,490 million posted in 2022.

b. **MPCL, RES and BESS**

Revenues, inclusive of ancillary revenues from the 10 MWh BESS, and operating income decreased to P6,382 million and P1,074 million, respectively, due to lower customer requirements and expiration of contracts in 2023.

c. **SMGP Kabankalan Power Co. Ltd.⁸ (SMGP Kabankalan, owner of Kabankalan I BESS)**

Revenues of P634 million for 2023 decreased by 26% compared to last year on account of longer forced outages, from April 18 to August 25, 2023, resulting from the equipment breakdown and completion of repair works. Consequently, operating income of P378 million was lower by 14% compared to the P438 million registered last year.

d. **SMGP BESS (owner of various BESS Facilities)**

Beginning July 2023, the Energy Regulatory Commission (ERC) granted provisional authority for the implementation of Ancillary Service Procurement Agreements (ASPA) between NGCP and SMGP BESS with 7 BESS facilities commencing commercial operations on various dates during the second semester of 2023. SMGP BESS reported revenues and operating income of P2,208 million and P1,391 million in 2023, respectively.

⁸ On September 21, 2023, the Philippine SEC approved the change in the corporate name of "SMCGP Philippines Energy Storage Co. Ltd." to "SMGP Kabankalan Power Co. Ltd.".

2022 vs. 2021

<i>In Millions</i>	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	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 P133,710 million reported in 2021. 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 Meralco, other distribution utilities and industrial customers as Corona Virus Disease 2019 quarantine restrictions continue to loosen, thereby increasing offtake volume by 181 GWh to 27,402 GWh from 27,221 GWh in 2021, and (iii) commencement of commercial operations of the 20 MWh Kabankalan 1 BESS on January 26, 2022.

Such consolidated revenues do not include the price adjustments necessary to cover the unanticipated increase in cost of power sold arising from the Group's WESM purchases to continue supplying the nominations from Meralco's 670 MW PSA with SPPC. A related claim, particularly for the period January to May 2022, that could affect the recovery of such costs, was pending with the CA for resolution as of December 31, 2022 (II. B. 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 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 pass thru 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 MPCL, San Miguel Global Power and LPI, (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 P36,841 million in 2021.

Interest Expense and Other Financing Charges

Interest expense and other financing charges amounted to P18,288 million in 2022, an increase from 2021, primarily due to additional loans drawn by the San Miguel Global Power during the year, partly offset by lower interest recognized on the declining principal balances of the 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 2021, driven primarily by higher average interest rate and higher interest income for the year on shareholder advances granted to AHC.

Equity in Net Losses of an Associate and Joint Ventures

Equity in net losses of an associate and joint ventures amounted to P400 million in 2022, higher than 2021, 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 to P1,194 million in 2021. 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 in 2022.

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 in 2022, partly offset by (ii) higher deferred income tax expense on lease-related expenses of the IPPAs and SPPC, and (iii) higher taxable income of MPCL, MPI and LPI.

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 Law adjustments recognized in the first quarter of 2021, net income would have been P10,046 million, lower by 25% from 2021.

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

1. POWER GENERATION

a. **SPI, 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 2021. This was mainly due to fewer outages in 2022, as Sual Unit 2 was on extended outage for the repair of turbine blades and diaphragm and Unit 1 on forced and maintenance shutdown during the first half of 2021. Likewise, total offtake volume increased to 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 the P38,162 million registered in 2021 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 the P10,996 million reported in 2021 on account of higher generation cost due to significant increase in cost of coal and spot purchase prices offset by the decline in power purchase volumes from affiliate and external generators as a result of higher plant availability in 2022.

b. **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 2021 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 in 2021.

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.

c. **SRHI, 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 from low water reservoir level. Moreover, total offtake volume of 918 GWh decreased by 16% compared to 1,096 GWh reported in 2021 due to lower spot sales volume.

Revenues of P10,579 million for the year 2022 was 75% higher than the P6,029 million posted 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 net generation of the plant from all operating units of 4,144 GWh in 2022, at 88% net capacity factor rate, was slightly lower than the 4,177 GWh in 2021. LPI dispatched 1,790 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 1,847 GWh fell from the previous year by 4% due to decline in both spot sales volume and replacement power.

In 2022, revenues increased by 48% from P9,603 million in 2021 to P14,239 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%, slightly lower than the previous 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 the P4,838 million reported in 2021.

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

The Masinloc Power Plant operating Units 1, 2, and 3 contributed a total net generation of 6,086 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. 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 derations and shutdown in 2022.

Total offtake volume of 6,551 GWh fell from the previous 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 volume 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. **MPCL, RES and BESS**

In 2022, total offtake volume and revenues, including the revenues generated from the ASPA between NGCP and MPCL 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. **SMGP Kabankalan, owner of Kabankalan I BESS**

On January 6, 2022, the ERC granted provisional authority for the implementation of the ASPA between NGCP and SMGP Kabankalan commencing on January 26, 2022. SMGP Kabankalan 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 the previous 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.

II. FINANCIAL POSITION

A. MAJOR DEVELOPMENTS IN 2023

UPDATES ON BESS AND LNG PROJECTS OF THE GROUP

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

Several key installations comprising its unprecedented ~1,000 MWh in BESS projects, one of which was inaugurated by the President of the Republic of the Philippines on March 31, 2023, in Limay, Bataan. A significant portion of such BESS capacities have successfully secured ancillary services contracts with 5-year tenors pursuant to a competitive selection process (CSP) conducted by the NGCP. With 7 BESS facilities (220 MWh) and 3 BESS facilities (110 MWh), located in various sites nationwide, commencing operations in 2023 and in the first quarter of 2024, respectively. The remaining BESS capacities are gearing up to participate in the upcoming CSP for additional grid ancillary services requirements of NGCP as well as for peak power supply applications that will help ensure energy security for the local power industry in the near term.

San Miguel Global Power also launched the country's first fully integrated LNG-to-energy complex with the delivery of the country's first LNG shipment importation in April 2023. The LNG transfer was made to a Floating Storage Unit that was eventually integrated into the Batangas LNG Terminal, which is a full-scale LNG terminal strategically located between San Miguel Global Power's two gas-fired power plants: the brownfield 1,200 MW Ilijan Power Plant and the greenfield 1,320 MW Batangas Combined Cycled Power Plant (BCCPP). Said terminal started supplying LNG fuel to the Ilijan Power Plant on May 31, 2023, thereby commencing the reintegration of Ilijan Power Plant's valuable baseload capacity to the Grid and improving the overall energy situation in the country. Both of these power plants were each able to secure a 1,200

MW baseload power supply agreement with Meralco, over 15 years starting 2024, pursuant to a CSP conducted in January 2024.

UPDATES ON CLAIM FOR PRICE ADJUSTMENT ON THE MERALCO PSAs

On June 27, 2023, the CA released its joint decision on the separate petitions of SPI and SPPC for certiorari (the “Joint Decision”), which effectively annulled and set aside the previous Orders of the ERC denying their joint petitions with Meralco for a tariff increase to allow the recovery of incremental power supply costs due to *Change in Circumstances* and the eventual termination of the PSAs with Meralco. Following the release of the CA’s Joint Decision, SPI and SPPC firmed up the termination of their respective PSAs with Meralco without prejudice to additional claims on incremental power supply costs due to Change in Circumstances beyond the period covered by the said petitions. SPPC ceased the supply under its PSA on December 7, 2022, after the issuance of the Temporary Restraining Order (“TRO”) by the CA, while SPI ceased to supply nominations on its PSA on July 24, 2023. On September 12, 2023, Meralco filed its Motion to Withdraw its Motion for Additional Time to File Petition for Review on Certiorari with the Supreme Court under Rule 45 of the Rules of Court pursuant to the Joint Decision. On December 28, 2023, the CA issued a decision denying the Motions for Reconsideration filed by the ERC and intervenors on its decision dated June 27, 2023, which was received by the external counsel of SPI and SPPC on January 16, 2024. The ERC then filed a Petition for Review on Certiorari with the Supreme Court, a copy of which was received by the SPI and SPPC on March 6, 2024.

In the meantime, SPI and SPPC are pursuing their respective claims for recovery of incremental power supply costs from Meralco on account of the CA’s Joint Decision.

LONG TERM DEBTS

Availment of Term Loans

- **San Miguel Global Power**

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

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

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

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

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

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

- **SMGP BESS**

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

The proceeds from the first tranche were used (i) for the purchase of outstanding perpetual securities issued to San Miguel Corporation (SMC) and reimbursement or repayment of reimbursable advances from San Miguel Global Power, (ii) for payment of interest during construction, (iii) to fund the costs and expenses in relation to the design, construction and the operation of the BESS projects, and (iv) for payment of transaction costs.

Amendment of MPCL's Omnibus Refinancing Agreement (ORA)

On January 17, 2023, MPCL agreed with local bank lenders to amend its ORA, with an outstanding obligation amounting to US\$149 million as at the agreement date, into a Philippine Peso-denominated loan pegged at P8,155 million, subject to floating interest rate with maturities up to January 2030. MPCL 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 redeemable perpetual securities (RPS) issued by San Miguel Global Power to SMC in March 2023. The rest was paid from San Miguel Global Power's cash flows from operations.

In October 2023, San Miguel Global Power refinanced the US\$50 million term loan drawn on April 21, 2021, from a facility agreement with a foreign bank executed in October 12, 2020.

For the year 2023, San Miguel Global Power, LPI, MPI and MPCL paid a total of P6,842 million of their scheduled long-term debt principal amortizations pursuant to the terms and conditions of their respective facility agreements.

Redemption of Maturing Series B and Series G Bonds by San Miguel Global Power

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

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

SUBSCRIPTION TO SAN MIGUEL GLOBAL POWER'S COMMON SHARES BY SMC

On July 25, 2023, San Miguel Global Power and SMC executed a Subscription Agreement to subscribe to an additional 410,000,000 common shares out of the unissued capital stock of San Miguel Global Power for a total subscription price of P12,300 million or P30.00 per share, which was fully paid in 2023.

On July 25, 2023, the Board of Directors (BOD) of San Miguel Global Power approved the additional increase in its authorized capital stock by P1,774 million (comprising of 1,774,400,000 shares with par value of P1.00), or from P2,000 million, divided into 2,000,000,000 shares with par value of P1.00 to P3,774 million, divided into 3,774,400,000 shares with par value of P1.00 (the "ACS Increase"). On August 1, 2023, SMC in a Subscription Agreement, subscribed to 443,600,000 common shares out of the ACS Increase for a total subscription price of P13,308 million or P30.00 per share. The total subscription price was fully paid in 2023.

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

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of San Miguel Global Power was approved by the Philippine SEC on October 24, 2023.

On November 13, 2023, San Miguel Global Power and SMC executed a Subscription Agreement to subscribe to an additional 720,000,000 common shares out of the unissued capital stock of San Miguel Global Power for a total subscription price of P21,600 million or P30.00 per share, which was fully paid in 2023.

The proceeds from the capital infusion of SMC were used to finance maturing obligations and for general corporate purposes, including capital expenditures of the Group.

ISSUANCE OF REDEEMABLE PERPETUAL SECURITIES

In 2023, San Miguel Global Power and SMGP BESS issued various US Dollar-denominated and Philippine Peso-denominated RPS in favor of SMC, amounting to a total of US\$704 million (equivalent to P38,517 million, net of transaction costs) and P32,316 million (net of transaction costs), respectively.

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

Purchase by SMGP BESS of its RPS issued to SMC

On October 27, 2023, SMGP BESS purchased its outstanding RPS issued to SMC, for a total consideration of P21,669 million, pursuant to the terms of the RPS. The purchase was financed using in part the proceeds of the P28,000 million drawn by SMGP BESS from its P40,000 million OLSA.

EVENT AFTER THE REPORTING DATE

On March 1, 2024, Meralco PowerGen Corporation (MGen) and Therma NatGas Power, Inc. (TNGP, a subsidiary of Aboitiz Power Corporation), through their joint venture entity, Chromite Gas Holdings Inc. (CGHI), have entered into binding agreements with San Miguel Global Power and its relevant subsidiaries, for MGen and TNGP to jointly invest in and acquire a 67% stake in San Miguel Global Power's gas-fired power plants, namely (i) the brownfield 1,200 MW Ilijan Power Plant owned by SPPC, (ii) the greenfield 1,320 MW BCCPP owned by Excellent Energy Resources Inc. (EERI) and (iii) land owned by Ilijan Primeline Industrial Estate, Inc. (IPIEC) where the aforesaid gas-fired power plants and related facilities are located.

The transaction also involves the acquisition by CGHI and San Miguel Global Power of the Batangas LNG Terminal owned by Linseed Field Corporation, which processes LNG for SPPC and EERI, and has the capacity to service additional third-party customers.

The transaction is subject to several standard closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission.

B. 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 SMGP Kabankalan for 5 years commencing on January 26, 2022. Following the receipt of the ERC Order, SMGP Kabankalan 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 in 2022, while the remaining BESS sites are expected to be completed in 2023 to 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 formed 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 formed 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 P4,022 million of their scheduled long-term debt principal amortizations pursuant to the terms and conditions of their respective facility agreements.

In 2022, MPCL made principal repayments of term loans pursuant to its ORA and Omnibus Expansion Financing Agreement 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 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 bonds approved by the Philippine 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 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 of the sale transactions amounted to P18,751 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 CSP 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 TRO and/or Writ of Preliminary Injunction before the 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 14th Division, was then pending with the CA 13th Division and hereinafter referred to as the "SPPC CA Petition", while the Petition for Certiorari filed by SPI originally pending with the CA 17th Division was subsequently transferred to the CA 16th Division and hereinafter referred to as the "SPI CA Petition".

On November 23, 2022, a TRO was issued by the CA 13th Division for the SPPC CA Petition which was subsequently converted to a Writ of Preliminary Injunction by the CA 13th 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 13th Division, while SPPC filed with the CA 13th 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 16th 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 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 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.

TENDER OFFER TO HOLDERS OF SENIOR PERPETUAL CAPITAL SECURITIES ("SPCS") BY SAN MIGUEL GLOBAL POWER

On October 26, 2022, the BOD 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 RPS BY SAN MIGUEL GLOBAL POWER AND SMGP BESS

In 2022, San Miguel Global Power and SMGP BESS issued US Dollar-denominated and Philippine Peso-denominated RPS to SMC ("RPS Holder"):

Date of Issuance	Initial Rate of Distribution	Amount of RPS Issuance (in Millions)	Amount in Philippine Peso* (in Millions)
<i>San Miguel Global Power</i>			
US Dollar-denominated:			
November 8, 2022	6.25%	US\$85	P4,916
<i>SMGP BESS</i>			
US Dollar-denominated:			
October 28, 2022	6.25%	US\$88	5,063
December 1, 2022	6.25%	US\$76	4,241
Philippine Peso-denominated:			
November 23, 2022	7.50%	P5,000	4,962
			P19,182

*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.

C. MATERIAL CHANGES PER LINE OF ACCOUNT

2023 vs. 2022

<i>In Millions</i>	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
Cash and cash equivalents	P31,659	P22,726	P8,933	39%	4%	3%
Trade and other receivables - net	116,976	105,940	11,036	10%	15%	15%
Inventories	16,841	16,822	19	0%	2%	2%
Prepaid expenses and other current assets	48,522	43,293	5,229	12%	6%	6%
Total Current Assets	213,998	188,781	25,217	13%	27%	26%
Investments and advances - net	10,953	7,855	3,098	39%	1%	1%
Property, plant and equipment - net	339,225	304,412	34,813	11%	44%	43%
Right-of-use assets - net	104,975	106,610	(1,635)	(2%)	13%	15%
Goodwill and other intangible assets - net	71,712	71,765	(53)	0%	9%	10%
Deferred tax assets	974	2,280	(1,306)	(57%)	0%	0%
Other noncurrent assets	43,098	35,812	7,286	20%	6%	5%
Total Noncurrent Assets	570,937	528,734	42,203	8%	73%	74%
Total Assets	P784,935	P717,515	P67,420	9%	100%	100%
Loans payable	P13,736	P21,000	(P7,624)	(35%)	2%	3%
Accounts payable and accrued expenses	97,633	84,447	13,186	16%	12%	12%
Lease liabilities - current portion	17,645	19,185	(1,540)	(8%)	2%	2%
Income tax payable	222	326	(104)	(32%)	0%	0%
Current maturities of long-term debt - net of debt issue costs	54,125	63,722	(9,597)	(15%)	7%	9%
Total Current Liabilities	183,361	188,680	(5,319)	(3%)	23%	26%
Long-term debt - net of current maturities and debt issue costs	204,644	208,431	(3,787)	(2%)	26%	29%
Deferred tax liabilities	21,285	19,364	1,921	10%	3%	3%
Lease liabilities - net of current portion	25,142	40,773	(15,631)	(38%)	3%	6%
Other noncurrent liabilities	7,030	7,950	(920)	(12%)	1%	1%
Total Noncurrent Liabilities	258,101	276,518	(18,417)	(7%)	33%	39%
Total Liabilities	441,462	465,198	(23,736)	(5%)	56%	65%

Forward

<i>In Millions</i>	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	P2,824	P1,250	P1,574	126%	0%	0%
Additional paid-in capital	48,082	2,490	45,592	1831%	6%	0%
Senior perpetual capital securities	161,768	161,768	-	0%	21%	23%
Redeemable perpetual securities	102,547	51,934	50,613	97%	13%	7%
Equity reserves	(3,020)	(1,559)	(1,461)	(94%)	0%	0%
Retained earnings	30,367	35,526	(5,159)	(15%)	4%	5%
	342,568	251,409	91,159	36%	44%	35%
Non-controlling Interests	905	908	(3)	0%	0%	0%
Total Equity	343,473	252,317	91,156	36%	44%	35%
Total Liabilities and Equity						
	P784,935	P717,515	P67,420	9%	100%	100%

The Group's consolidated total assets as at December 31, 2023, amounted to P784,935 million, higher by 9% or P67,420 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 P34,813 million as a result of the ongoing construction of the Masinloc Power Plant Units 4 and 5, BCCPP project, Mariveles Greenfield Power Plant, rehabilitation of the Ilijan Power Plant, BESS projects, and major repair and additional construction works for Limay and Davao Greenfield Power Plants.
- b. Increase in trade and other receivables by P11,036 million was mainly attributable to (i) SPPC's recognition of trade receivables in relation to its 480 MW and 330 MW EPSAs starting April 2023 and September 2023, respectively, (ii) SMGP BESS' receivables from NGCP for ancillary services rendered by the 7 BESS facilities which commenced commercial operations in the second semester of 2023, and (iii) higher trade receivables of SPI.
- c. Increase in cash and cash equivalents by P8,933 million was due mainly to (i) proceeds from the issuances of Philippine Peso and US Dollar-denominated RPS by San Miguel Global Power and SMGP BESS, (ii) net proceeds from various term loans drawn by San Miguel Global Power during the year, (iii) proceeds from the aforesaid capital infusions of SMC. These were partly offset by (i) payments of maturing short-term and long-term loans of San Miguel Global Power, MPI, LPI and MPCL, (ii) redemption of Series B and Series G fixed rate bonds in July and August 2023, respectively, (iii) capital expenditures for Masinloc Power Plant Units 4 and 5, BCCPP, Mariveles Greenfield Power Plant, BESS projects and Ilijan Power Plant, (iv) purchase of RPS issued by SMGP BESS in October 2023, (v) lease payments of SPI and SRHI to PSALM, and (vi) distributions paid to the holders of capital securities.
- d. Increase in other noncurrent assets by P7,286 million was mainly attributable to (i) net additional in advances to suppliers/contractors for power-related projects of the Group, (ii) additional investment properties recognized following the acquisition of IPIEC and Blue Eagle Star, Corp. in April and December 2023, respectively, and (iii) additional restricted cash set aside by MPCL and LPI for its debt servicing requirements.

- e. Increase in prepaid expenses and other current assets by P5,229 million was mainly attributable to the (i) additional in input taxes relating to ongoing construction projects and power purchases, (ii) additional advances paid to suppliers relating to LNG and spare parts deliveries for Ilijan Power Plant and Davao Greenfield Power Plant, and (iii) additional prepayment of taxes recognized, net of amortizations of real property and business taxes for the year.
- f. Increase in investment and advances by P3,098 million was mainly attributable to the additional deposits made by SPI and San Miguel Global Power mainly to landholding companies net of share in lower net losses of AHC.
- g. Decrease in deferred tax assets by P1,306 million was attributable to lower provision for income tax benefits recognized on unrealized foreign exchange losses and net operating loss carryover in 2023 compared to 2022.

The Group's consolidated total liabilities as at December 31, 2023, amounted to P441,462 million, 5% or P23,736 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 lease liabilities (including current and noncurrent portions) by P17,171 million was mainly on account of lease payments made by the IPPA entities to PSALM and the foreign exchange gain recognized on US Dollar-denominated lease liabilities resulting from the appreciation of the Philippine Peso during the year.
- b. Decrease in long-term debt - net of debt issue costs (including current and noncurrent portions) by P13,384 million was attributable to the: (i) redemption by San Miguel Global Power of its Series B and Series G fixed rate bonds in July and August 2023, respectively, (ii) settlement of long-term debts of San Miguel Global Power, MPI, LPI and MPCL, and (iii) the effect of unrealized foreign exchange gain recognized on the revaluation of US Dollar-denominated loans, which were partly offset by (iv) San Miguel Global Power's availment of various term loans in March, June, August and October 2023, respectively, and (v) amortization of debt issue costs.
- c. Decrease in loans payable by P7,624 million was mainly attributable to the net effect of the full settlement by San Miguel Global Power of its P16,000 million short-term loan which matured in June 2023, and availment of an P8,750 million short-term loan during the period.
- d. Decrease in other noncurrent liabilities by P920 million was attributable mainly to the settlement of US Dollar-denominated payables to contractors relating to the Group's ongoing construction projects.
- e. Decrease in income tax payable by P104 million was mainly attributable to (i) lower taxable income for the period of MPI and MPCL, partly offset by the (ii) income tax payable recognized by landholding subsidiaries on the second tranche of the installment sales of properties.
- f. Increase in accounts payable and accrued expenses by P13,186 million was mainly attributable to higher payables for the acquisition of LNG and fuel supplies, energy fees, power purchases, and capital expenditures.
- g. Increase in deferred tax liabilities by P1,921 million was due to (i) the provision for deferred income tax expense on temporary tax base differences arising mainly from lease-related expenses of SRHI and SPI. This was partly offset by the recognition of additional income tax benefit on net operating loss carryover in 2023.

The Group's consolidated total equity as at December 31, 2023, amounted to P343,473 million, higher by 36% or P91,156 million than the December 31, 2022 balance of P252,317 million. The increase is accounted for as follows:

- a. Increase in RPS by P50,613 million was mainly attributable to the RPS issued by San Miguel Global Power to SMC. The proceeds of which were used for general corporate purposes, including capital expenditures, and refinancing of maturing obligations.
- b. Increase in capital stock and additional paid-in capital by a total of P47,166 million was due to the additional capital infusions of SMC through several subscriptions to San Miguel Global Power's common shares in 2023.
- c. Decrease in retained earnings by P5,159 million was mainly attributable to distributions paid to capital securities holders, partly offset by the net income recognized for the year.
- d. Decrease in equity reserves by P1,461 million mainly pertains to the perpetual securities issued to SMC that was purchased back by SMGP BESS in October 2023.

2022 vs. 2021

<i>In Millions</i>	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	2021	Amount	%	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	7,855	10,839	(2,984)	(28%)	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	13%	100%	100%
Loans payable	P21,000	P1,530	P19,470	1,273%	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

<i>In Millions</i>	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	2021	Amount	%	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	2,490	2,490	-	0%	0%	0%
Senior perpetual capital securities	161,768	167,767	(5,999)	(4%)	23%	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 Greenfield 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 costs, brought by higher coal prices and deration of Ilijan Power Plant, coupled with higher overall offtake volume 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 MPCL 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 global coal prices 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 MPCL 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 Greenfield Power Plant, (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, MPCL, 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 SMGP BESS and San Miguel Global Power amounting to P14,266 million and P4,916 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, MPCL, 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, MPCL, APEC and MPI for energy fees, power and coal purchases as spot and coal prices continue to surge, (iii) increase in output VAT from vatiable 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 Philippine Peso-denominated short-term loans drawn by San Miguel Global Power in 2022, partly offset by the full settlement made by MPCL 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 MPCL 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 SMGP BESS of US Dollar and Philippine 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.

III. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

<i>(in Millions)</i>	December 31		
	2023	2022	2021
Net cash flows provided by (used in) operating activities	P16,252	(P22,858)	P25,439
Net cash flows used in investing activities	(49,955)	(56,658)	(52,726)
Net cash flows provided by (used in) financing activities	42,302	33,797	(19,974)

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

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

<i>(in Millions)</i>	December 31		
	2023	2022	2021
Cash from newly acquired subsidiaries, net	P121	(P12)	P -
Proceeds from disposal of subsidiaries, net of cash disposed of	-	494	-
Proceeds from sale of properties	-	1,187	-
Additions to intangible assets	(57)	(254)	(185)
Decrease (increase) in other noncurrent assets	(2,351)	(3,645)	2,226
Additions to investments and advances	(4,182)	(939)	(998)
Advances paid to suppliers and contractors	(7,307)	(5,013)	(14,174)
Additions to property, plant and equipment	(36,179)	(48,476)	(39,595)

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

<i>(in Millions)</i>	December 31		
	2023	2022	2021
Proceeds from short-term borrowings	P95,322	P51,182	P29,078
Proceeds from issuance of RPS	70,833	19,182	-
Proceeds from long-term debts	51,978	72,312	21,885
Proceeds from issuance of capital stock	47,165	-	-
Proceeds from collection of subscription receivable	-	188	-
Distributions paid to RPS holder	-	(1,617)	(1,997)
Repurchase of SPCS	-	(4,703)	-
Distributions paid to USCS holders	-	-	(656)
Redemption of USCS	-	-	(14,582)
Proceeds from issuance of SPCS	-	-	35,568
Payments of share issuance costs	(29)	(210)	(145)
Distributions paid to SPCS holders	(15,035)	(15,362)	(12,191)
Payments of lease liabilities	(19,315)	(24,220)	(24,464)
Payments for redemption of RPS	(21,669)	-	-
Payments of long-term debts	(64,362)	(30,582)	(23,137)
Payments of short-term borrowings	(102,586)	(32,373)	(29,333)

The effect of exchange rate changes on cash and cash equivalents amounted to P334 million, P755 million and P4,233 million in 2023, 2022 and 2021, 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

Current Ratio	= $\frac{\text{Current Assets}}{\text{Current Liabilities}}$			
	<i>Conventional</i>		<i>Adjusted ⁽¹⁾</i>	
(in Millions Peso)	December 2023	December 2022	December 2023	December 2022
(A) Current Assets	213,998	188,781	213,998	188,781
(B) Current Liabilities	183,361	188,680	165,870	169,608
Current Ratio (A) / (B)	1.17	1.00	1.29	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 December 31, 2023 and 2022, current portion of lease liabilities to PSALM amounted to P17,491 million and P19,072 million, respectively.

SOLVENCY RATIO

Net Debt-to-Equity* Ratio	= $\frac{\text{Net Debt}}{\text{Total Equity}}$	
	<i>Per relevant Loan Covenants of San Miguel Global Power</i>	
(in Millions Peso)	December 2023	December 2022
(A) Net Debt ⁽²⁾	225,585	293,872
(B) Total Equity ⁽³⁾	343,034	252,707
Net Debt-to-Equity Ratio (A) / (B)	0.66	1.16

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

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

- (3) Consolidated total equity.

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

(in Millions Peso)	<i>Conventional</i>		<i>Adjusted ⁽⁴⁾</i>	
	December 2023	December 2022	December 2023	December 2022
(A) Total Assets	784,935	717,515	689,390	618,399
(B) Total Equity	343,473	252,317	343,473	252,317
Asset-to-Equity Ratio (A) / (B)	2.29	2.84	2.01	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 December 31, 2023 and 2022, the net carrying amount of the IPPA power plant assets amounted to P95,545 million and P99,116 million, respectively.

PROFITABILITY RATIO

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

(in Millions Peso)	December 2023	December 2022
(A) Net Income	9,903	3,134
(B) Total Equity	343,473	252,317
Return on Equity (A) / (B)	2.9%	1.2%

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

Per relevant Loan Covenants of San Miguel Global Power

(in Millions Peso)	December 2023	December 2022
(A) EBITDA ⁽⁵⁾	34,511	34,494
(B) Interest Expense ⁽⁶⁾	13,575	13,170
Interest Coverage Ratio (A) / (B)	2.54	2.62

⁽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

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

	Years Ended December 31	
<i>(in GWh)</i>	2023	2022
(A) Current Period Offtake Volume	25,205	27,402
(B) Prior Period Offtake Volume	27,402	27,221
Volume Growth (Decline) [(A / B) – 1]	(8.0%)	0.7%

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

	Years Ended December 31	
<i>(in Millions Peso)</i>	2023	2022
(A) Current Period Revenue	169,590	221,389
(B) Prior Period Revenue	221,389	133,710
Revenue Growth (Decline) [(A / B) – 1]	(23.4%)	65.6%

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

	Years Ended December 31	
<i>(in Millions Peso)</i>	2023	2022
(A) Income from Operations	32,526	28,886
(B) Revenues	169,590	221,389
Operating Margin (A) / (B)	19.2%	13.0%

VI. OTHER MATTERS

a. Fuel Commodity Price Volatility

In January 2022, the Government of Indonesia implemented a month-long ban on the exportation of its coal which reduced the overall availability of coal fuel in the commodities market. Consequently, international price indices for coal such as the GC Newcastle 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 Newcastle 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, averaging at US\$172.79/MT and at US\$360.19/MT in 2023 and 2022, respectively, but continue to show a “backwardated” forward curve, which strongly suggests a more bearish outlook on coal prices in the medium term and in the long term.

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

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

b. Malampaya Gas Supply Restrictions

The Ilijan Power Plant was originally designed to use 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 Malampaya Gas Sale and Purchase Agreement also expired on the same date as PSALM is no longer required to supply fuel to the Ilijan Power Plant upon turnover of the same to SPPC. The Group was constrained to use its available capacity from its portfolio of generation assets, and in certain cases, purchase from the WESM spot market, to augment its generation from the Ilijan Power Plant to meet its bilateral demand from its customers, primarily from Meralco pursuant to its PSAs. This reduced the gross margins of the Group in cases where the cost of replacement supply exceeds the power generation costs from the Ilijan Power Plant using Malampaya natural gas. This accounts for a significant portion in the reduction of the Group's gross margins and operating income in 2022 and 2021 from the comparative numbers in prior period.

On June 23, 2022, SPPC entered into a gas supply agreement for 70.26 Petajoules of banked gas with the Philippine National Oil Company (PNOC) at a daily volume of dispatch sufficient to run the Ilijan Power Plant at 45% to 75% plant factor. This volume of gas is adequate and expected to support the Ilijan Power Plant's fuel requirements

until February 2024. To date, the term of the gas supply agreement with PNOC expired without commencing the supply of banked gas to SPPC. The management of SPPC is currently reviewing its legal options on the equitable resolution of its unenforced rights and foregone opportunities over such banked gas.

With LNG prices fundamentally dropping to coal price-parity levels, SPPC pursued the procurement of commercial LNG as fuel for its Ilijan Power Plant. The scheduled deliveries of the procured LNG shipments are aligned with the imminent completion of the Batangas LNG Terminal currently undergoing commissioning activities and the supply of the contract capacities by the Ilijan Power Plant to the Grid.

c. Commitments

The outstanding purchase commitments of the Group amounted to P104,804 million as at December 31, 2023.

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 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.
- e. 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.
- f. 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.
- g. 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.
- h. 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.
- i. There are no significant elements of income or loss that did not arise from continuing operations.
- j. The effects of seasonality or cyclicalities on the operations of the Group's businesses are not material.
- k. 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.

From: corsec.imc@sanmiguel.com.ph
To: [Alma G. Checa](#); [Mary Claire D. Cantor](#); [Julie Ann B. Domino](#); [Beatriz Irina Denise A. Garcia](#); [Keel Achernar R. Dinoy](#); [Vilma C. Quizon](#)
Cc: [Ramon U. Agay Jr.](#)
Subject: SMGP_AFS_FW: SEC eFast Initial Acceptance
Date: Monday, April 15, 2024 8:03:31 PM

From: noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>

Sent: Monday, 15 April 2024 8:00 pm

Subject: SEC eFast Initial Acceptance

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Greetings!

SEC Registration No: CS200801099

Company Name: SAN MIGUEL GLOBAL POWER HOLDINGS CORP.

Document Code: AFS

This serves as temporary receipt of your submission.

Subject to verification of form and quality of files of the submitted report.

Another email will be sent as proof of review and acceptance.

Thank you.

REMINDER:

TO ALL FILERS OF REPORTS IN THE e-FAST

Please strictly follow the instruction stated in the form.

Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer.

1. General Information Sheet (GIS-Stock)
2. General Information Sheet (GIS-Non-stock)
3. General Information Sheet (GIS- Foreign stock & non-stock)
4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement

- 8. General Form for Financial Statements
- 9. Financing Companies Interim Financial Statements (FCIF)
- 10. Lending Companies Interim Financial Statements (LCIF)

Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements.

A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

THIS IS AN AUTOMATED MESSAGE - PLEASE DO NOT REPLY DIRECTLY TO THIS EMAIL

Disclaimer and Data Privacy Notice

This email and any attachment/s (“Email”) is confidential and for viewing only by the intended recipient/s. If you received this in error, please notify us immediately and delete all copies. Any unauthorized access to review, reproduce, or disseminate the information contained herein is strictly prohibited. San Miguel Corporation, its subsidiaries and affiliates (collectively “SMC”) does not guarantee the security of any information electronically transmitted.

This Email may contain personal and sensitive personal information, and will be subject to the Data Privacy Act of 2012, its implementing rules, regulations and issuances of the National Privacy Commission of the Philippines (“Privacy Laws”). By viewing, using, storing, sharing and disposing (collectively “Processing”) this Email, you agree to comply with the Privacy Laws. By responding to this Email, you consent to the Processing by SMC of the Personal Data contained in your reply Email in accordance with SMC’s Personal Data Privacy Policy which you can find at www.sanmiguel.com.ph.

SMC is not liable for the proper and complete transmission of the information contained in this Email nor for any delay in its receipt. The use of this Email for any unlawful purpose or for any purpose other than as permitted by SMC is strictly prohibited. Opinions, conclusions and statements in this Email are opinions, conclusions and statements of the sender and are not necessarily given, endorsed, espoused or expressed by SMC.

COVER SHEET

ANNEX "B"

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	8	0	1	0	9	9

COMPANY NAME

S	A	N		M	I	G	U	E	L		G	L	O	B	A	L		P	O	W	E	R								
H	O	L	D	I	N	G	S				C	O	R	P	.															
(	F	o	r	m	e	r	l	y			S	M	C			G	l	o	b	a	l		P	o	w	e	r			
H	o	l	d	i	n	g	s				C	o	r	p	.	)														
(	A		W	h	o	l	l	y	-	o	w	n	e	d			S	u	b	s	i	d	i	a	r	y		o	f	
S	a	n		M	i	g	u	e	l		C	o	r	p	o	r	a	t	i	o	n	)								
A	N	D		S	U	B	S	I	D	I	A	R	I	E	S															

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

5	t	h		F	l	o	o	r	,		C	5		O	f	f	i	c	e		B	u	i	l	d	i	n	g	
C	o	m	p	l	e	x	,		#	1	0	0		E	.		R	o	d	r	i	g	u	e	z		J	r	.
A	v	e	.	,		C	5		R	o	a	d	,		B	o	.		U	g	o	n	g						
P	a	s	i	g		C	i	t	y		1	6	0	4	,		M	e	t	r	o		M	a	n	i	l	a	

Form Type

A	A	F	S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's email Address

N/A

Company's Telephone Number/s

5317-1000

Mobile Number

N/A

No. of Stockholders

8

Annual Meeting (Month / Day)

June / 1 st Tuesday

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Paul Bernard D. Causon

Email Address

pcauson@smcph.sanmiguel.com.ph

Telephone Number/s

5317-1000

Mobile Number

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, 2023, 2022 and 2021

With Independent Auditors' Report



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

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, 2023 and 2022, 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, 2023, and notes, comprising material 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRS).

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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 (P69,953 million)

Refer to Note 3, Material 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, 2023, 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, 2023 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

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 10075206

Issued January 2, 2024 at Makati City

April 15, 2024

Makati City, Metro Manila



**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

**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, 2023, 2022 and 2021, 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 11th day of March 2024

ACKNOWLEDGMENT

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

Before me, a Notary Public for and in Pasig City, this 11th day of March 2024, personally appeared the following:

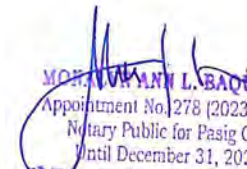
<u>Name</u>	<u>Passport No.</u>	<u>Date/Place of Issue</u>
Ramon S. Ang	P2247867B	05-22-19 / DFA-MANILA
Paul Bernard D. Causon	P8120059A	07-27-18 / DFA-NCR East

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 at the date and place first above written.

Doc. No.: 21 ;
Page No.: 6 ;
Book No.: IV ;
Series of 2024




MONALYN ANN L. BAQUIRAN
Appointment No. 278 (2023-2024)
Notary Public for Pasig City
Until December 31, 2024
5th Floor, C5 Office Building Complex,
#100 E. Rodriguez Jr. Ave., C5 Road,
Bo. Ugong, Pasig City 1604, Metro Manila
Roll No. 56497
PTR No. 1650870 / 01-03-2024 / Pasig City
IBP Lifetime No. 8246 / IBP-Rizal (RSM) Chapter
MCLE Compliance No. VII-0019561; 05-30-2022; Pasig City

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, 2023 AND 2022

(In Thousands)

	<i>Note</i>	2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	7, 30, 31	P31,659,442	P22,726,236
Trade and other receivables - net	4, 6, 8, 19, 30, 31	116,976,024	105,939,341
Inventories	4, 6, 9, 19	16,841,384	16,822,159
Prepaid expenses and other current assets	6, 10	48,521,564	43,292,852
Total Current Assets		213,998,414	188,780,588
Noncurrent Assets			
Investments and advances - net	4, 11	10,953,048	7,854,591
Property, plant and equipment - net	4, 6, 12	339,224,974	304,412,525
Right-of-use assets - net	6, 13	104,975,320	106,609,844
Goodwill and other intangible assets - net	4, 6, 14	71,712,053	71,764,559
Deferred tax assets	4, 27	973,481	2,280,281
Other noncurrent assets	15, 19, 30, 31	43,098,000	35,812,345
Total Noncurrent Assets		570,936,876	528,734,145
		P784,935,290	P717,514,733
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	16, 30, 31	P13,736,000	P21,000,000
Accounts payable and accrued expenses	17, 19, 30, 31	97,632,905	84,447,174
Lease liabilities - current portion	4, 6, 30, 31	17,645,586	19,185,386
Income tax payable		222,179	326,144
Current maturities of long-term debt - net of debt issue costs	18, 30, 31	54,124,645	63,721,744
Total Current Liabilities		183,361,315	188,680,448
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	18, 30, 31	204,644,828	208,430,880
Deferred tax liabilities	27	21,284,723	19,364,348
Lease liabilities - net of current portion	4, 6, 30, 31	25,141,714	40,772,724
Other noncurrent liabilities	4, 6, 19, 20, 30, 31	7,029,505	7,949,774
Total Noncurrent Liabilities		258,100,770	276,517,726
Total Liabilities		441,462,085	465,198,174

Forward

	Note	2023	2022
Equity	21		
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		P2,823,604	P1,250,004
Additional paid-in capital		48,081,781	2,490,000
Senior perpetual capital securities		161,767,709	161,767,709
Redeemable perpetual securities		102,546,825	51,934,069
Equity reserves	20, 31	(3,019,154)	(1,558,950)
Retained earnings		30,367,328	35,526,185
		342,568,093	251,409,017
Non-controlling Interests	11	905,112	907,542
Total Equity		343,473,205	252,316,559
		P784,935,290	P717,514,733

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, 2023, 2022 AND 2021
(In Thousands, Except Per Share Data)

	<i>Note</i>	2023	2022	2021
REVENUES	19, 22, 33	P169,590,237	P221,388,788	P133,710,171
COST OF POWER SOLD	19, 23	130,991,692	198,370,980	92,161,341
GROSS PROFIT		38,598,545	23,017,808	41,548,830
SELLING AND ADMINISTRATIVE EXPENSES	19, 24	(6,166,455)	(5,739,882)	(4,915,271)
OTHER OPERATING INCOME	11, 12, 19, 25	94,023	11,607,688	207,018
INTEREST EXPENSE AND OTHER FINANCING CHARGES	6, 12, 16, 17, 18, 20	(18,478,128)	(18,287,680)	(18,269,192)
INTEREST INCOME	7, 11, 19	749,339	1,211,414	617,100
EQUITY IN NET LOSSES OF AN ASSOCIATE AND JOINT VENTURES - Net	11	(272,092)	(400,130)	(117,348)
OTHER INCOME (CHARGES) - Net	6, 12, 26	537,960	(7,240,819)	(1,192,643)
INCOME BEFORE INCOME TAX		15,063,192	4,168,399	17,878,494
INCOME TAX EXPENSE	27, 28	5,160,206	1,034,751	1,900,167
NET INCOME		P9,902,986	P3,133,648	P15,978,327
Attributable to:				
Equity holders of the Parent Company	29	9,905,416	P3,162,545	P16,058,084
Non-controlling interests		(2,430)	(28,897)	(79,757)
		P9,902,986	P3,133,648	P15,978,327
Basic/Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company	29	(P7.06)	(P11.73)	P0.88

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, 2023, 2022 AND 2021
(In Thousands)

	<i>Note</i>	2023	2022	2021
NET INCOME		P9,902,986	P3,133,648	P15,978,327
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Share in other comprehensive income (loss) of a joint venture and an associate - net	11	(3,795)	(2,069)	1,238
Remeasurements gain (loss) on net defined benefit retirement plan	20	(49,748)	(15,387)	11,817
Income tax benefit (expense)	27	13,809	(3,615)	(193)
		(39,734)	(21,071)	12,862
Items that may be reclassified to profit or loss				
Net gain (loss) on cash flow hedges	31	31,229	(40,038)	55,962
Gain (loss) on exchange differences on translation of foreign operations		(3,008)	37,418	3,380,769
		28,221	(2,620)	3,436,731
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		(11,513)	(23,691)	3,449,593
TOTAL COMPREHENSIVE INCOME - Net of tax		P9,891,473	P3,109,957	P19,427,920
Attributable to:				
Equity holders of the Parent Company		P9,893,903	P3,138,854	P19,507,677
Non-controlling interests		(2,430)	(28,897)	(79,757)
		P9,891,473	P3,109,957	P19,427,920

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, 2023, 2022 AND 2021
(In Thousands)

Equity Attributable to Equity Holders of Parent Company													
		Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Equity Reserves				Retained Earnings	Total	Non-controlling Interests	Total Equity
	Note					Equity Reserves	Translation Reserves	Reserve for Retirement Plan	Hedging Reserve				
As at January 1, 2023		P1,250,004	P2,490,000	P161,767,709	P51,934,069	(P2,378,421)	P917,966	(P67,266)	(P31,229)	P35,526,185	P251,409,017	P907,542	P252,316,559
Net income (loss)		-	-	-	-	-	-	-	-	9,905,416	9,905,416	(2,430)	9,902,986
Other comprehensive income (loss) – net of tax	20, 31	-	-	-	-	-	(3,008)	(39,734)	31,229	-	(11,513)	-	(11,513)
Total comprehensive income (loss)		-	-	-	-	-	(3,008)	(39,734)	31,229	9,905,416	9,893,903	(2,430)	9,891,473
Issuance of redeemable perpetual securities	21, 32	-	-	-	70,832,760	-	-	-	-	-	70,832,760	-	70,832,760
Issuance of capital stock	21, 32	1,573,600	45,591,781	-	-	-	-	-	-	-	47,165,381	-	47,165,381
Share issuance costs		-	-	-	-	-	-	-	-	(29,200)	(29,200)	-	(29,200)
Purchase of redeemable perpetual securities issued	21, 32	-	-	-	(20,220,004)	(1,448,691)	-	-	-	-	(21,668,695)	-	(21,668,695)
Distributions to senior perpetual capital securities	21	-	-	-	-	-	-	-	-	(15,035,073)	(15,035,073)	-	(15,035,073)
Transactions with owners		1,573,600	45,591,781	-	50,612,756	(1,448,691)	-	-	-	(15,064,273)	81,265,173	-	81,265,173
As at December 31, 2023		P2,823,604	P48,081,781	P161,767,709	P102,546,825	(P3,827,112)	P914,958	(P107,000)	P -	P30,367,328	P342,568,093	P905,112	P343,473,205
As at January 1, 2022		P1,062,504	P2,490,000	P167,767,364	P32,751,570	(P2,379,442)	P880,548	(P46,195)	P8,809	P48,247,948	P250,783,106	P945,492	P251,728,598
Net Income (loss)		-	-	-	-	-	-	-	-	3,162,545	3,162,545	(28,897)	3,133,648
Other comprehensive income (loss) - net of tax	20, 31	-	-	-	-	-	37,418	(21,071)	(40,038)	-	(23,691)	-	(23,691)
Total comprehensive income (loss)		-	-	-	-	-	37,418	(21,071)	(40,038)	3,162,545	3,138,854	(28,897)	3,109,957
Issuance of redeemable perpetual securities	21, 32	-	-	-	19,182,499	-	-	-	-	-	19,182,499	-	19,182,499
Repurchase of senior perpetual capital securities	21, 32	-	-	(5,999,655)	-	-	-	-	-	1,297,015	(4,702,640)	-	(4,702,640)
Share issuance cost		-	-	-	-	-	-	-	-	(202,329)	(202,329)	(8,032)	(210,361)
Decrease in noncontrolling interest	11, 21	-	-	-	-	1,021	-	-	-	-	1,021	(1,021)	-
Collection of subscription receivable	21	187,500	-	-	-	-	-	-	-	-	187,500	-	187,500
Distributions:													
Senior perpetual capital securities	21	-	-	-	-	-	-	-	-	(15,362,068)	(15,362,068)	-	(15,362,068)
Redeemable perpetual securities	21	-	-	-	-	-	-	-	-	(1,616,926)	(1,616,926)	-	(1,616,926)
Transactions with owners		187,500	-	(5,999,655)	19,182,499	1,021	-	-	-	(15,884,308)	(2,512,943)	(9,053)	(2,521,996)
As at December 31, 2022		P1,250,004	P2,490,000	P161,767,709	P51,934,069	(P2,378,421)	P917,966	(P67,266)	(P31,229)	P35,526,185	P251,409,017	P907,542	P252,316,559

Forward

	Note	Equity Attributable to Equity Holders of Parent Company												
		Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Undated Subordinated Capital Securities	Equity Reserves				Retained Earnings	Total	Non-controlling Interests	Total Equity
							Equity Reserves	Translation Reserves	Reserve for Retirement Plan	Hedging Reserve				
As at January 1, 2021		P1,062,504	P2,490,000	P132,199,732	P32,751,570	P13,823,499	(P1,621,661)	(P2,500,221)	(P59,057)	(P47,153)	P47,178,853	P225,278,066	P1,025,955	P226,304,021
Net income (loss)		-	-	-	-	-	-	-	-	-	16,058,084	16,058,084	(79,757)	15,978,327
Other comprehensive income - net of tax	20, 31	-	-	-	-	-	-	3,380,769	12,862	55,962	-	3,449,593	-	3,449,593
Total comprehensive income (loss)		-	-	-	-	-	-	3,380,769	12,862	55,962	16,058,084	19,507,677	(79,757)	19,427,920
Issuance of senior perpetual capital securities	21, 32	-	-	35,567,632	-	-	-	-	-	-	-	35,567,632	-	35,567,632
Redemption of undated subordinated capital securities	21, 32	-	-	-	-	(13,823,499)	(758,001)	-	-	-	-	(14,581,500)	-	(14,581,500)
Share issuance cost		-	-	-	-	-	-	-	-	-	(145,116)	(145,116)	-	(145,116)
Decrease in noncontrolling interest	11, 21	-	-	-	-	-	220	-	-	-	-	220	(706)	(486)
Collection of subscription receivable		-	-	-	-	-	-	-	-	-	-	-	-	-
Distributions:														
Senior perpetual capital securities	21	-	-	-	-	-	-	-	-	-	(12,191,210)	(12,191,210)	-	(12,191,210)
Redeemable perpetual securities	21	-	-	-	-	-	-	-	-	-	(1,996,495)	(1,996,495)	-	(1,996,495)
Undated subordinated capital securities	21	-	-	-	-	-	-	-	-	-	(656,168)	(656,168)	-	(656,168)
Transactions with owners		-	-	35,567,632	-	(13,823,499)	(757,781)	-	-	-	(14,988,989)	5,997,363	(706)	5,996,657
As at December 31, 2021		P1,062,504	P2,490,000	P167,767,364	P32,751,570	P -	(P2,379,442)	P880,548	(P46,195)	P8,809	P48,247,948	P250,783,106	P945,492	P251,728,598

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 YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Thousands)

	<i>Note</i>	2023	2022	2021
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Income before income tax		P15,063,192	P4,168,399	P17,878,494
Adjustments for:				
Interest expense and other financing charges	6, 16, 18	18,442,976	18,264,120	18,263,484
Depreciation and amortization	6, 12, 13, 14, 23, 24	12,316,676	11,921,691	11,374,200
Equity in net losses of an associate and joint ventures	11	272,092	400,130	117,348
Retirement cost	20	122,286	161,751	23,756
Loss on retirement of fixed assets	6, 12, 23	63,435	-	-
Impairment losses on trade and other receivables	8, 24	60,714	52,855	44,006
Impairment losses on property, plant and equipment	12, 26	34,991	34,991	34,991
Reversal of impairment losses on trade and other receivables	8, 24, 26	(107,363)	(22,924)	(410,433)
Interest income	7, 11	(749,339)	(1,211,414)	(617,100)
Unrealized foreign exchange losses (gains) - net		(2,951,651)	7,493,127	1,642,094
Operating income before working capital changes		42,568,009	41,262,726	48,350,840
Increase in:				
Trade and other receivables - net	8	(11,324,029)	(58,393,512)	(9,315,447)
Inventories	9	(8,914)	(6,705,378)	(4,375,044)
Prepaid expenses and other current assets	10	(5,153,650)	(13,723,242)	(7,214,738)
Increase (decrease) in:				
Accounts payable and accrued expenses	17	9,768,715	29,856,291	11,672,484
Other noncurrent liabilities and others		(1,418,915)	2,761,788	4,272,950
Cash generated from (used in) operations		34,431,216	(4,941,327)	43,391,045
Interest income received		674,539	927,792	578,406
Income taxes paid		(678,781)	(495,519)	(253,054)
Interest expense and other financing charges paid		(18,174,796)	(18,349,112)	(18,277,655)
Net cash flows provided by (used in) operating activities		16,252,178	(22,858,166)	25,438,742

Forward

	Note	2023	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash from newly acquired subsidiaries, net	11	P120,664	(P11,862)	P -
Proceeds from disposal of subsidiaries, net of cash disposed of	11, 19, 25	-	494,302	-
Proceeds from sale of properties	12, 19, 25	-	1,186,888	-
Additions to intangible assets	6, 14	(56,971)	(254,017)	(185,046)
Decrease (increase) in other noncurrent assets	15	(2,350,820)	(3,645,541)	2,225,807
Additions to investments and advances	11	(4,182,237)	(938,666)	(998,157)
Advances paid to suppliers and contractors	15	(7,307,078)	(5,013,237)	(14,173,577)
Additions to property, plant and equipment	12	(36,178,975)	(48,475,898)	(39,594,597)
Net cash flows used in investing activities		(49,955,417)	(56,658,031)	(52,725,570)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short-term borrowings	16, 32	95,322,000	51,181,875	29,077,530
Proceeds from issuances of redeemable perpetual securities	21, 32	70,832,760	19,182,499	-
Proceeds from long-term debts	18, 32	51,977,500	72,312,000	21,885,000
Proceeds from issuance of capital stock	21, 32	47,165,381	-	-
Proceeds from collection of subscription receivable	21	-	187,500	-
Distributions paid to redeemable perpetual securities holder	21	-	(1,616,926)	(1,996,495)
Repurchase of senior perpetual capital securities	21, 32	-	(4,702,640)	-
Distributions paid to undated subordinated capital securities holders	21	-	-	(656,168)
Redemption of undated subordinated capital securities	21	-	-	(14,581,500)
Proceeds from issuances of senior perpetual capital securities	21	-	-	35,567,632
Payments of share issuance costs		(29,200)	(210,361)	(145,116)
Distributions paid to senior perpetual capital securities holders	21	(15,035,073)	(15,362,068)	(12,191,210)
Payments of lease liabilities	6, 32	(19,314,572)	(24,220,192)	(24,464,357)
Payments for the purchase of redeemable perpetual securities	21	(21,668,695)	-	-
Payments of long-term debts	18, 32	(64,362,371)	(30,581,714)	(23,136,723)
Payments of short-term borrowings	16, 32	(102,586,000)	(32,373,125)	(29,332,530)
Net cash flows provided by (used in) financing activities		42,301,730	33,796,848	(19,973,937)

Forward

	<i>Note</i>	2023	2022	2021
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		P334,715	P755,434	P4,233,230
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,933,206	(44,963,915)	(43,027,535)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		22,726,236	67,690,151	110,717,686
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	P31,659,442	P22,726,236	P67,690,151

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 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 11, 2024.

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	
	2023	2022
<i>Power Generation</i>		
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
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
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 Co. Ltd. (MPCL, formerly Masinloc Power Partners Co. Ltd.) ^(g)	100	100
Power Ventures Generation Corporation (PVGC) ^{(g) (f)}	100	100
Mariveles Power Generation Corporation (MPGC) ^(h)	95	95
SMC Global Light and Power Corp. (SGLPC)	100	100
Excellent Energy Resources Inc. (EERI)	100	100
<i>Retail and Other Power-related Services</i>		
SMGP BESS Power Inc. (SMGP BESS, formerly "Universal Power Solutions, Inc." ⁽ⁱ⁾	100	100
SMGP Kabankalan Power Co. Ltd. (SMGP Kabankalan, formerly SMCGP Philippines Energy Storage Co. Ltd.) ^(j)	100	100
Albay Power and Energy Corp. (APEC)	100	100
SMC Power Generation Corp. (SPGC) ^(k)	100	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 70 MW 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). On November 13, 2023, the Philippine SEC approved the change in corporate name to "Masinloc Power Co. Ltd."
- (h) Owner of the 4 x 150 MW CFB coal-fired power plant in Mariveles, Bataan (Mariveles Greenfield Power Plant) (Note 12). The Parent Company subscribed to additional unissued common shares of MPGC in December 2022, thereby increasing its ownership interest from 91.98% 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 Zygnnet Prime Holdings, Inc. (Zygnnet), respectively. It has not yet started commercial operations as at December 31, 2023 (Note 11).
- (i) Owner of various battery energy storage system (BESS) facilities in the country (Note 12). SMGP BESS commenced commercial operations in August 2023 (Note 12). On November 3, 2023, the Philippine SEC approved the change in the corporate name to "SMGP BESS Power Inc."
- (j) Indirectly owned by the Parent Company, through its wholly-owned subsidiaries PEGC and OPGC, and owner of the BESS facility in Kabankalan, Negros Occidental. SMGP Kabankalan started its commercial operations in January 2022 (Note 12). On September 21, 2023, the Philippine SEC approved the change in the corporate name to "SMGP Kabankalan Power Co. Ltd."
- (k) SPGC owns 35% of the outstanding capital stock of Olongapo Electricity Distribution Company, Inc., (OEDC) as an associate (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, 2023 and 2022 (Note 11).

3. Material Accounting Policy Information

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, 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.

The Group reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information in certain instances in line with the amendments.

- 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 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, 2023 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:

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:
 - o On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.
 - o 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:
 - o 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;
 - o 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;
 - o 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
 - o clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

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

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

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

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

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

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

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

Originally, the amendments apply prospectively for annual 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.

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 were designated as cash flow hedge, which matured in March 2023, were 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 and presented in the statements of changes in equity. 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.

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.

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, which matured in March 2023 (Notes 10, 15, 30 and 31).

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using weighted average method for coal inventories, liquefied natural gas (LNG), 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.

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, *Business Combination*. 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.

Investments in Shares of Stock of Associates 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 associates and joint ventures are accounted for using the equity method.

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
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.

Impairment of Non-financial Assets

The carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, intangible assets with finite useful lives, and investment property 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.

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.

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.

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.

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.

Foreign Currency

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.

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, *Operating Segments* 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 significant 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.

Operating 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 P83,640, P29,299 and P11,717 in 2023, 2022 and 2021, 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 P42,787,300 and P59,958,110 as at December 31, 2023 and 2022, 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.

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).

Distinction Between Investment Property and Owner-occupied Property. The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in marketing or administrative functions. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

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 2023 and 2022, the Group recognized impairment losses on trade and other receivables amounting to P60,714 and P52,855, respectively (Notes 8 and 24). The allowance for impairment losses on trade and other receivables amounted to P2,665,606 and P2,690,984 as at December 31, 2023 and 2022, respectively (Notes 8 and 30). The carrying amount of trade and other receivables amounted to P116,976,024 and P105,939,341 as at December 31, 2023 and 2022, 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 additional provision for ECL on other financial assets at amortized cost was recognized in 2023 and 2022.

The carrying amounts of other financial assets at amortized cost are as follows:

	<i>Note</i>	2023	2022
Cash and cash equivalents (excluding cash on hand)	7	P31,657,566	P22,724,545
Noncurrent receivables (including Amounts owed by related parties included under "Other noncurrent assets" account)	15	10,705,575	13,996,196
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	10, 15 30, 31	6,271,296 P48,634,437	7,698,458 P44,419,199

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 (Notes 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, 2023 and 2022.

The carrying amount of inventories amounted to P16,841,384 and P16,822,159 as at December 31, 2023 and 2022, 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 P339,469,930 and P304,622,490 as at December 31, 2023 and 2022, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P36,241,767 and P27,756,125 as at December 31, 2023 and 2022, respectively (Note 12).

Right-of-use assets, net of accumulated depreciation and amortization, amounted to P104,975,320 and P106,609,844 as at December 31, 2023 and 2022, respectively. Accumulated depreciation and amortization of right-of-use assets amounted to P19,272,871 and P15,314,709 as at December 31, 2023 and 2022, 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, and others, net of accumulated amortization, amounted to P1,758,831 and P1,811,337 as at December 31, 2023 and 2022, respectively. Accumulated amortization of computer software and licenses, and others amounted to P530,039 and P411,361 as at December 31, 2023 and 2022, respectively (Note 14). The mining rights have been derecognized following the sale of SPI's 100% shareholdings in Daguma Agro-Minerals Inc. (DAMI), Sultan Energy Phils. Corp. (SEPC) and Bonanza Energy Resources, Inc. (BERI) in December 2022 (Notes 11, 14 and 25).

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 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 10.5% in 2023 and 11.0% in 2022 and 9.0% in 2021, and terminal growth rates of 3.0% in 2023, and 5.0% in 2022 and 2021 (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 2023, 2022 and 2021 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, 2023 and 2022.

The carrying amount of goodwill amounted to P69,953,222 as at December 31, 2023 and 2022 (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 separate acquisition of Ilijan Primeline Industrial Estate, Inc. (IPIEC), Blue Eagle Star, Corp. (Blue Eagle), Multi-Ventures Investment Holdings, Inc. (MVIHI) and Bluelight Industrial Estate, Inc. (Bluelight) in 2023 and 2022 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, 2023, and 2022 (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 P973,481 and P2,280,281 as at December 31, 2023 and 2022, 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 investment property 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 P244,956 and P209,965 as at December 31, 2023 and 2022, 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 investment property (presented under "Other noncurrent assets" account) amounted to P460,130,955 and P420,688,297 as at December 31, 2023 and 2022, 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 P640,443 and P487,046 as at December 31, 2023 and 2022, 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 P798,030 and P704,270 as at December 31, 2023 and 2022, 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 and in the preparatory stages of mining activities when these were sold in December 2022 and, hence, no longer an operating segment (Notes 11 and 15).

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 (PSA), retail supply contracts (RSC) 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 WESM amounting to P24,054,007 in 2023, and to Manila Electric Company (Meralco) amounting to P70,420,268, P82,050,576 and P53,313,150 in 2023, 2022 and 2021, respectively, represents more than 10% of the Group's total revenues (Note 22).

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		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Revenues															
External	P145,190,801	P180,027,616	P109,947,984	P23,973,021	P41,153,496	P23,582,766	P426,415	P207,676	P179,421	P -	P -	P -	P169,590,237	P221,388,788	P133,710,171
Inter-segment	38,012,203	24,465,528	19,582,558	-	8,747	10,212	1,783,533	1,414,466	1,010,105	(39,795,736)	(25,888,741)	(20,602,875)	-	-	-
	183,203,004	204,493,144	129,530,542	23,973,021	41,162,243	23,592,978	2,209,948	1,622,142	1,189,526	(39,795,736)	(25,888,741)	(20,602,875)	169,590,237	221,388,788	133,710,171
Costs and Expenses															
Cost of power sold	149,771,305	187,119,903	92,060,573	18,853,044	35,403,455	19,461,375	1,268,522	952,386	756,120	(38,901,179)	(25,104,764)	(20,116,727)	130,991,692	198,370,980	92,161,341
Selling and administrative expenses	4,839,721	4,212,469	4,264,893	1,124,866	1,069,744	728,020	2,793,406	2,581,129	1,638,467	(2,591,538)	(2,123,460)	(1,716,109)	6,166,455	5,739,882	4,915,271
	154,611,026	191,332,372	96,325,466	19,977,910	36,473,199	20,189,395	4,061,928	3,533,515	2,394,587	(41,492,717)	(27,228,224)	(21,832,836)	137,158,147	204,110,862	97,076,612
Other operating income (loss) - net	64,095	56,465	59,551	(48,160)	32,814	97,569	1,125,091	12,078,791	759,323	(1,047,003)	(560,382)	(709,425)	94,023	11,607,688	207,018
Segment Result	P28,656,073	P13,217,237	P33,264,627	P3,946,951	P4,721,858	P3,501,152	(P726,889)	P10,167,418	(P445,738)	P649,978	P779,101	P520,536	P32,526,113	P28,885,614	P36,840,577
Interest expense and other financing charges													(18,478,128)	(18,287,680)	(18,269,192)
Interest income													749,339	1,211,414	617,100
Equity in net losses of an associate and joint ventures - net													(272,092)	(400,130)	(117,348)
Other income (charges)- net													537,960	(7,240,819)	(1,192,643)
Income tax expense													(5,160,206)	(1,034,751)	(1,900,167)
Consolidated Net Income													P9,902,986	P3,133,648	P15,978,327

	As at and For the Years Ended December 31									
	Power Generation		Retail and Other Power-related Services		Others		Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Other Information										
Segment assets	P631,180,207	P558,444,220	P68,113,141	P54,575,033	P228,770,761	P186,084,090	(P226,767,401)	(P163,488,041)	701,296,708	P635,615,302
Investments and advances - net	6,743,719	6,966,614	238,462	241,714	337,895,026	321,673,220	(333,924,159)	(321,026,957)	10,953,048	7,854,591
Goodwill and other intangible assets - net									71,712,053	71,764,559
Deferred tax assets									973,481	2,280,281
Consolidated Total Assets									P784,935,290	P717,514,733
Segment liabilities	P396,476,603	P314,934,119	P25,426,582	P25,579,422	P58,415,710	P39,563,339	(P319,133,185)	(P206,721,822)	P161,185,710	P173,355,058
Long-term debt - net									258,769,473	272,152,624
Income tax payable									222,179	326,144
Deferred tax liabilities									21,284,723	19,364,348
Consolidated Total Liabilities									P441,462,085	P465,198,174
Capital expenditures		P30,861,690		P37,289,829		P5,269,949		P7,593,908		P470,

*Noncash items other than depreciation and amortization include net unrealized foreign exchange losses (gains), 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 previously for SPPC, the right to receive an assignment of NPC's interest in existing short-term bilateral power supply contracts;
- v. the obligation to supply and deliver, at its own cost, fuel required by the IPP and necessary for the Sual Power Plant to generate the electricity required to be produced by the IPP;
- vi. maintain the performance bond in full force and effect with a qualified bank; and
- vii. the obligation to pay PSALM the monthly payments and energy fees in respect of all electricity generated from the capacity, net of outages.

Relative to the IPPA Agreements, SPI and SRHI have to pay PSALM monthly payments for 15 years until October 1, 2024 and 18 years until April 26, 2028, respectively, while SPPC had to pay for 12 years until June 26, 2022. Energy fees amounted to P1,640,693, P10,452,088 and P17,762,434 in 2023, 2022 and 2021, respectively (Note 23). SPI and SRHI renewed their performance bonds amounting to US\$58,187 and US\$20,305, which will expire on November 2, 2024 and January 25, 2025, 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 of 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 P2,421,465, P3,462,393 and P4,706,105 in 2023, 2022 and 2021, respectively.

In June 2022, the IPPA Agreement between SPPC and PSALM 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 P95,544,860 and P99,115,654 as at December 31, 2023 and 2022, respectively (Note 13).

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

b. Market Participation Agreements (MPA)

SPI, SRHI, SPPC, LPI, MPI, MPCL, SMGP Kabankalan, SMGP BESS and MPGC 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, MPI and MPCL 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, MPI, MPCL, SMGP BESS, SMGP Kabankalan and MPGC, 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 P372,095, P201,165 and P126,305 in 2023, 2022 and 2021, respectively (Note 23).

LPI and MPCL 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 is valid until October 24, 2024 and February 15, 2025, respectively.

c. PSAs and RSCs

SPI, SPPC, SRHI, MPI, LPI and MPCL 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, SPPC, SRHI, MPI, LPI, MPCL and MPGC 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 P25,249,742, P57,089,312 and P20,557,301 in 2023, 2022 and 2021, respectively (Note 23).

On March 2, 2021, EERI and MPCL 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.

On March 17, 2023, EERI and MPCL 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 MPCL.

SPPC and Meralco also executed two separate emergency PSAs in 2023, (i) dated March 23, 2023, for the supply of 300 MW from March 26, 2023, which increased to 480 MW from April 1, 2023, and (ii) dated August 7, 2023, for the supply of 330 MW, both with terms expiring on March 25, 2024. These agreements were executed as a result of the termination of the PSA dated September 30, 2019, between SPPC and Meralco effective December 7, 2022, for the supply of 670 MW baseload capacity.

On February 5, 2024, EERI executed a long-term PSA with Meralco for the supply and delivery of 1,200 MW contract capacity commencing not later than November 26, 2024, and MPGC executed a long-term PSA with Meralco for the supply and delivery of 300 MW contract capacity commencing not later than April 26, 2025. Both PSAs have a term of fifteen years.

On the same date, SPPC executed a fifteen-year PSA with Meralco for the supply and delivery of contract capacity of 810 MW commencing on December 26, 2023, to be increased to 1,010 MW on February 26, 2024, and to be further increased to 1,200 MW on March 26, 2024 (the "2024 SPPC PSA"). Given that the ERC has yet to issue a provisional authority and/or interim relief to the joint application filed by Meralco and SPPC for approval of the 2024 SPPC PSA, Meralco and SPPC executed an emergency PSA on March 25, 2024 to supply 810 MW from March 26, 2024, to March 31, 2024, which increased to 1,200 MW (net) from April 1, 2024 until the earlier of the implementation of the 2024 SPPC PSA and March 25, 2025.

On March 20, 2024, LPI also executed a PSA with Meralco for the supply of 400 MW until February 25, 2025, pursuant to a competitive selection process conducted by Meralco for its 400MW baseload power requirements.

As at the report date, the applications for the approval of the PSAs of SPPC, MPGC, EERI and LPI have been filed with and have yet to be approved by the ERC.

Revenues from retail sales to contestable customers amounted to P21,047,120, P34,782,416 and P19,262,185 in 2023, 2022 and 2021, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Note 22).

d. Ancillary Service Procurement Agreement (ASPA)

- i. On September 8, 2017, MPCL entered into an ASPA with the National Grid Corporation of the Philippines (NGCP) for a period of 5 years effective from May 26, 2018, allocating the entire capacity of its 10 MWh Masinloc Phase I BESS as frequency regulating reserve for the NGCP to maintain power quality, reliability and security of the grid. This ASPA expired on May 25, 2023.

On May 2, 2023, MPCL entered into an ASPA with NGCP for a period of 5 years to allocate the 8 MWh capacity of the Masinloc Phase 1 BESS as contingency reserve. On August 15, 2023, the ERC granted provisional authority to MPCL for the implementation of the ASPA which commenced on September 9, 2023.

- ii. On May 6, 2021, SMGP Kabankalan entered into an ASPA with NGCP for a period of 5 years commencing on January 26, 2022, allocating its 20 MWh Kabankalan 1 BESS to provide ancillary services to the Visayas grid based on the Provisional Authority granted by the ERC (Note 12).
- iii. On May 2, 2023, SMGP BESS entered into several ASPAs with NGCP for its 330 MWh BESS located in various sites nationwide, to provide ancillary services for a period of 5 years, of which 220 MWh and 110 MWh commenced operations in 2023 and March 2024, respectively, following the Provisional Authority granted by the ERC on the relevant ASPA.

Revenue from ancillary services of MPCL, SMGP Kabankalan and SMGP BESS amounted to P2,852,341, P1,015,993 and P346,433 in 2023, 2022 and 2021, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Notes 5 and 22).

e. Coal Supply Agreements

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

f. LNG Supply Agreements

SPPC have supply agreements with various LNG suppliers for the natural gas requirements of the Ilijan Power Plant.

g. Distribution Wheeling Service (DWS) Agreements

As RES, LPI and MPCL 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.

h. Agreement for the use of LNG Terminal

On May 26, 2023, SPPC entered into a Novation Agreement with SMCGP Transpower. This agreement involved the transfer and assignment to SPPC of all the rights and obligations held by SMCGP Transpower under its Terminal Use Agreement with Linseed Field Corporation (LFC) dated April 11, 2022.

i. 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. Land Lease Agreements with PSALM

SPPC

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.

On April 17, 2023, SPPC paid a consent fee amounting to P104,197 to PSALM for the planned sublease of 7,586 square meters of land to NGCP.

On December 5, 2023, SPPC paid an option price of P182,909 signifying its intention to purchase a portion of the leased land totaling to 258,701 square meters.

MPCL

MPCL has an existing lease agreement with PSALM for the lease of a 199,600 square meters of 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 MPCL from PSALM for a total consideration of P15,653.

- ii. In November 2015, LPI leased parcels of land from New Ventures Realty Corporation (NVRC), an entity under common control, for its Phase I 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, Lumiere Energy Technologies Inc. (LETI), a wholly-owned subsidiary, 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.

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 Davao 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 (Note 26).

- iv. 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.
- v. 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.
- vi. On May 5, 2023, February 8, 2023 and October 3, 2018, MPI leased a foreshore area with approximate total area of 81,025 square meters, 18,784 square meters and 68,779 square meters, respectively, 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.
- vii. 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.
- viii. On January 6, 2020, MPGC leased a total of 115,996 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.
- ix. On February 3, 2020, SMGP BESS 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.
- x. In 2021, EERI leased a total of 390,829 square meters of land for its Batangas Combined Cycle Power Plant (BCCPP) from IPIEC, 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.

In April 2023, the Parent Company acquired 100% ownership interest in IPIEC (Note 11).

- xi. In 2022, 2021 and 2020, SMGP BESS leased parcels of land, with approximate total area of 17,145 square meters, 43,594 square meters and 133,259 square meters, respectively, from various third parties for the construction of its BESS facilities. The initial terms of the leases range for a period of 10 to 25 years with the option to renew further for 10 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, SMGP BESS assigned its existing lease agreement to a third party, for the 9,448 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).

- xii. 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.
- xiii. On March 14, 2022, SGLPC leased a total of 10,000,000 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.
- xiv. On January 19, 2022, SGLPC executed a Land Lease Agreement with Ruzena Estates Development Corporation (REDC), an entity under common control, as amended on February 5, 2024, for the lease of a total area of 1,579,969.41 square meters of land for the construction, development, maintenance, and operation of its solar power project plan and related facilities from REDC for a period of 25 years commencing upon receipt by REDC of the AFAB approval on January 13, 2023, with SGLPC's option to renew for further 25 years. The rental shall be increased by 5% per annum on each anniversary.
- 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 5 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.

The Group's land and office space under lease arrangements, presented under "Right-of-use assets" account in the consolidated statements of financial position, amounted to P9,430,460 and P7,494,190 as at December 31, 2023 and 2022, respectively (Note 13).

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 MPCL had short-term lease agreements with Challenger Aero Air Corporation, an entity under common control, for the lease of aircrafts, which will expire on December 31, 2024. 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 as at December 31, 2023 and 2022 are disclosed in Note 30.

Interest expense recognized in the consolidated statements of income amounted to P126,698, P123,301 and P121,537 in 2023, 2022 and 2021, respectively.

Rent expense recognized in the consolidated statements of income amounted to P365,651, P401,386 and P370,341 in 2023, 2022 and 2021, respectively (Notes 4, 23 and 24).

Total cash outflows amounted to P21,526,735, P28,132,444 and P29,603,394 in 2023, 2022 and 2021, 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, Grand Planters International, Inc. (GPIL), a wholly-owned subsidiary, 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 (Petron), an entity under common control. On October 25, 2021, GPIL and Petron agreed to adjust the existing lease rates and further extend the lease term for another 10 years. This was further amended reducing the leased area to 115,233 square meters effective February 12, 2024.
- ii. On August 1, 2022, SPPC executed a contract LFC, 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.
- iii. On April 5, 2021, the IPIEC leased a parcel of land with a total area of 160,079 square meters to LFC, for a period of 25 years from April 5, 2021 to April 1, 2046. On September 22, 2021, both parties executed a supplementary agreement to increase the leased area from 160,079 square meters to 162,915 square meters. On April 5, 2022, both parties executed another supplementary agreement to increase the leased area from 162,915 square meters to 170,977 square meters.

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 P83,640, P29,299 and P11,717 in 2023, 2022 and 2021, respectively (Notes 4 and 25).

j. 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); and
- ii. 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.

APEC formally assumed operations as concessionaire on February 26, 2014. As concessionaire, APEC provided services within the franchise area and was allowed to collect fees and charges, as approved by the ERC.

The Group recognized as power concession asset, included under "Goodwill and other intangible assets" accounts in the consolidated statements of financial position, all costs directly related to the Concession Agreement. The power concession asset, consists of: (i) concession rights, which includes fixed concession fees and separation pay of ALECO employees, (ii) infrastructure, which includes costs of the 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.

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).

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 and P5,372 in 2022 and 2021, respectively. Amortization of concession assets recognized in the “Depreciation and amortization” account in the consolidated statements of income amounted to P66,579 and P60,409 in 2022 and 2021, respectively (Note 23).

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<i>Note</i>	2023	2022
Cash in banks and on hand		P17,995,138	P11,497,773
Short-term investments		13,664,304	11,228,463
	4, 30, 31	P31,659,442	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 P522,931, P885,798, and P580,849 in 2023, 2022 and 2021, respectively.

8. Trade and Other Receivables

Trade and other receivables consist of:

	<i>Note</i>	2023	2022
Trade		P99,030,192	P87,921,106
Non-trade	11, 15	10,864,186	10,604,518
Amounts owed by related parties	11, 15, 19	9,747,252	10,104,701
	6	119,641,630	108,630,325
Less allowance for impairment losses	4	2,665,606	2,690,984
	4, 30, 31	P116,976,024	P105,939,341

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

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

	<i>Note</i>	2023	2022
Balance at beginning of year		P2,690,984	P2,672,082
Impairment losses during the year	4, 24	60,714	52,855
Reversal during the year and others	24, 26	(86,092)	(33,953)
Balance at end of year	4	P2,665,606	P2,690,984

Impairment losses recognized in the consolidated statements of income under “Selling and administrative expenses” account amounted to P60,714, P52,855 and P44,006 in 2023, 2022 and 2021, respectively (Note 24). 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.

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 recognized by APEC from ALECO amounting to P1,641,132 and P1,640,668 as at December 31, 2023 and 2022, respectively, following the termination of the Concession Agreement on November 21, 2022 (Note 6).
- 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).

In accordance with the Settlement Agreement, SPI recognized a receivable net of collections from TPEC which amounted to P1,618,196 and P2,110,714 as at December 31, 2023 and 2022, respectively. The noncurrent portion of the receivable amounting to P1,074,028 and P1,575,769 as at December 31, 2023 and 2022, respectively, is included under "Other noncurrent assets" account in the consolidated statements of financial position (Note 15). In addition, SPI recognized the cost of its full dispatch rights on the capacity of the Sual Power Plant, amounting to P1,628,854, under "Goodwill and other intangible assets" account in 2022 (Note 14).

- 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 nil and P22,924, and recognized a foreign exchange gain (loss) of (P21,272) and P11,029, from the allowance for the amounts recovered from HCML in 2023 and 2022, respectively (Note 26).

As at December 31, 2023 and 2022, total outstanding receivable from HCML amounting to P283,100 and P261,827, respectively, has been fully provided with allowance.

- e. Receivables from third parties amounting to P240,000 and P2,057,849 as of December 31, 2023 and 2022, respectively, for the sale of Strategic Energy Development Inc. (SEDI), DAMI, SEPC and BERI in 2022.
- 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, reimbursable charges from third parties, and receivables from customers which will be remitted to the Government upon collection.

9. Inventories

Inventories at cost consist of:

	<i>Note</i>	2023	2022
Coal	6	P6,872,276	P12,258,020
Materials and supplies		5,748,754	3,203,182
LNG	6	3,016,660	-
Fuel oil	19	1,036,198	1,259,249
Other consumables		167,496	101,708
	4	P16,841,384	P16,822,159

There were no inventory write-downs to net realizable value in 2023, 2022 and 2021 (Note 4). Inventories charged to cost of power sold amounted to P86,906,429, P114,857,765 and P39,108,912 in 2023, 2022 and 2021, respectively (Note 23).

10. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	<i>Note</i>	2023	2022
Input VAT		P27,467,097	P21,313,420
Prepaid tax		13,072,678	11,472,838
Advances to suppliers		4,109,567	2,564,056
Restricted cash	15, 30, 31	2,420,279	6,408,269
PSALM monthly fee outage credits	6	1,142,305	850,195
Derivative assets not designated as cash flow hedge	19, 30, 31	-	178,285
Derivative assets designated as cash flow hedge	30, 31	-	143,545
Other prepaid expenses	19	309,638	362,244
		P48,521,564	P43,292,852

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.

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

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, MPCL and SMGP BESS, (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 18).

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 2023 and 2022.

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 P176,667 and P178,528 as at December 31, 2023 and 2022, respectively.
- b. Prepaid rent of the Group from various short-term lease agreements amounted to P25,183 and P38,213 as at December 31, 2023 and 2022, 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:

	2023	2022
Investments in Shares of Stock of an Associate and Joint Ventures		
Cost		
Balance at beginning of year	P8,122,208	P7,618,892
Additions	-	503,316
Balance at end of year	8,122,208	8,122,208
Accumulated Equity in Net Losses		
Balance at beginning of year	2,769,671	2,367,472
Equity in net losses during the year	272,631	392,606
Share in other comprehensive loss during the year	3,830	2,069
Adjustment to equity in net losses in prior year	(539)	7,524
Adjustment to share in other comprehensive loss in prior year	(35)	-
Balance at end of year	3,045,558	2,769,671
	5,076,650	5,352,537
Advances	5,876,398	2,502,054
	P10,953,048	P7,854,591

Advances pertain to deposits made to certain companies which will be applied against future stock subscriptions. In 2023 and 2022, the Parent Company bought ownership interests in certain landholding companies. As a result, these landholding companies were consolidated and deposits amounting to P807,693 and P2,987,234 were eliminated in the consolidated statements of financial position as at December 31, 2023 and 2022, respectively.

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. (SMEI), an entity under common control, entered into a Deed of Assignment of Subscription Rights, whereby, SMEI agreed to assign its 35% of ownership interests in OEDC to SPGC for a consideration of P8,750.

Subscriptions payable amounted to P28,101 as at December 31, 2023 and 2022 (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:

	2023	2022
	(Unaudited)	(Audited)
Country of Incorporation	Philippines	Philippines
Current assets	P453,617	P459,055
Noncurrent assets	1,888,459	1,824,941
Current liabilities	(1,386,522)	(1,239,344)
Noncurrent liabilities	(313,409)	(405,750)
Net assets	P642,145	P638,902
Revenue	P2,488,788	P3,040,926
Net income	P14,184	P12,888
Other comprehensive income (loss)	(10,942)	2,263
Total comprehensive income	P3,242	P15,151
Share in net income	P4,965	P4,511
Share in other comprehensive income (loss)	(P3,830)	P792
Carrying amount of investment	P238,462	P237,327

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, 2023 (Audited)

	AHC	KWPP
Country of Incorporation	Philippines	Philippines
Current assets	P1,527,461	P3,799
Noncurrent assets	16,805,637	17,014
Current liabilities	(1,749,658)	(6,959)
Noncurrent liabilities	(11,554,427)	(13,250)
Net assets	P5,029,013	P604
Revenue	P1,751,763	P -
Net loss/total comprehensive loss	(P481,030)	(P194)
Share in net loss/total comprehensive loss	(P288,618)	(P117)
Carrying amount of investment	P4,318,584	P588

December 31, 2022 (Audited)

	AHC	KWPP
Country of Incorporation	Philippines	Philippines
Current assets	P1,982,288	P3,444
Noncurrent assets	16,784,160	17,652
Current liabilities	(1,422,164)	(6,518)
Noncurrent liabilities	(11,834,241)	(13,779)
Net assets	P5,510,043	P799
Revenue	P1,571,312	P -
Net loss	(P668,338)	(P169)
Other comprehensive loss	(4,768)	-
Total comprehensive loss	(P673,106)	(P169)
Share in net loss	(P401,003)	(P101)
Share in other comprehensive loss	(P2,861)	P -
Carrying amount of investment	P4,607,202	P705

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.

IASCO and Isabel AS are following a fiscal reporting period ending March 31 and continue to use the same reporting period after acquisition.

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, 2023 (Unaudited)

Country of Incorporation	Isabel AS	IASCO
	Philippines	Philippines
Current assets	P47	1,233,487
Noncurrent assets	9,841	323,672
Current liabilities	(148)	(859,418)
Noncurrent liabilities	-	(66,499)
Net assets	P9,740	P631,242
Revenue	P -	P1,723,383
Net income (loss)/total comprehensive income (loss)	(P176)	P22,454
Share in net income (loss)/total comprehensive income (loss)	(P88)	P11,227
Carrying amount of investment	P67,811	P451,205

December 31, 2022 (Unaudited)

Country of Incorporation	Isabel AS	IASCO
	Philippines	Philippines
Current assets	P75	P883,808
Noncurrent assets	9,841	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 (loss)/total comprehensive income (loss)	(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*

c. Investment in shares of stock of subsidiaries

The following are the developments relating to the subsidiaries:

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 parties.

As at December 31, 2023 and 2022, the remaining balance of the shareholder advances amounted to US\$2,281 (equivalent to P126,310 and P127,189, respectively), classified as part of "Trade and other receivables" account in the consolidated statements of financial position, and due date was extended to December 31, 2024 (Notes 8 and 19). Interest income amounted to P5,673 in 2023 and 2022 and P5,138 in 2021, respectively (Note 19).

In February 2023 and June and October 2021, PVEI granted shareholder loans to AHC amounting to P344,097, P600,000 and P408,540, respectively. The loans bear interest rates of 6.125%, 4.6% and 6.125%, respectively, and are due on January 5, 2032. Outstanding balance amounted to P1,352,637 and P1,008,540, classified as part of "Other noncurrent assets" account in the consolidated statements of financial position, as at December 31, 2023 and 2022, respectively (Notes 15 and 19). Interest income amounted to P71,378, P53,354 and P18,840 in 2023, 2022 and 2021, respectively (Note 19).

ii. MPGC

MPGC is the owner of the 4 x 150 MW Mariveles Greenfield 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, which was fully paid in 2022. 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. Consequently, the non-controlling interests in MPGC held by MGen and Zygnnet were reduced to 5.24% and 0.21%, respectively, as at December 31, 2022.

The additional capital infusion financed in part the power plant project of MPGC.

As at December 31, 2023, Units 1 and 2 of the Mariveles Greenfield Power Plant are undergoing testing and commissioning.

iii. Acquisition of subsidiaries

Blue Eagle and IPIEC

On April 3 and December 19, 2023, the Parent Company acquired the 100% outstanding capital stock of IPIEC and Blue Eagle, respectively, for a total consideration amount of P75,000. IPIEC and Blue Eagle own and manage various properties located in the provinces of Batangas and Cavite, respectively (Note 15).

The following summarized the recognized net assets acquired from Blue Eagle and IPIEC at acquisition date:

	IPIEC	Blue Eagle
Current assets	P287,011	P22,128
Noncurrent assets	1,541,208	132,736
Current liabilities	(1,129,312)	(4,022)
Noncurrent liabilities	(648,907)	(125,842)
Net assets	P50,000	P25,000

MVIHI and Bluelight

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 provinces 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

These transactions are accounted for as asset acquisitions since the assets and activities do not constitute a business as defined in PFRS 3.

iv. Sale of subsidiaries

Soracil Prime Inc. (Soracil), Ondarre Holding Corporation (OHC) and SEDI

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 P5,064,700. The amount of consideration, which will be collected on installment basis up to 2026 and subject to interest as 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 consolidated statements of financial position as at December 31, 2023 and 2022 (Notes 8, 15, 19 and 25).

Soracil 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 (Note 12).

DAMI, BERI, SEPC

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, presented as part of non-trade receivables under "Trade and other receivables - net" account in the 2022 consolidated statement of financial position, was collected in 3 tranches up to September 30, 2023 (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 as at December 31, 2023 and 2022, 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 issued by the Philippine DOE, located in the provinces of Sarangani, South Cotabato and Sultan Kudarat.

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 and 25).

The Group recognized a gain on the sale amounting to P2,870,015, presented as gain on sale of subsidiaries under "Other operating income" account in the 2022 consolidated statement of income (Note 25).

12. Property, Plant and Equipment

Property, plant and equipment consist of:

	Note	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	CPIP	Total
Cost							
January 1, 2022		P135,947,812	P14,245,698	P5,957,418	P4,057,910	P72,492,589	P232,701,427
Additions		1,008,559	321,728	544,917	5,724	46,594,970	48,475,898
Acquisition of a subsidiary	11	-	3,260,025	-	-	-	3,260,025
Reclassifications	6, 13, 15	48,689,175	440,385	770,310	561,200	3,462,755	53,923,825
Disposals	11, 19, 25	(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		185,180,286	13,602,998	6,755,514	4,576,121	122,263,696	332,378,615
Additions		943,217	158,463	659,427	17,850	34,400,018	36,178,975
Acquisition of a subsidiary	11	-	448,499	-	-	-	448,499
Reclassifications	15	11,053,316	1,081,919	1,030,657	353,602	(6,735,945)	6,783,549
Retirement/disposal	26	(76,428)	-	(1,386)	-	-	(77,814)
Currency translation adjustments		-	(16)	(111)	-	-	(127)
December 31, 2023		197,100,391	15,291,863	8,444,101	4,947,573	149,927,769	375,711,697
Accumulated Depreciation and Amortization							
January 1, 2022		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	11, 19, 25	(133,171)	-	(86,612)	(29,456)	-	(249,239)
Currency translation adjustments		-	139	1,378	-	-	1,517
December 31, 2022		24,937,107	859,765	1,534,754	424,499	-	27,756,125
Depreciation and amortization		7,473,007	280,656	538,847	132,069	-	8,424,579
Reclassifications		-	-	75,335	-	-	75,335
Retirement/disposal	26	(12,993)	-	(1,155)	-	-	(14,148)
Currency translation adjustments		-	(12)	(112)	-	-	(124)
December 31, 2023		32,397,121	1,140,409	2,147,669	556,568	-	36,241,767
Accumulated Impairment Losses							
January 1, 2022		-	-	174,974	-	-	174,974
Impairment	26	-	-	34,991	-	-	34,991
December 31, 2022		-	-	209,965	-	-	209,965
Impairment	26	-	-	34,991	-	-	34,991
December 31, 2023		-	-	244,956	-	-	244,956
Carrying Amount							
December 31, 2022		P160,243,179	P12,743,233	P5,010,795	P4,151,622	P122,263,696	P304,412,525
December 31, 2023		P164,703,270	P14,151,454	P6,051,476	P4,391,005	P149,927,769	P339,224,974

- 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 the Mariveles Greenfield Power Plant.

As at December 31, 2023, Units 1 and 2 of the Mariveles Greenfield Power Plant are undergoing testing and commissioning.

- ii. Expenditures of EERI related to the construction of its 1,320 MW BCCPP.
- iii. Projects of SMGP BESS for the construction of BESS facilities and gas turbine generators situated in various locations in the Philippines.

Following the start of commercial operations in 2023 of 3 BESS facilities in Luzon (San Manuel, Pangasinan, and Lamao and Limay, Bataan), 2 BESS facilities in Visayas (Toledo, Cebu and Ubay, Bohol) and 2 BESS facilities in Mindanao (Maco, Davao de Oro and Malita, Davao Occidental), the CPIP costs related to these facilities were reclassified to the appropriate property, plant and equipment account.

- iv. Projects of MPCL for the construction of the Masinloc Power Plant Units 4 and 5, and other related facilities, 20 MW BESS and retrofitting works for Unit 1. The Unit 1 retrofit was completed and all related CPIP costs were reclassified to the appropriate property, plant and equipment account in 2023.

- v. Projects of SMGP Kabankalan for the construction of its 10 MW BESS Phase 2 facility in Kabankalan, Negros Occidental.

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

- vi. Various construction works relating to the respective power plant facilities of LPI and MPI.

Ongoing capital projects are expected to be completed in 2024 up to 2026.

- c. Reclassifications in 2023 include transfers from CPIP account to specific property, plant and equipment accounts and application of advances to contractors against progress billings for ongoing capital projects.

Reclassifications in 2022 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 ongoing capital projects (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	2023	2022	2021
Cost of power sold	23	P7,959,780	P6,828,880	P5,484,187
Selling and administrative expenses	24	464,799	507,046	476,147
		P8,424,579	P7,335,926	P5,960,334

Total depreciation and amortization, recognized in the consolidated statements of income, include amortization of capitalized interest and decommissioning and dismantling costs amounting to P267,365, P267,010 and P251,398 in 2023, 2022 and 2021, respectively. The Group recognized impairment losses amounting to P34,991 in 2023, 2022 and 2021, and presented as part of "Other income (charges)" account in the consolidated statements of income (Note 26).

The Group has borrowing costs amounting to P1,759,105, P2,156,087 and P1,059,256 which were capitalized in 2023, 2022 and 2021, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization range from 7.47% to 8.59% in 2023 and 7.47% in 2022 and 2021. The unamortized capitalized borrowing costs amounted to P11,324,445 and P9,832,705 as at December 31, 2023 and 2022, respectively (Note 18).

As at December 31, 2023 and 2022, certain property, plant and equipment amounting to P164,918,759 and P125,728,120, respectively, are pledged as security for syndicated project finance loans (Note 18).

Certain fully depreciated property, plant and equipment with aggregate costs amounting to P6,030,538 and P4,725,837 as at December 31, 2023 and 2022, 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	Buildings and Land Improvements	Power Plants	Total
Cost				
January 1, 2022		P5,591,469	P409,882	P173,388,440
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	113,398,830	121,924,553
Additions	6	2,509,352	-	2,509,352
Reclassification and others		(54,697)	-	(185,714)
December 31, 2023		10,536,598	113,398,830	124,248,191
Accumulated Depreciation and Amortization				
January 1, 2022		525,487	15,559,209	16,228,779
Depreciation and amortization		108,380	4,243,964	4,425,937
Reclassification	6, 12	-	(5,519,997)	(5,519,997)
Remeasurement and others		186,756	-	179,990
December 31, 2022		820,623	14,283,176	15,314,709
Depreciation and amortization		146,592	3,570,794	3,782,620
Reclassification and others		277,060	-	175,542
December 31, 2023		1,244,275	17,853,970	19,272,871
Carrying Amount				
December 31, 2022		P7,261,320	P99,115,654	P106,609,844
December 31, 2023		P9,292,323	P95,544,860	P104,975,320

The carrying amount of the power plants of the IPPAs under lease arrangements amounted to P95,544,860 and P99,115,654 as at December 31, 2023 and 2022, respectively (Note 6).

The carrying amount of the land under lease arrangements of MPCL and SPPC with PSALM amounted to P2,078,566 and P1,868,903 as at December 31, 2023 and 2022 respectively (Note 6).

The combined asset retirement costs of the Group amounted to P451,940 and P521,022 as at December 31, 2023 and 2022, 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).

Reclassification and others in 2023 mainly pertain to the termination of certain lease agreements.

Remeasurements and others in 2023 and 2022 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	2023	2022
Goodwill	4	P69,953,222	P69,953,222
Computer software and licenses - net	4	233,631	226,906
Others	4, 8	1,525,200	1,584,431
		P71,712,053	P71,764,559

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, 2023 and 2022, 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 2028 in 2023 and 2027 in 2022 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 rate of 10.5% and 11.0% in 2023 and 2022, respectively, was 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 rate of 3.0% and 5.0% in 2023 and 2022, respectively, was 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 10.0% and 11.0% in 2023, and 10.5% and 11.5% in 2022 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, 2023 and 2022.

Computer Software and Licenses

The movements in computer software and licenses are as follows:

	<i>Note</i>	2023	2022
Cost			
Balance at beginning of year		P593,844	P468,332
Additions		56,971	125,512
Balance at end of year		650,815	593,844
Accumulated Amortization			
Balance at beginning of year		366,938	318,112
Amortization	24	50,246	48,826
Balance at end of year	4	417,184	366,938
		P233,631	P226,906

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 P1,628,854 in 2022 (Notes 6, 8 and 33). Amortization expense recognized in the consolidated statements of income amounted to P59,231 and P44,423 in 2023 and 2022, respectively (Notes 4 and 24).

15. Other Noncurrent Assets

Other noncurrent assets consist of:

	<i>Note</i>	2023	2022
Advances to suppliers and contractors		P25,165,794	P20,219,121
Amounts owed by related parties	11, 19	6,499,990	9,638,442
Noncurrent receivables	11, 30, 31	4,205,585	4,357,754
Restricted cash - net of current portion	30, 31	3,851,016	1,290,189
Investment property	11	3,218,782	-
Deferred input VAT - net of current portion		51,279	132,763
Others		105,554	174,076
		P43,098,000	P35,812,345

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 8 and 11).

Restricted cash mainly comprises of: (a) MPCL's cash flow waterfall accounts and environmental guarantee fund, amounting to P2,645,131 and P129,851 as at December 31, 2023 and 2022, respectively; and (b) LPI's cash flow waterfall accounts, amounting to P1,203,746 and P1,160,283 as at December 31, 2023 and 2022, respectively (Notes 10 and 18).

As at December 31, 2023 and 2022, 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).

Investment property mainly pertains to the parcels of land owned by IPIEC, MVIHI and Blue Eagle (Note 11).

On December 20, 2023, MVIHI and Blue Eagle entered into an agreement with third parties for the sale of certain parcels of land located in Naic and Maragondon, Cavite, which is subject to certain conditions prior to closing targeted in January 2025.

The fair value of investment property, amounting to P12,468,752 as at December 31, 2023, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was mainly determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group's investment property on a regular basis.

Total income recognized from the lease of these real estate properties amounted to P60,079 in 2023 (Notes 6 and 25). There are no direct selling and administrative expenses arising from investment property that generated income in 2023, other than the real property taxes paid by the lessee pursuant to the terms of the relevant lease agreements. Direct operating expenses arising from investment properties that did not generate rental income, mainly consist of real property taxes and property maintenance fees amounting to P9,682 in 2023, presented as part of "Selling and administrative expenses" account in the consolidated statement of income (Note 24).

Valuation Technique

The valuation of investment property applied the *Sales Comparison Approach*. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Others mainly pertain to retention asset and costs incurred in relation to long-term customer contracts.

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 amounting to P13,736,000 and P21,000,000 as at December 31, 2023 and 2022, respectively (Notes 30 and 31). The interest rates applied ranged from 5.00% to 7.50% and from 5.00% to 5.50% as at December 31, 2023 and 2022, 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 P1,098,603, P606,725 and P62,964 in 2023, 2022 and 2021, respectively.

17. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	<i>Note</i>	2023	2022
Trade	6	P23,453,007	P20,429,358
Non-trade	6	45,629,445	42,326,144
Output VAT		19,194,811	13,983,971
Amounts owed to related parties	19	5,411,198	2,980,384
Withholding and other accrued taxes		2,066,108	2,887,746
Accrued interest	6, 16, 18	1,864,411	1,757,317
Derivative liabilities not designated as cash flow hedge		13,925	75,455
Premium on option liabilities		-	6,799
	30, 31	P97,632,905	P84,447,174

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	2023	2022
Bonds			
<i>Parent Company</i>			
Philippine Peso-denominated:			
Fixed interest rate of 5.9077%, 7.1051% and 8.0288% maturing in 2025, 2028 and 2032, respectively (a)		P39,559,871	P39,475,629
Fixed interest rate of 7.1783% and 7.6000% maturing in 2024 and 2026, respectively (b)		16,110,820	16,070,346
Fixed interest rate of 6.7500% matured in 2023 (c)		-	14,971,990
Fixed interest rate of 6.2500% and 6.6250% maturing in 2024 and 2027, respectively (d)		10,056,168	10,040,725
Fixed interest rate of 4.7575% and 5.1792% matured in 2023 and maturing in 2026, respectively (e)		4,740,043	8,820,612
		70,466,902	89,379,302
Term Loans			
<i>Parent Company</i>			
Philippine Peso-denominated:			
Fixed interest rate with maturities up to 2024 (f)		14,091,381	14,215,532
Fixed interest rate with maturities up to 2025 (g)		4,853,652	4,889,250
Fixed interest rate with maturities up to 2028 (h)		7,439,465	-
Foreign currency-denominated:			
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, matured in 2023 (i)		-	27,858,560
Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2026 (j)		16,421,201	16,454,788
Floating interest rate based on LIBOR plus margin, matured in 2023 (k)		-	2,767,364
Floating interest rate based on SOFR plus margin, maturing in 2024 (l)		10,992,509	10,955,092
Floating interest rate based on SOFR plus margin, maturing in 2025 (m)		5,483,778	5,485,079
Floating interest rate based on SOFR plus margin, maturing in 2027 (n)		16,249,226	16,281,792
Floating interest rate based on SOFR plus margin, maturing in 2024 (o)		5,487,277	-
Floating interest rate based on SOFR plus margin, maturing in 2025 (p)		2,718,947	-

Forward

	Note	2023	2022
Subsidiaries			
Philippine Peso-denominated:			
Fixed interest rate with maturities up to 2029 (q)		P32,497,049	P35,177,787
Fixed interest rate with maturities up to 2030 (r)		14,643,247	15,893,917
Fixed interest rate with maturities up to 2033 (s)		27,537,755	-
Floating rate based on Bloomberg Valuation (BVAL) plus margin, maturing in 2030 (t)		7,187,581	-
Foreign currency-denominated:			
Fixed interest rate with maturities up to 2023 and 2030 (t) (u)		17,078,674	24,653,982
Floating interest rate based on SOFR plus margin, with maturities up to 2023 and 2030 (t) (u)		5,620,829	8,140,179
		188,302,571	182,773,322
	30, 31	258,769,473	272,152,624
Less current maturities		54,124,645	63,721,744
		P204,644,828	P208,430,880

- 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 (partly used for Masinloc Group acquisition in 2018), 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.

On August 17, 2023, the Parent Company redeemed the Series G Bonds upon its maturity pursuant to the terms and conditions of the bonds. The Parent Company used the proceeds from the additional capital stock subscription of SMC completed in August 2023 and cash generated from operations for the redemption of the Series G Bonds (Note 21).

- 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 balance of 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.

Proceeds from the issuance were used to refinance the US\$300,000 short-term loan that matured on July 25, 2016, which were used for the redemption of the US\$300,000 bond in January 2016.

On July 11, 2023, the Parent Company redeemed the Series B Bonds amounting to P4,090,440, upon its maturity pursuant to the terms and conditions of the bonds. The Parent Company used in part the proceeds of the P5,000,000 RPS issued in July 2023 and cash generated from operations for the redemption of the Series B Bonds (Note 21).

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

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

- i. 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 which matured on March 12, 2021 and Facility B Loan amounting to US\$500,000 which matured 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.

The Facility B Loan was paid on March 13, 2023 using in part the proceeds from the RPS issued by the Parent Company to SMC in March 2023 (Note 21). The rest was paid from the Parent Company's cash flows from operations.

- j. 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 SOFR 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.

- k. 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 was subject to floating interest rate based on LIBOR plus margin and matured 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.

- l. 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 SOFR 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.

- m. 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.

- n. 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.

- o. The amount represents the US\$100,000 term loan availed on March 16, 2023, from a facility agreement executed on March 10, 2023, with a foreign bank. The loan is subject to a floating interest rate based on SOFR 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.

- p. The amount represents the US\$50,000 term loan availed on October 31, 2023 from a facility agreement executed on October 24, 2023, with a foreign bank. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in April 2025.

The proceeds were used for (a) loan refinancing and (b) payment of transaction related fees, cost and expenses in relation to the facility agreement.

- q. The amount represents the 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.

- r. The amount represents the 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 P2,226,304 and P2,421,120 as at December 31, 2023 and 2022, respectively (Note 19).

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

- s. The amount represents the balance of the first tranche, amounting to P28,000,000, drawn on October 27, 2023 from the P40,000,000 fixed rate 10-year OLSA executed by SMGP BESS on October 23, 2023, with various local banks. The loan is payable quarterly up to October 2033.

The proceeds from the first tranche were used (i) for the purchase of outstanding perpetual securities issued to SMC and reimbursement or repayment of reimbursable advances from the Parent Company, (ii) for payment of interest during construction, (iii) to fund the costs and expenses in relation to the design, construction and the operation of its BESS projects, and (iv) for transaction costs.

The loan includes the P4,060,000 amount payable to BOC as at December 31, 2023 (Note 19).

- t. On January 17, 2023, MPCL 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 Philippine Peso-denominated loan pegged at P8,155,000, subject to floating interest rate with maturities up to January 2030. MPCL 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.

The loan includes the P4,389,181 amount payable to BOC as at December 31, 2023 (Note 19).

On January 30, 2024, MPPCL made principal repayments amounting to P291,134 pursuant to the terms and conditions of its Amended ORA.

- u. The amount represents the US\$414,120 outstanding balance of the loan drawn in tranches by MPCL 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 MPCL existing facilities. The loan is divided into fixed interest tranche and floating interest tranche based on a 6-month SOFR plus margin with maturities up to December 15, 2030.

On December 16, 2023, the applicable fixed interest rate on the outstanding balance of the loan facility was repriced to 8.3310%, pursuant to the terms of the OEFA.

Unamortized debt issue costs amounted to P2,684,515 and P2,713,968 as at December 31, 2023 and 2022, respectively. Accrued interest amounted to P1,397,801 and P1,554,353 as at December 31, 2023 and 2022, respectively. Interest expense amounted to P14,435,118, P13,344,725 and P12,668,478 (including P1,756,826, P1,859,297 and P79,744, capitalized as part of CPIP, respectively) in 2023, 2022 and 2021, respectively (Note 12).

Valuation Technique for Philippine 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 P73,529,065 and P91,771,717 as at December 31, 2023 and 2022, 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, MPCL and SMGP BESS 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, MPCL and SMGP BESS 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, MPCL and SMGP BESS to secure any indebtedness, subject to certain exceptions.

The loans of LPI, MPI and SMGP BESS are secured by real estate and chattel mortgages, on all present and future assets, amounting to P44,100,000, P21,325,000 and P28,000,000, respectively, and reserves of LPI, MPI, SMGP BESS as well as a pledge by the Parent Company of all its outstanding shares of stock in LPI, MPI and SMGP BESS.

The loans of MPCL 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 P8,155,000 and US\$525,000, respectively.

As at December 31, 2023 and 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:

	<i>Note</i>	2023	2022
Balance at beginning of year		P2,713,968	P2,062,866
Additions		822,522	1,742,024
Capitalized amount	12	(2,279)	(296,790)
Amortization		(849,696)	(794,132)
Balance at end of year		P2,684,515	P2,713,968

Repayment Schedule

The annual maturities of long-term debt are as follows:

Year	Gross Amount			Debt Issue Costs	Net
	US Dollar	Peso Equivalent of US Dollar	Peso		
2024	US\$331,920	P18,378,410	P36,174,338	P428,103	P 54,124,645
2025	183,390	10,154,305	17,069,278	360,698	26,862,885
2026	334,912	18,544,105	19,153,688	412,476	37,285,317
2027	336,488	18,631,314	11,434,631	535,208	29,530,737
2028	38,168	2,113,335	40,708,945	473,299	42,348,981
2029 and thereafter	239,242	13,246,856	55,844,783	474,731	68,616,908
	US\$1,464,120	P81,068,325	P180,385,663	P2,684,515	P258,769,473

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 at 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, 24	2023	P614,221	P1,638,795	P135,791	P2,152,547	On demand or 30 days; non-interest bearing	Unsecured; no impairment
		2022	734,407	704,694	115,068	459,603		
	10	2023	-	-	-	-	1 year; non-interest bearing	Unsecured; no impairment
		2022	-	-	44,456	-		
Entities under Common Control	6, 8, 9, 11, 12, 17, 22, 23, 24	2023	9,261,195	3,848,749	1,620,198	10,737,315	On demand or 30 days; non-interest bearing	Unsecured; no impairment
		2022	8,008,622	4,506,372	2,215,440	7,799,276		
	8, 11, 12, 15, 25	2023	-	-	12,010,491	-	Installment basis up to 2026; interest bearing	Unsecured; no impairment
		2022	10,694,445	-	15,442,060	-		
Associate	8, 11, 17, 22	2023	1,944,182	-	889,255	28,101	On demand or 30 days; non-interest bearing	Unsecured; no impairment
		2022	1,372,626	10,653	742,687	28,101		
	8, 15	2023	4,208	-	51,053	-	9 years; interest bearing	Unsecured; no impairment
		2022	6,104	-	96,632	-		
Joint Venture	8, 25	2023	32,707	-	13,126	-	30 days; non-interest bearing	Unsecured; no impairment
		2022	32,191	214,455	4,916	-		
	8, 11	2023	5,673	-	167,404	-	92 days; interest bearing	Unsecured; no impairment
		2022	5,673	-	162,692	-		
	11, 15	2023	71,378	-	1,491,796	-	10.5 years; interest bearing	Unsecured; No impairment
		2022	53,354	-	1,078,578	-		
Associate and Joint Venture of Entities under Common Control	6, 8, 22	2023	9,828	-	481	1,157	30 days; non-interest bearing	Unsecured; no impairment
		2022	112,889	-	12,016	1,155		
	18	2023	-	590,527	-	10,805,681	7 to 12 years; interest bearing	Secured
		2022	-	196,543	-	2,421,120		
Others	6, 8, 17, 22	2023	-	-	-	-	On demand or 30 days; non-interest bearing	Unsecured; no impairment
		2022	5,096,988	-	-	-		
		2023	P11,943,392	P6,078,071	P16,379,595	P23,724,801		
		2022	P26,117,299	P5,632,717	P19,914,545	P10,709,255		

- 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 consolidated statements of financial position, prepayments for rent and insurance, and security deposits (Notes 8, 10 and 15).

Sale of various properties by Dewsweeper Industrial Park, Inc. (DIPI), Bluelight, MVIHI and GPIL

In 2022, the Group, through its wholly-owned subsidiaries, DIPI, Bluelight, MVIHI and GPIL, sold certain parcels of raw land located in the provinces of Quezon, Cavite, and Negros Occidental to certain entities under common control, for a total consideration of P11,868,879. The amount of consideration is payable on installment basis up to 2026 and subject to interest as agreed by the relevant parties (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 and subject to interest as agreed by the relevant parties (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 (Notes 11 and 17). As at December 31, 2023 and 2022, 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 P7,401,488 and P5,202,472, 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, MPCL and SMGP BESS 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, 2023 and 2022 (Note 12).
- f. The compensation of key management personnel of the Group, by benefit type, follows:

	<i>Note</i>	2023	2022	2021
Short-term employee				
benefits	24	P129,041	P139,090	P134,074
Retirement cost	20	17,523	10,181	15,520
		P146,564	P149,271	P149,594

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.

20. Retirement Plans

The Parent Company and its subsidiaries, SPI, LPI, MPI, VisMin Power Dynamics Services Inc. (formerly Safetech Power Services Corp.) and Luzon Power Dynamics Services Inc. (formerly Mantech Power Dynamics Services Inc.), 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, 2023. 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 of SMC.

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	
	2023	2022	2023	2022	2023	2022
Balance at Beginning of Year	P19,441	P -	(P487,046)	(P157,588)	(P467,605)	(P157,588)
Recognized in Profit or Loss						
Service costs	-	-	(87,134)	(138,191)	(87,134)	(138,191)
Interest expense	-	-	(35,152)	(23,560)	(35,152)	(23,560)
Interest income	3,194	-	-	-	3,194	-
	3,194	-	(122,286)	(161,751)	(119,092)	(161,751)
Recognized in Other Comprehensive Income						
Remeasurements						
Actuarial gains (losses) arising from:						
Experience adjustments	-	-	24,847	(68,096)	24,847	(68,096)
Changes in financial assumptions	-	-	(72,694)	52,976	(72,694)	52,976
Return on plan assets excluding interest income	(1,901)	(267)	-	-	(1,901)	(267)
	(1,901)	(267)	(47,847)	(15,120)	(49,748)	(15,387)
Others						
Contributions	66,380	34,450	-	-	66,380	34,450
Benefits paid	(16,736)	(14,742)	16,736	14,742	-	-
Other adjustments	-	-	-	(167,329)	-	(167,329)
	49,644	19,708	16,736	(152,587)	66,380	(132,879)
Balance at End of Year	P70,378	P19,441	(P640,443)	(P487,046)	(P570,065)	(P467,605)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income by the Parent Company amounted to P37,960 and P66,802 and P23,385 in 2023, 2022 and 2021, respectively (Notes 24).

Retirement costs recognized in the consolidated statements of income by the subsidiaries amounted to P84,326, P94,949 and P371 in 2023, 2022 and 2021, respectively (Notes 23 and 24).

The net interest expense on the defined benefit retirement liability recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income by the Parent Company amounted to P15,892 in 2023.

The net interest expense on the defined benefit retirement liability recognized as part of "Interest expense and other financing charges" account in the consolidated statement of income by the subsidiaries amounted to P16,066 in 2023.

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 P107,000 and P67,266 as at December 31, 2023 and 2022, respectively.

Net defined benefit retirement liability included as part of "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P570,065 and P467,605 as at December 31, 2023 and 2022, respectively.

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2023 and 2022.

The Group's plan assets consist of the following:

	In Percentages	
	2023	2022
Cash and cash equivalents	84.71%	99.97%
Investments in marketable securities	15.13%	-
Others	0.16%	0.03%

As at December 31, 2023, the plan assets include investments in marketable securities pertaining to common and preferred shares of SMC and entities under common control, with a total fair market value of P11,479.

The fair market value of the above marketable securities was determined based on quoted market prices in active markets as at the reporting date (Note 4).

The Group's Retirement Plans recognized a gain on the investment in marketable securities amounting to P136 in 2023.

Dividend income from the investments in marketable securities of the plan assets amounted to P156 in 2023.

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 contribute P148,341 to the Retirement Plans in 2024.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2023	2022
Discount rate	5.98% to 6.12%	6.81% to 7.22%
Salary increase rate	5.00%	5.00%

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 4.10 to 19.00 years and from 4.50 to 18.20 years as at December 31, 2023 and 2022, respectively.

Sensitivity Analysis

As at December 31, 2023 and 2022, 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			
	2023		2022	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	(P66,506)	P80,820	(P44,348)	P50,889
Salary increase rate	80,918	(67,733)	51,545	(45,570)

21. Equity

Capital Stock

The details of the Parent Company's authorized, subscribed, issued and outstanding capital stock as at December 31 are as follows:

	2023		2022	
	Number of Shares	Amount	Number of Shares	Amount
Authorized - par value of P1.00	3,774,400,000	P3,774,400	2,000,000,000	P2,000,000
Subscribed capital stock:				
Balance at beginning of year	1,250,004,000	P1,250,004	1,250,004,000	P1,250,004
Subscription	1,573,600,000	1,573,600	-	-
Balance at end of year	2,823,604,000	2,823,604	1,250,004,000	1,250,004
Less subscription receivable:				
Balance at beginning of year	-	-	187,500,000	187,500
Collection	-	-	(187,500,000)	(187,500)
Balance at end of year	-	-	-	-
Issued and outstanding	2,823,604,000	P2,823,604	1,250,004,000	P1,250,004

On July 25, 2023, the Parent Company and SMC executed a Subscription Agreement to subscribe to an additional 410,000,000 common shares out of the unissued capital stock of the Parent Company for a total subscription price of P12,300,000 or P30.00 per share, which was fully paid in 2023.

On July 25, 2023, the BOD of the Parent Company approved the additional increase in its authorized capital stock by P1,774,000 (comprising of 1,774,400,000 shares with par value of P1.00), or from P2,000,000, divided into 2,000,000,000 shares with par value of P1.00 to P3,774,000, divided into 3,774,400,000 shares with par value of P1.00 (the "ACS Increase"). On August 1, 2023, SMC in a Subscription Agreement, subscribed to 443,600,000 common shares out of the ACS Increase for a total subscription price of P13,308,000 or P30.00 per share. The total subscription price was fully paid in 2023.

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

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of the Parent Company was approved by the Philippine SEC on October 24, 2023.

On November 13, 2023, the Parent Company and SMC executed a Subscription Agreement to subscribe to an additional 720,000,000 common shares out of the unissued capital stock of the Parent Company for a total subscription price of P21,600,000 or P30.00 per share, which was fully paid in 2023.

The Parent Company recognized additional paid-in capital of P45,591,781, net of the share issuance cost paid amounting to P42,619 as at December 31, 2023.

The proceeds from the capital infusion of SMC were used to finance maturing obligations and for general corporate purposes, including capital expenditures of the Group.

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 P6,811,328 and P2,017,604 as at December 31, 2023 and 2022, 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 2023, 2022 and 2021.

Appropriated Retained Earnings

Parent Company

There were no appropriations of retained earnings of the Parent Company in 2023, 2022 and 2021.

SPI, SPPC and SRHI

In 2023, 2022 and 2021, the total appropriations utilized by SPPC and SRHI amounted to P2,440,000, P2,685,700 and P3,514,050, respectively.

The BOD of SRHI approved the appropriation of retained earnings amounting to P4,700,000 for the fixed monthly payments due to PSALM under its IPPA Agreement in 2023.

MVIHI

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 in 2022 and the partial reversal of appropriation amounting to P1,940,000 in 2023.

Total combined appropriated retained earnings of SPI, SRHI and MVIHI amounted to P8,670,000 and P8,350,000 as at December 31, 2023 and 2022, respectively.

SPCS

The Parent Company issued and listed on the Singapore Exchange Securities Trading Limited (SGX-ST) the following SPCS:

Date of Issuance	Initial Rate of Distribution Per Annum	Step-Up Date	Amount of SPCS Issued	Amount in Philippine Peso*
June 9 and September 15, 2021	5.45%	December 9, 2026	US\$750,000	P35,567,632
October 21 and December 15, 2020	7.00%	October 21, 2025	750,000	36,141,570
January 21, 2020	5.70%	January 21, 2026	600,000	30,170,603
November 5, 2019	5.95%	May 5, 2025	500,000	24,836,690
April 25 and July 3, 2019	6.50%	April 25, 2024	800,000	41,050,869
			US\$3,400,000	P167,767,364

**Amount in Philippine Peso pertains to proceeds, net of directly attributable transaction costs amounting to P2,565,380.*

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 from the issuance of SPCS in June and September 2021 shall be used primarily for investments in the 1,320 MW 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 Parent Company as at December 31, 2023 and 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	34,884,036
5.70% SPCS issued on January 21, 2020	600,000	6,663	593,337	29,835,558
5.95% SPCS issued on 5 November 2019	500,000	7,887	492,113	24,444,916
6.50% SPCS issued on April 25 and July 3, 2019	800,000	16,836	783,164	40,186,954
	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 RPS issued to SMC on November 8, 2022.

On March 11, 2024, the Parent Company issued a Notice of Redemption to the security holders of the US\$783,164 remaining securities out of the US\$800,000 SPCS issued on April 25 and July 3, 2019, for the redemption of the outstanding securities in April 2024 (the “Step-Up Date”). The redemption price will comprise the principal amount plus any accrued but unpaid distributions up to (but excluding), the Step-Up Date. The securities will be cancelled as of the Step-Up Date and distributions will cease to accrue on and after the Step-Up Date.

Distributions to SPCS Holders

The Parent Company paid P15,035,073, P15,362,068 and P12,191,210 to the SPCS holders in 2023, 2022 and 2021, respectively, as distributions in accordance with the terms and conditions of their respective subscription agreements.

On January 19, 2024, the Parent Company paid distributions to holders of the SPCS issued in January 2020, amounting to US\$16,910.

On March 11, 2024, the Parent Company's BOD approved the payment of distributions amounting to (i) US\$25,337 on April 21, 2024 to the holders of SPCS issued in October 2020, (ii) US\$25,453 on April 25, 2024 to the holders of SPCS issued in April 2019, (iii) US\$14,640 on May 5, 2024 to the holders of SPCS issued in November 2019.

RPS

In 2023, 2022 and 2018, the Parent Company and SMGP BESS issued US Dollar-denominated and Philippine Peso-denominated RPS to SMC (the “RPS Holder”):

Date of Issuance	Initial Rate of Distribution	Amount of RPS Issued	Amount in Philippine Peso*
Parent Company			
US Dollar-denominated:			
May 2, 2023	6.25%	US\$145,000	P7,964,118
March 10, 2023	6.25%	500,000	27,378,112
November 8, 2022	6.25%	85,000	4,916,225
March 16, 2018	6.25%	650,000	32,751,570
Philippine Peso-denominated:			
July 10, 2023	6.25%	P5,000,000	4,962,500
June 13, 2023	6.25%	6,760,000	6,709,300
June 5, 2023	6.25%	5,000,000	4,962,500
June 1, 2023	6.25%	7,000,000	6,947,500
May 30, 2023	6.25%	6,000,000	5,955,000
			P102,546,825
SMGP BESS			
US Dollar-denominated:			
April 5, 2023	8.00%	US\$58,800	P3,174,730
December 1, 2022	6.25%	76,000	4,240,674
October 28, 2022	6.25%	88,000	5,063,100
Philippine Peso-denominated:			
April 24, 2023	7.50%	P1,300,000	1,290,250
April 20, 2023	7.50%	1,500,000	1,488,750
November 23, 2022	7.50%	5,000,000	4,962,500
			P20,220,004

**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 Philippine Peso-denominated RPS. The Parent Company and SMGP BESS have a right to defer distribution under certain conditions.

The proceeds from the issuances in 2022 and 2023 were used for general corporate purposes, including capital expenditures and repayment by SMGP BESS of its advances from the Parent Company, and refinancing of maturing obligations.

On October 27, 2023, SMGP BESS purchased its outstanding RPS issued to SMC, for a total consideration of P21,668,695, pursuant to the terms of the RPS. The purchase was financed using in part the proceeds of the P28,000,000 OLSA drawn by SMGP BESS (Note 18).

The difference between the price paid and the net carrying value of the securities purchased amounted to P1,448,691 and was recognized as part of the “Equity reserves” account in the consolidated statements of financial position.

As at December 31, 2023 and 2022, the outstanding balance of RPS amounted to P102,546,825 and P51,934,069, respectively.

Distributions to RPS Holder

The Parent Company paid P1,616,926 and P1,996,495 to the RPS Holder in 2022 and 2021, respectively, as distributions in accordance with the terms and conditions of the subscription agreement. There were no distributions paid to the RPS holder in 2023.

USCS

On August 26, 2015, the Parent Company issued and listed on the 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 25, 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, the Parent Company paid distributions to USCS holders amounting to P656,168.

22. Revenues

Revenues consist of:

	<i>Note</i>	2023	2022	2021
Sale of power:				
Power generation and trading	6	P145,190,801	P180,027,616	P109,947,984
Retail and other power-related services	6	23,973,021	41,153,496	23,582,766
Other services		426,415	207,676	179,421
	5, 19	P169,590,237	P221,388,788	P133,710,171

Revenues from other services mainly pertain to operations and maintenance services provided to various customers, including entities under common control (Note 19).

23. Cost of Power Sold

Cost of power sold consists of:

	<i>Note</i>	2023	2022	2021
Coal, fuel oil and other consumables	9, 19	P86,906,429	P114,857,765	P39,108,912
Power purchases	6	25,249,742	57,089,312	20,557,301
Depreciation and amortization	6, 12, 13, 14	11,664,266	11,241,841	10,794,984
Plant operations and maintenance, and other fees	6, 19, 20	5,530,562	4,729,974	3,937,710
Energy fees	6	1,640,693	10,452,088	17,762,434
	5	P130,991,692	P198,370,980	P92,161,341

24. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	<i>Note</i>	2023	2022	2021
Taxes and licenses		P1,876,156	P1,613,908	P1,194,088
Salaries, wages and benefits	19, 20	1,012,493	1,034,757	857,508
Management fees	19	737,864	693,395	689,458
Depreciation and amortization	6, 12, 13, 14	652,409	679,850	579,216
Outside services		523,675	331,336	245,486
Rent	4, 6, 19	362,503	368,402	367,110
Professional fees		267,922	220,119	180,261
Corporate special program		248,836	301,328	429,973
Supplies		133,855	89,515	165,212
Repairs and maintenance		108,731	90,142	57,121
Travel and transportation		88,665	77,478	52,733
Advertising and promotions		88,261	75,870	169,587
Donations		21,309	10,261	162,046
Impairment losses on trade receivables (reversals) - net	4, 8	(46,650)	52,855	(343,502)
Miscellaneous		90,426	100,666	108,974
	5	P6,166,455	P5,739,882	P4,915,271

Corporate special program pertains to the Group's corporate social responsibility projects. Donations represent contributions to registered donee institutions for their programs on education, environment and disaster-related projects, and Corona Virus Disease 2019 (COVID-19) response initiatives.

25. Other Operating Income

Other operating income consists of:

	Note	2023	2022	2021
Rental income	4, 6	P83,640	P29,299	P11,717
Gain on sale of property, plant and equipment	12	-	8,561,292	-
Gain on sale of subsidiaries	11, 12	-	2,870,015	-
Miscellaneous income		10,383	147,082	195,301
	5, 19	P94,023	P11,607,688	P207,018

Miscellaneous pertains mainly to management and shared services fees, power bill surcharges, and utilities income.

26. Other Income (Charges) - Net

Other income (charges) consists of:

	Note	2023	2022	2021
Foreign exchange gains (losses) - net	30	P1,258,912	(P9,006,865)	(P1,495,366)
Insurance claims		104,487	-	-
Reversal of impairment losses on other receivables	8	-	22,924	22,925
Marked-to-market gains (losses) on derivatives - net	31	(875,946)	1,583,553	278,397
Miscellaneous income - net	4, 6, 12	50,507	159,569	1,401
	5	P537,960	(P7,240,819)	(P1,192,643)

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	2023	2022	2021
Current	28	P1,924,391	P2,689,434	P1,130,275
Deferred		3,235,815	(1,654,683)	3,921,236
Adjustments due to Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act		-	-	(3,151,344)
		P5,160,206	P1,034,751	P1,900,167

The movements of deferred tax assets and liabilities are as follows:

	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Balance at December 31
2023					
Allowance for impairment losses on trade receivables	P530,440	(P6,344)	P -	P -	P524,096
Defined benefit retirement obligation	111,579	(26,388)	-	-	85,191
Difference of amortization of borrowing costs over payment and others	1,697,964	(769,863)	-	(15)	928,086
Difference of depreciation and other related expenses over monthly lease payments	(24,099,941)	(3,477,663)	-	(5,154)	(27,582,758)
Equity reserve for retirement plan	(4,232)	-	13,809	-	9,577
NOLCO and MCIT	6,597,550	1,860,430	-	-	8,457,980
Gain on sale of ordinary assets and investments	(1,917,427)	(815,987)	-	-	(2,733,414)
	(P17,084,067)	(P3,235,815)	P13,809	(P5,169)	(P20,311,242)
2022					
Allowance for impairment losses on trade receivables	P525,715	P4,725	P -	P -	P530,440
Defined benefit retirement obligation	63,396	48,183	-	-	111,579
Difference of amortization of borrowing costs over payment and others	508,448	1,189,427	-	89	1,697,964
Difference of depreciation and other related expenses over monthly lease payments	(19,832,166)	(4,267,775)	-	-	(24,099,941)
Equity reserve for retirement plan	(617)	-	(3,615)	-	(4,232)
NOLCO and MCIT	-	6,597,550	-	-	6,597,550
Gain on sale of ordinary assets and investments	-	(1,917,427)	-	-	(1,917,427)
	(P18,735,224)	P1,654,683	(P3,615)	P89	(P17,084,067)

The deferred taxes are reported in the consolidated statements of financial position as follows:

	2023	2022
Deferred tax assets	P973,481	P2,280,281
Deferred tax liabilities	(21,284,723)	(19,364,348)
	(P20,311,242)	(P17,084,067)

Deferred tax asset on NOLCO and MCIT of the Group amounting to P10,257,919 and P6,112,878 as at December 31, 2023 and 2022, 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, 2023, 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
2023	December 31, 2026	P22,440,658	P96,140
2022	December 31, 2025	33,225,334	54,686
2021	December 31, 2026/2024	9,049,119	14,849
2020	December 31, 2025/2023	5,402,409	-
		P70,117,520	P165,675

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:

	2023	2022	2021
Statutory income tax rate	25.00%	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:			
Unrecognized deferred tax assets	28.09%	63.63%	15.28%
Availment of income tax holiday and others	(18.83%)	(63.81%)	(29.65%)
Effective income tax rate	34.26%	24.82%	10.63%

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; then back to 2% effective July 1, 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, 2023 and 2022 were computed and measured using the applicable income tax rates. MCIT was computed using 1.5% and 1% tax rates in 2023 and 2022, respectively.

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. The ITH incentives of MPI expired on September 26, 2023.

- 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. LETI's ITH for Phase II expired in May 25, 2023.

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. On October 12, 2012, MPCL received the BOI approval for the application as expanding operator of 600 MW Coal-Fired Thermal Power Plant. As a registered entity, MPCL 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 MPCL'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 MPCL's requests to downgrade the registered capacity from 600 MW to 300 MW.

On December 21, 2015, MPCL 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, MPCL 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 MPCL's BOI registration. The ITH period for the 10 MW BESS of MPCL commenced on December 1, 2018. On October 1, 2020, MPCL likewise received the BOI approval on the additional 20 MW BESS Phase 2 Project of MPCL.

On February 23, 2021, MPCL 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.

- iv. On August 24, 2016, SMGP Kabankalan received the BOI approval for the application as new operator of 2 x 20 MW Kabankalan *Advancion* Energy Storage Array on a pioneer status. SMGP Kabankalan, 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, SMGP Kabankalan 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 SMGP Kabankalan 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 SMGP Kabankalan's BOI registration.
- v. On November 29, 2019, the BOI has approved the application of SMGP BESS as new operator of BESS Component of Integrated Renewable Power Facility ("R-Hub") covering various sites across the Philippines. The BOI has also approved SMGP BESS's subsequent applications covering additional sites. Each registered site was granted with certain incentives including ITH, among others.
- vi. On February 23, 2021, EERI received the BOI approval for the applications as new operator of 850 MW BCCPP Phase 1, and 850 MW 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.

On December 19, 2023, the BOI approved EERI's request to move the start of commercial operations from April 2023 to August 2024 for Phase 1. The BOI further granted EERI's request to amend the registered capacity from 850 MW to 1,320 MW for Phase 1 and 850MW to 440 MW for Phase 2.

- vii. 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. SGLPC requested BOI to move the start of commercial operation due to events that are beyond its control.

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, 2008, August 22, 2011 and August 24, 2016, MPCL, SMELC and LPI, respectively, were granted a RES License 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 December 13, 2023, the ERC granted the renewal of the RES License of MPCL and LPI for another 5 years valid from September 30, 2023 until September 29, 2028.

29. Basic and Diluted Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share is computed as follows:

	2023	2022	2021
Net income attributable to equity holders of the Parent Company	P9,905,416	P3,162,545	P16,058,084
Distributions for the year to:			
USCS holders	-	-	(218,723)
RPS holder	(6,088,171)	(2,344,642)	(2,000,759)
SPCS holders	(15,034,200)	(15,482,007)	(12,737,330)
Net income (loss) attributable to common shareholders of the Parent Company (a)	(11,216,955)	(14,664,104)	1,101,272
Weighted average number of common shares outstanding (in thousands) (b)	1,588,937	1,250,004	1,250,004
Basic/Diluted Earnings (Loss) Per Share (a/b)	(P7.06)	(P11.73)	P0.88

As at December 31, 2023, 2022 and 2021, 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 in 2023 and 2022 (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, 4 x 150 MW Mariveles Greenfield Power Plant, 2 x 350 MW Masinloc Power Generation Units 4 and 5, and the 1,320 MW BCCPP, are expected to go into commercial operations in 2024 up to 2026 (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 (Note 6).

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 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, 2023	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	P31,659,442	P31,659,442	P31,659,442	P -	P -	P -
Trade and other receivables - net	110,097,787	110,097,787	110,097,787	-	-	-
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	17,579,941	18,463,177	6,935,483	1,559,423	7,200,544	2,767,727
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	6,271,296	6,271,296	2,420,284	2,647,225	30	1,203,757
Financial Liabilities						
Loans payable	13,736,000	13,799,581	13,799,581	-	-	-
Accounts payable and accrued expenses	76,073,208	76,073,208	76,073,208	-	-	-
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	13,925	13,925	13,925	-	-	-
Long-term debt - net (including current maturities)	258,769,473	336,266,980	72,638,255	42,107,524	140,514,846	81,006,355
Lease liabilities (including current portion)	42,787,300	46,673,172	18,383,543	3,806,375	14,667,477	9,815,777
Other noncurrent liabilities	3,959,302	3,959,302	-	3,834,719	-	124,583

*Excluding statutory receivables and payables.

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

*Excluding statutory receivables and payables.

Credit Risk

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

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

Trade and Other Receivables

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

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

Financial information on the Group's maximum exposure to credit risk as at December 31, without considering the effects of other risk mitigation techniques, is presented below:

	<i>Note</i>	2023	2022
Cash and cash equivalents (excluding cash on hand)	7	P31,657,566	P22,724,545
Trade and other receivables - net*	8	110,097,787	98,245,102
Derivative assets not designated as cash flow hedge	10	-	178,285
Derivative asset designated as cash flow hedge	10, 15	-	143,545
Noncurrent receivables	8, 15	17,579,941	21,687,453
Restricted cash	10, 15	6,271,296	7,698,458
		P165,606,590	P150,677,388

*Excluding statutory receivables

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

	Financial Assets at Amortized Cost			Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	
December 31, 2023				
Cash and cash equivalents (excluding cash on hand)	P31,657,566	P -	P -	P31,657,566
Trade and receivables	-	110,097,787	2,665,606	112,763,393
Noncurrent receivables	-	17,579,941	-	17,579,941
Restricted cash	6,271,296	-	-	6,271,296
	P37,928,862	P127,677,728	P2,665,606	P168,272,196

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

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

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

	December 31, 2023				December 31, 2022			
	Trade	Non-trade	Amounts Owed by Related Parties	Total	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P53,461,204	P191,806	P2,578,385	P56,231,395	P49,363,466	P4,532,746	P2,280,113	P56,176,325
Past due:								
1 - 30 days	9,651,743	1,917,500	373,966	11,943,209	8,294,858	133,963	204,581	8,633,402
31 - 60 days	2,450,433	116,941	46,397	2,613,771	4,253,940	27,576	130,209	4,411,725
61 - 90 days	2,367,521	585,819	11,407	2,964,747	4,729,728	77,366	5,901	4,812,995
Over 90 days	31,098,973	7,264,399	646,899	39,010,271	21,279,104	5,047,045	575,490	26,901,639
	P99,029,874	P10,076,465	P3,657,054	P112,763,393	P87,921,096	P9,818,696	P3,196,294	P100,936,086

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

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (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 42%, 37% and 40% of the Group's total revenues in 2023, 2022 and 2021, 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, 2023	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated Interest rate	P35,009,804 5.0000% to 8.2443%	P15,904,744 5.0000% to 8.2443%	P17,989,154 5.1792% to 8.2443%	P10,270,097 6.2836% to 8.2443%	P39,544,411 6.2836% to 8.2443%	P54,389,116 6.2836% to 8.2443%	P173,107,326
Foreign currency-denominated (expressed in Philippine Peso) Interest rate	1,329,766 8.3310%	1,391,005 8.3310%	1,454,431 8.3310%	1,520,045 8.3310%	1,590,033 8.3310%	9,966,683 8.3310%	17,251,963
Floating Rate							
Philippine Peso-denominated Interest rate	1,164,534 BVAL + Margin	1,164,534 BVAL + Margin	1,164,534 BVAL + Margin	1,164,534 BVAL + Margin	1,164,534 BVAL + Margin	1,455,667 BVAL + Margin	7,278,337
Foreign currency-denominated (expressed in Philippine Peso) Interest rate	17,048,644 SOFR + Margin	8,763,300 SOFR + Margin	17,089,674 SOFR + Margin	17,111,269 SOFR + Margin	523,302 SOFR + Margin	3,280,173 SOFR + Margin	63,816,362
	P54,552,748	P27,223,583	P37,697,793	P30,065,945	P42,822,280	P69,091,639	P261,453,988
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 4.7575% to 7.7521%	P34,309,804 5.0000% to 7.7521%	P14,504,744 5.0000% to 7.7521%	P16,589,154 5.1792% to 7.7521%	P8,870,097 6.2836% to 7.7521%	P63,333,527 6.2836% to 8.0288%	P160,949,510
Foreign currency-denominated (expressed in Philippine Peso) Interest rate	7,491,353 4.7776% to 5.5959%	1,339,013 5.5959%	1,400,676 5.5959%	1,464,544 5.5959%	1,530,614 5.5959%	11,637,072 5.5959%	24,863,272
Floating Rate							
Foreign currency-denominated (expressed in Philippine Peso) Interest rate	33,156,968 LIBOR + Margin	11,591,688 LIBOR + Margin	6,036,483 LIBOR/ SOFR + Margin	17,208,502 LIBOR + Margin	17,230,246 LIBOR/ SOFR + Margin	3,829,923 LIBOR + Margin	89,053,810
	P63,990,505	P47,240,505	P21,941,903	P35,262,200	P27,630,957	P78,800,522	P274,866,592

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's net income before tax (through the impact on floating rate borrowings) by P710,947, P792,967 and P515,182 in 2023, 2022 and 2021, 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 are as follows:

		December 31, 2023		December 31, 2022	
	Note	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	7	US\$69,461	P3,846,070	US\$66,775	P3,723,059
Trade and other receivables	8	163,818	9,070,599	77,954	4,346,322
Prepaid expenses	10	-	-	76,478	4,264,049
Noncurrent receivables	15	31,181	1,726,513	2,135	119,042
		264,460	14,643,182	223,342	12,452,472
Liabilities					
Accounts payable and accrued expenses	17	930,718	51,533,841	822,119	45,837,240
Long-term debt (including current maturities)	18	1,464,120	81,068,325	2,043,173	113,917,082
Lease liabilities (including current portion)	6	341,414	18,904,090	532,936	29,713,851
Other noncurrent liabilities		-	-	96,327	5,370,714
		2,736,252	151,506,256	3,494,555	194,838,887
Net Foreign Currency-denominated Monetary Liabilities					
		US\$2,471,792	P136,863,074	US\$3,271,213	P182,386,415

The Group reported net gains (losses) on foreign exchange amounting to P1,258,912, (P9,006,865) and (P1,495,366) in 2023, 2022 and 2021, 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, 2023	55.370
December 31, 2022	55.755
December 31, 2021	50.999

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

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's 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	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
December 31, 2023				
Cash and cash equivalents	(P66,033)	(P62,146)	P66,033	P62,146
Trade and other receivables	(163,573)	(142,161)	163,573	142,161
Noncurrent receivables	(31,181)	(23,386)	31,181	23,386
	(260,787)	(227,693)	260,787	227,693
Accounts payable and accrued expenses	929,555	714,638	(929,555)	(714,638)
Long-term debt (including current maturities)	1,464,120	1,350,090	(1,464,120)	(1,350,090)
Lease liabilities (including current portion)	341,414	256,060	(341,414)	(256,060)
	2,735,089	2,320,788	(2,735,089)	(2,320,788)
	P2,474,302	P2,093,095	(P2,474,302)	(P2,093,095)

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

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

Commodity Price Risk

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

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

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

Other Market Price Risk

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

Capital Management

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

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, distribution payment, pay-off existing debts, return capital to shareholders or issue new shares, subject to compliance with certain covenants of its long-term debts, SPCS, 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, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P31,659,442	P31,659,442	P22,726,236	P22,726,236
Trade and other receivables - net*	110,097,787	110,097,787	98,245,102	98,245,102
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	-	-	178,285	178,285
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	-	-	143,545	143,545
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	17,579,941	17,579,941	21,687,453	21,687,453
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	6,271,296	6,271,296	7,698,458	7,698,458
	P165,608,466	P165,608,466	P150,679,079	P150,679,079
Financial Liabilities				
Loans payable	P13,736,000	P13,736,000	P21,000,000	P21,000,000
Accounts payable and accrued expenses	76,073,208	76,073,208	67,215,148	67,215,148
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	13,925	13,925	75,455	75,455
Long-term debt - net (including current maturities)	258,769,473	272,270,702	272,152,624	276,750,515
Lease liabilities (including current portion)	42,787,300	42,787,300	59,958,110	59,958,110
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	3,959,302	3,959,302	5,780,913	5,780,913
	P395,339,208	P408,840,437	P426,182,250	P430,780,141

*Excluding statutory receivables and payables

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

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

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

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

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

Long-term Debt and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine Peso-denominated loans range from 5.08% to 6.00% and from 3.82% to 6.95% as at December 31, 2023 and 2022, respectively. Discount rates used for foreign currency-denominated loans range from 3.85% to 5.27% and 3.05% to 5.37% as at December 31, 2023 and 2022, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

The fair value of Philippine 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, 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 were designated to hedge foreign currency exposure on US dollar-denominated loans and matured on March 13, 2023. As at December 31, 2022, the positive fair value of the call spread swaps, included under "Prepaid expenses and other current assets" account amounted to P143,545 (Note 10).

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:

	2023	2022
Balance at beginning of year	(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 loss (gain) - net (included under "Other income (charges)" account)	31,993	(168,300)
Balance at end of year	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 years ended December 31, 2023 and 2022.

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 as at December 31, 2023 and 2022. As at December 31, 2023 and 2022, the negative fair value of these currency forwards, included under "Accounts payable and accrued expenses" amounted to P13,925 and P75,455, respectively. (Note 17).

Commodity Swaps

The Group's fixed swap agreements covering the coal requirements of a subsidiary matured 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 notional quantity covered by the commodity swaps was 117,000 metric tons as at December 31, 2022. As at December 31, 2022, the positive fair value of these commodity swaps, included under "Prepaid expenses and other current assets" account amounted to P178,285 (Note 10).

The Group recognized marked-to-market gains (losses) from freestanding derivatives amounting to (P875,946), P1,583,553 and P278,397 in 2023, 2022 and 2021, respectively (Note 26).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	2023	2022
Balance at beginning of year	P246,375	P154,105
Net change in fair value of derivatives:		
Designated as accounting hedge	(7,238)	101,372
Not designated as accounting hedge	(875,946)	1,583,553
	(636,809)	1,839,030
Less fair value of settled instruments	(622,884)	1,592,655
Balance at end of year	(P13,925)	P246,375

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	Capital Stock	Additional Paid-in Capital	RPS	Total
Balance as at January 1, 2023	P21,000,000	P272,152,624	P59,958,110	P1,250,004	P2,490,000	P51,934,069	P408,784,807
Changes from Financing Activities							
Proceeds from borrowings	95,322,000	51,977,500	-	-	-	-	147,299,500
Proceeds from issuance of RPS	-	-	-	-	-	70,832,760	70,832,760
Proceeds from issuance of capital stock	-	-	-	1,573,600	45,591,781	-	47,165,381
Payments of lease liabilities	-	-	(19,314,572)	-	-	-	(19,314,572)
Payments for the purchase of RPS	-	-	-	-	-	(21,668,695)	(21,668,695)
Payments of borrowings	(102,586,000)	(64,362,371)	-	-	-	-	(166,948,371)
Total Changes from Financing Activities	(7,264,000)	(12,384,871)	(19,314,572)	1,573,600	45,591,781	49,164,065	57,366,003
Effect of Changes in Foreign Exchange Rates	-	(1,027,734)	(166,210)	-	-	-	(1,193,944)
Other Changes	-	29,454	2,309,972	-	-	1,448,691	3,788,117
Balance as at December 31, 2023	P13,736,000	P258,769,473	42,787,300	P2,823,604	P48,081,781	P102,546,825	P468,744,983

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

Other changes pertain to additions for new lease agreements, amortization of lease liabilities and debt-issue costs on long-term debts, and the net effect of capital securities purchases completed in 2023 and 2022.

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, 2023 and 2022.

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*

On December 5, 2013, Meralco wrote the ERC requesting for clearance and authority: (i) to collect a generation charge of P7.90 per kWh in its December 2013 billings to its customers for its generation cost for the month of November 2013; and (ii) to defer to February 2014 the recovery of the remaining P3,000,000, representing a portion of the generation costs for the November 2013 supply month which was not passed on to customers in December 2013, subject to the inclusion of the appropriate carrying charge. In response thereto, the ERC, in its letter dated December 9, 2013, granted Meralco the authority to implement a staggered collection of its generation cost for the power supplied in November 2013. The ERC, however, did not approve Meralco's request to recover the carrying costs and directed it to file a formal application for this instead.

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

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

On January 8, 2014, Meralco filed its Consolidated Comment/Opposition with Counter-Petition (the "Counter-Petition") which prayed, among others, for the inclusion of SPI, SPPC, SRHI, MPCL and several generators as respondents to the case. On January 10, 2014, the SC issued an order treating the Counter-Petition as in the nature of a third party complaint docketed as G.R. 210502 and granting the prayer to include SPI, SPPC, SRHI and MPCL as respondents in the Petition.

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

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

A decision was promulgated by the Supreme Court (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 counsel only on July 5, 2022, while MPCL received the same on July 6, 2022.

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

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

With this, the relevant subsidiaries namely, SPPC, MPCL and SPI intend to discuss with Meralco the implementation of the SC Decision. SPPC, MPCL 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, 2023 and 2022.

ii. ERC Order Voiding WESM Prices

Relative to the above-cited Petition, on December 27, 2013, the DOE, ERC and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32.00 per kWh. The price was set to be effective for 90 days until a new cap is decided upon.

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

Subsequent orders were issued by the ERC setting the period for compliance of the March 3, 2014 ERC Order (collectively, together with the March 3, 2014 Order, the "2014 ERC Orders"). Based on these orders, SPI and SRHI recognized a reduction in the sale of power while MPCL, 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 MPCL 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, MPCL 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 MPCL, declared 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 MPCL, 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 filed its Consolidated Reply to the comments on its petition dated November 18, 2020.

The SC has not yet promulgated a decision. However, on August 3, 2021, a decision was rendered by the SC En Banc in a separate case (as discussed under "*Temporary Restraining Order (TRO) Issued to Meralco*") declaring the March 3, 2014 ERC Order as null and void, which is the subject of the aforementioned Petition. Considering that this decision of the SC En Banc 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 MPCL amounting to up to P2,321,785 will have to be settled with the IEMOP.

iii. *Generation Payments to PSALM*

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

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

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

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

On September 28, 2015, the RTC issued an order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending. PSALM sought for reconsideration of the said order but was later on denied by the RTC. PSALM filed with the CA a Petition for Review on Certiorari assailing the RTC's order of denial. The CA ruled in favor of SPPC and affirmed the RTC's issuance of a writ of preliminary injunction against PSALM prohibiting it from terminating the Ilijan IPPA Agreement while the main case in the lower court is pending and named Meralco as intervenor (the "2017 CA Decision").

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

On September 19, 2018, PSALM filed a Petition for Certiorari with Urgent Prayer for the Issuance of a TRO and/or Writ of Preliminary Injunction before the SC praying for the reversal and nullification of the 2017 CA Decision and the 2018 CA Resolution but was denied by the SC in its resolution dated March 4, 2019 (the "March 4, 2019 SC Resolution"). PSALM filed a Motion for Reconsideration thereof and was denied by the SC in a resolution dated August 5, 2019 which became final and executory on the same date.

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

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

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

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

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

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

On December 1, 2022, PSALM filed a Petition for Review on Certiorari with the SC, appealing the April 7, 2022 CA Decision denying its petition for certiorari and October 4, 2022 CA Resolution denying its motion for reconsideration. The Petition for Review has been docketed as G. R. No. 263773. On June 9, 2023, SPPC filed its Comment on the petition.

In a Resolution dated November 8, 2023, which SPPC received on March 6, 2024, the SC denied PSALM's Petition for Review of the CA's Decision dated April 7, 2022 and Resolution dated October 4, 2022 in CA-G.R. SP No. 161706. The SC deemed it was not necessary to delve into PSALM's arguments that the trial court committed grave abuse of discretion in directing PSALM to respond to SPPC's modes of discovery because the CA found that the trial court acted in accordance with law, the facts, and evidence, and that PSALM had complied with the directive. The SC also found that it was the regular courts that have jurisdiction and not the ERC.

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

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

PSALM also filed several other pleadings: (i) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (ii) 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 (iii) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction. SPPC filed a Motion for Leave to File Consolidated Rejoinder with Consolidated Rejoinder dated September 14, 2020 to PSALM's Reply to Opposition to the Motion to Dissolve.

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

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

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

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

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

After moving for an extension of time, on November 26, 2022, PSALM filed a Petition for Review on Certiorari with the SC, appealing the May 30, 2022 CA Decision and October 3, 2022 CA Resolution. The petition for review has been docketed as G. R. No. 263774. On January 25, 2023, the SC denied the petition for failure to show any reversible error in the May 30, 2022 CA Decision and October 3, 2022 CA Resolution as to warrant the exercise of the SC of its discretionary appellate jurisdiction. PSALM has filed a Motion for Reconsideration. SPPC has not yet received a directive to file a Comment.

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

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

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

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

SPPC presented its first witness on July 29, 2022, and its second witness on November 11, 2022. Comparison and pre-marking of documents were conducted on January 20, 2023. Trial resumed on January 26, 2024 and March 15, 2024 where SPPC presented its second witness. for the cross-examination of SPPC's second witness. No additional trial dates have been scheduled because the presiding judge will retire in June 2024.

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. This was denied by the CA in its Decision dated March 21, 2024 which was received by the external counsel of SPPC on April 11, 2024.

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 where it is still pending to date.

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

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

On March 21, 2022, SPPC filed a Motion for Reconsideration of the resolution dismissing the criminal complaint. In an Order dated May 25, 2022, the Office of the Ombudsman denied SPPC's Motion for Reconsideration. SPPC has decided not to question the dismissal of the criminal complaint.

SPI

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

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

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

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

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

v. *Civil Cases*

SPI

On June 17, 2016, SPI filed with the RTC, Pasig City ("RTC Pasig") a civil complaint for consignment 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 consignment 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 consignment.

On May 22, 2018, the RTC Pasig issued an order dismissing the complaint for consignment 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 consignment case. The MR was heard on July 13, 2018 where the parties were given time to file their responsive pleadings. PSALM filed its Comment dated July 26, 2018 to the MR and SPI filed its Reply to PSALM's Comment on August 13, 2018.

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

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

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

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

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

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

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

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

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

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

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

vi. *Claim for Price Adjustment on the Meralco Power Supply 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, SPPC and SPI each 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 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”).

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 the Rule 65 Petition filed by SPI which is docketed as CA-G.R. SP No. 176037 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 TRO Bond. This was approved in a Resolution dated December 2, 2022, which resulted in the issuance of the TRO on the same date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On January 16, 2024, SPPC received, through its external counsel, a copy of the Resolution issued by the CA dated December 28, 2023, denying the separate Motions for Reconsideration filed by NASECORE and the ERC. In its Resolution, the CA ruled that the “grounds relied upon by NASECORE and ERC were already thoroughly considered and passed upon in the Decision being sought to be reconsidered; and that contrary to the claims of the ERC, the Court has clearly provided its basis in making its rulings. Thus, the Court finds no merit in the arguments set forth in their respective motions for reconsideration. Accordingly, there is no cogent reason to reverse the Court’s Decision dated June 27, 2023.”

On March 6, 2024, SPPC received, through its external counsel, a copy of the ERC’s Petition for Review on Certiorari filed with the SC.

SPI CA Petition

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

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

On December 27, 2022, SPI received a copy of the 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 CA 16th Division which (i) denied SPI’s prayer for the issuance of a TRO and/or writ of preliminary injunction, and (ii) granted the consolidation of the SPI CA Petition with the SPPC CA Petition. The SPI CA Petition was thus consolidated with the SPPC CA Petition before the CA 13th Division. The ERC filed a motion for partial reconsideration of the grant of consolidation of SPI’s Petition with SPPC CA Petition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On January 16, 2024, SPI received, through its external counsel a copy of the Resolution issued by the CA dated December 28, 2023, denying the separate Motions for Reconsideration filed by NASECORE and the ERC. In its Resolution, the CA ruled that the "grounds relied upon by NASECORE and ERC were already thoroughly considered and passed upon in the Decision being sought to be reconsidered; and that contrary to the claims of the ERC, the Court has clearly provided its basis in making its rulings. Thus, the Court finds no merit in the arguments set forth in their respective motions for reconsideration. Accordingly, there is no cogent reason to reverse the Court's Decision dated June 27, 2023."

On March 6, 2024, SPI received, through its external counsel, a copy of the ERC's Petition for Review on Certiorari filed with the SC.

d. Event After the Reporting Date

On March 1, 2024, MGen and Therma NatGas Power, Inc. (TNGP, a subsidiary of Aboitiz Power Corporation), through their joint venture entity, Chromite Gas Holdings Inc. (CGHI), have entered into binding agreements with the Parent Company and its relevant subsidiaries, for MGen and TNGP to jointly invest in and acquire a 67% stake in the Parent Company's gas-fired power plants, namely (i) the brownfield 1,200 MW Ilijan Power Plant owned by SPPC, (ii) the greenfield 1,320 MW BCCPP owned by EERI and (iii) land owned by IPIEC where the aforesaid gas-fired power plants and related facilities are located.

The transaction also involves the acquisition by CGHI and the Parent Company of the LNG import and regasification terminal owned by Linseed Field Corporation, which processes LNG for SPPC and EERI, and has the capacity to service additional third-party customers.

The transaction is subject to several standard closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission.

e. Commitments

The outstanding purchase commitments of the Group amounted to P104,803,997 and P138,586,592 as at December 31, 2023 and 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. 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 Newcastle 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 Newcastle 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, averaging at US\$172.79/MT and at US\$360.19/MT in 2023 and 2022, respectively, 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 was originally designed to use 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 Malampaya Gas Sale and Purchase Agreement also expired on the same date as PSALM is no longer required to supply fuel to the Ilijan Power Plant upon turnover of the same to SPPC. The Group was constrained to use its available capacity from its portfolio of generation assets, and in certain cases, purchase from the WESM spot market, to augment its generation from the Ilijan Power Plant to meet its bilateral demand from its customers, primarily from Meralco pursuant to its PSAs. This reduced the gross margins of the Group in cases where the cost of replacement supply exceeds the power generation costs from the Ilijan Power Plant using Malampaya natural gas. This accounts for a significant portion in the reduction of the Group's gross margins and operating income 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 term of the gas supply agreement with PNOC expired without commencing the supply of banked gas to SPPC. The management of SPPC is currently reviewing its legal options on the equitable resolution of its unenforced rights and foregone opportunities over such banked gas.

With LNG prices fundamentally dropping to coal price-parity levels, SPPC pursued the procurement of commercial LNG as fuel for its Ilijan Power Plant. The scheduled deliveries of the procured LNG shipments are aligned with the imminent completion of the adjacent full-scale LNG terminal currently undergoing commissioning activities and the supply of the contract capacities by the Ilijan Power Plant to the Grid.



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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, included in this Form 17-A, and have issued our report thereon dated April 15, 2024.

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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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.

A handwritten signature in black ink, appearing to read 'Darwin P. Virocel', with a stylized, cursive script.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2022

Issued June 27, 2022; valid until June 27, 2025

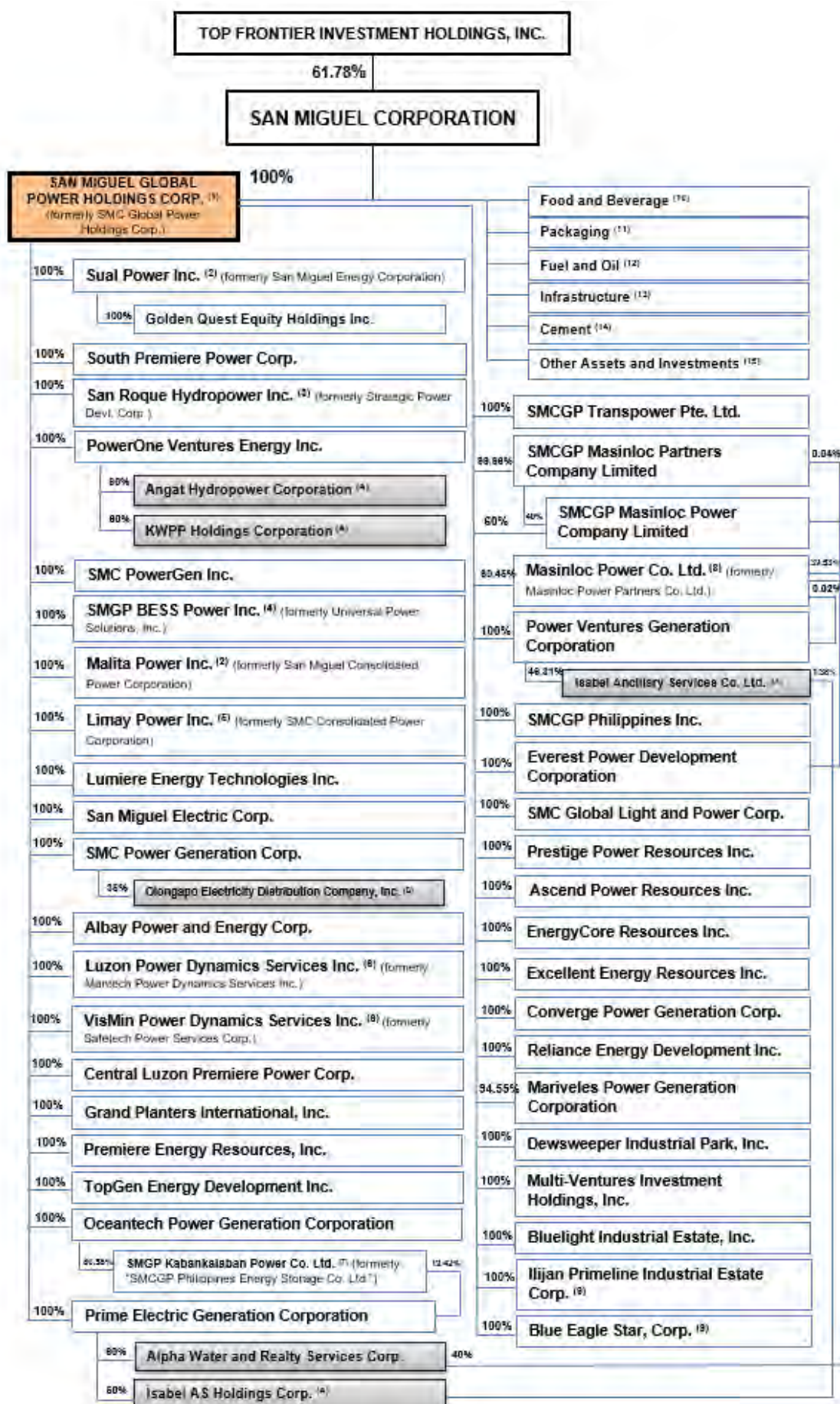
PTR No. MKT 10075206

Issued January 2, 2024 at Makati City

April 15, 2024

Makati City, Metro Manila

**SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
GROUP STRUCTURE***
As of December 31, 2023



- (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 change of the corporate names of "San Miguel Consolidated Power Corporation" to "Malita Power Inc." and of "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) The change of the corporate name of "Universal Power Solutions, Inc." to "SMGP BESS Power Inc." was approved by the Philippine SEC on November 3, 2023.
- (6) The change of the corporate names of "Mantech Power Dynamics Services Inc." to "Luzon Power Dynamics Services Inc." and of "Safetech Power Services Corp." to "VisMin Power Dynamics Services Inc." were approved by the Philippine SEC on November 14, 2023.
- (7) The change of the corporate name of "SMCGP Power Energy Storage Co. Ltd." to "SMGP Kabankalan Power Co. Ltd." was approved by the Philippine SEC on September 21, 2023.
- (8) The change of the corporate name of "Masinloc Power Partners Co. Ltd." to "Masinloc Power Co. Ltd." and the revised partnership interest of San Miguel Global Power from 49.07% to 60.45% was approved by the Philippine SEC on November 13, 2023.
- (9) Acquired in 2023.
- (10) Food and Beverage business consist of San Miguel Food and Beverage, Inc. and subsidiaries including San Miguel Foods, Inc. and subsidiaries, San Miguel Mills, Inc. and subsidiaries, Magnolia Inc. and subsidiary, The Purefoods - Hormel Company Inc., Ginebra San Miguel Inc. and subsidiaries, and San Miguel Brewery Inc. and subsidiaries, San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia and San Miguel Foods International, Limited and subsidiary, San Miguel Foods Investment (BVI) Limited and subsidiary, San Miguel Pure Foods (VN) Co., Ltd.; Ginebra San Miguel Inc. 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 San Miguel Brewery Inc. subsidiaries including Iconic Beverages, Inc. and Brewery Properties Inc. and subsidiary and San Miguel Brewing International Limited 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 Sdn. Company Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited. San Miguel (Baoding) Brewery Co. Ltd. and PT San Miguel Foods Indonesia are in the process of liquidation as at December 31, 2023.
- (11) Packaging business include San Miguel Yamamura Packaging Corporation and subsidiaries, San Miguel Yamamura Packaging International Limited and subsidiaries including San Miguel Yamamura Phu Tho Packaging Company Limited, San Miguel Yamamura Glass (Vietnam) Limited, San Miguel Yamamura Haiphong Glass Company Limited, Zhaoqing San Miguel Yamamura Glass Company Limited, Foshan San Miguel Yamamura Packaging Company Limited and subsidiary, San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd. and subsidiary, Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd., San Miguel Yamamura Australasia Pty Ltd and subsidiaries including SMYC Pty Ltd and subsidiary, Foshan Cospak Packaging Co. Ltd., SMYV Pty Ltd, SMYP Pty Ltd, Cospak Limited, SMYBB Pty Ltd, SMYJ Pty Ltd, Wine Brothers Australasia Pty Ltd and Vinocor Ltd., and Mindanao Corrugated Fibreboard, Inc.
- (12) 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, Mema Holdings Inc. 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 Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited and subsidiaries.
- (13) Infrastructure business include San Miguel Holdings Corp. and subsidiaries including SMC NAIAX Corporation, Trans Aire Development Holdings Corp., SMC TPLEX Holdings Company Inc. and subsidiary SMC TPLEX Corporation, Universal LRT Corporation (BVI) Limited, Atlantic Autum Investments BV and subsidiaries including SMC Tollways Corporation and subsidiaries including Stage 3 Connector Tollways Holding Corporation and subsidiary, SMC Skyway Stage 3 Corporation, and SMC Skyway Corporation and subsidiary, Skyway O&M Corporation, SMC SLEX Holdings Company Inc. and subsidiaries, Manila Toll Expressway Systems Inc. and SMC SLEX Inc., Wiselink Investment Holdings, Inc., Cypress Tree Capital Investments, Inc. and subsidiaries, San Miguel Aerocity Inc., SMC Mass Rail Transit 7 Inc., Luzon Clean Water Development Corporation and Manila North Harbour Port, Inc. ^(A).
- (14) Cement business include San Miguel Equity Investments Inc. and subsidiaries including Northern Cement Corporation, Eagle Cement Corporation and subsidiaries, and Southern Concrete Industries, Inc.
- (15) Other Assets and Investments include San Miguel Properties, Inc. and subsidiaries, Bank of Commerce ^(A), SMC Shipping and Lighterage Corporation and subsidiaries, SMC Asia Car Distributors Corp. and subsidiaries, SMC Equivest Corporation, Petrogen Insurance Corp., San Miguel International Limited and its subsidiary San Miguel Holdings Limited 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, Silvertides Holdings Corporation and subsidiary, Deity Holdings Corporation, Fonterra Verde Holdings Inc., One Verdana Holdings Inc. and Worldsummit Holdings 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 and subsidiaries.

Note: ^(A) Joint Venture; ^(B) Associate

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023

A FINANCIAL ASSETS

B AMOUNTS RECEIVABLE FROM DIRECTORS,
OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES) NOT APPLICABLE

C AMOUNTS RECEIVABLE/PAYABLE FROM
RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL
STATEMENTS

D LONG-TERM DEBT

E INDEBTEDNESS TO RELATED PARTIES NOT APPLICABLE*

F GUARANTEES OF SECURITIES OF OTHER ISSUERS NOT APPLICABLE

G CAPITAL STOCK

* Balance of account is less than 5% of total assets of the Group

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023
(Amounts in Thousands, Except No. of Shares Data)

Name of Issuing Entity/ Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at December 31, 2023	Income Received and Accrued
Cash and cash equivalents	- P	31,659,442	Not applicable	P 334,862
Trade and other receivables - net	-	110,099,680	Not applicable	3,162
Derivative assets	-	-	Not applicable	(875,946)*
Noncurrent receivables	-	17,579,941	Not applicable	220,051
Restricted cash	-	6,271,296	Not applicable	188,070
	P	165,610,359		P (129,801)

* This represents net marked-to-market gains/losses from derivative assets and derivative liabilities that are still outstanding as of year-end and derivative assets which matured during the year.

See Notes 7, 8, 10, 15, 19, 30 and 31 of the Consolidated Financial Statements.

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Amounts In Thousands)

NAME OF RELATED PARTY		BEGINNING BALANCE		ADDITIONS/ CTA/RECLASS/ OTHERS		AMOUNTS COLLECTED/ CREDIT MEMO		AMOUNTS WRITTEN OFF		TOTAL		CURRENT		NONCURRENT		ENDING BALANCE
San Miguel Global Power Holdings Corp.	P	174,910,122	P	103,553,079	P	(40,974,011)	P	-	P	237,489,190	P	159,677,412	P	77,811,778	P	237,489,190
Sual Power Inc.		8,750,981		18,689,928		(1,754,605)		-		25,686,304		25,686,304		-		25,686,304
SMCGP Masinloc Power Company Limited		1,973,855		11,449,955		(33,155)		-		13,390,655		13,390,655		-		13,390,655
Limay Power Inc.		6,441,178		12,280,006		(9,884,047)		-		8,837,137		8,837,137		-		8,837,137
San Roque Hydropower Inc.		3,128,093		2,441,299		-		-		5,569,392		5,569,392		-		5,569,392
SMC Powergen Inc.		1,846,330		3,618,639		-		-		5,464,969		5,464,969		-		5,464,969
SMCGP Masinloc Partners Company Limited		773,680		4,566,720		-		-		5,340,400		5,340,400		-		5,340,400
SMGP BESS Power Inc.		1,904		4,740,051		-		-		4,741,955		4,741,955		-		4,741,955
Masinloc Power Co. Ltd.		3,425,788		2,728,824		(3,087,340)		-		3,067,272		3,067,272		-		3,067,272
South Premiere Power Corp.		779,474		2,025,679		-		-		2,805,153		2,805,153		-		2,805,153
Mariveles Power Generation Corporation		1,092,561		1,534,992		-		-		2,627,553		2,627,553		-		2,627,553
Golden Quest Equity Holdings Inc.		604,383		-		-		-		604,383		604,383		-		604,383
SMCGP Transpower Pte. Ltd - Singapore Office		487,325		14,437		(5,697)		-		496,065		39,643		456,422		496,065
Luzon Power Dynamics Services Inc.		308,633		122,949		(4,375)		-		427,207		427,207		-		427,207
Oceantech Power Generation Corporation		126,000		257,856		-		-		383,856		383,856		-		383,856
SMC Power Generation Corp.		106,341		58,066		-		-		164,407		164,407		-		164,407
Grand Planters International, Inc.		228,254		89,999		(182,992)		-		135,261		135,261		-		135,261
Prime Electric Generation Corporation		66,794		62,144		-		-		128,938		128,938		-		128,938
VisMin Power Dynamics Services Inc.		75,986		327,970		(284,260)		-		119,696		119,696		-		119,696
Lumiere Energy Technologies Inc.		118,967		-		-		-		118,967		118,967		-		118,967
Central Luzon Premiere Power Corporation		39,832		-		-		-		39,832		39,832		-		39,832
Multi-Ventures Investment Holdings, Inc.		-		39,054		-		-		39,054		39,054		-		39,054
TopGen Energy Development Inc.		85,611		17,921		(72,083)		-		31,449		31,449		-		31,449
SMCGP Transpower Pte Ltd Phils - ROHQ Philippine Branch		25,025		1,017		(7,602)		-		18,440		18,440		-		18,440
Power Ventures Generation Corporation		1,140		6,630		-		-		7,770		7,770		-		7,770
Ilijan Primeline Industrial Estate Corp.		-		6,981		-		-		6,981		6,981		-		6,981
Everest Power Development Corporation		214		1,827		-		-		2,041		2,041		-		2,041
San Miguel Electric Corp.		48		-		-		-		48		48		-		48
Alpha Water and Realty Services Corp.		70,486		53,505		(123,991)		-		-		-		-		-
	P	205,469,005	P	168,689,528	P	(56,414,158)	P	-	P	317,744,375	P	239,476,175	P	78,268,200	P	317,744,375

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Amounts In Thousands)

NAME OF RELATED PARTY		BEGINNING BALANCE		ADDITIONS/ CTA/RECLASS/ OTHERS		AMOUNTS PAID/ DEBIT MEMO		AMOUNTS WRITTEN OFF		TOTAL	CURRENT		NONCURRENT		ENDING BALANCE	
Sual Power Inc.	P	67,183,398	P	28,882,345	P	(10,142,729)	P	-	P	85,923,014	P	85,923,014	P	-	P	85,923,014
South Premiere Power Corp.		40,547,195		39,647,636		(25,187,764)		-		55,007,067		32,990,382		22,016,685		55,007,067
Masinloc Power Co. Ltd.		25,897,498		27,437,936		(5,027,377)		-		48,308,057		48,308,057		-		48,308,057
Excellent Energy Resources Inc.		20,554,688		11,149,654		(103)		-		31,704,239		3,690,974		28,013,265		31,704,239
Mariveles Power Generation Corporation		4,039,290		20,100,099		-		-		24,139,389		5,651,275		18,488,114		24,139,389
SMCGP Masinloc Power Company Limited		1,934,200		11,416,800		-		-		13,351,000		13,351,000		-		13,351,000
Limay Power Inc.		10,192,653		5,876,831		(6,826,410)		-		9,243,074		9,243,074		-		9,243,074
San Roque Hydropower Inc.		3,470,588		5,771,626		(1,689,768)		-		7,552,447		7,552,447		-		7,552,447
SMGP BESS Power Inc.		9,961,636		3,169,405		(6,173,623)		-		6,957,418		6,957,418		-		6,957,418
San Miguel Global Power Holdings Corp.		3,432,852		3,968,462		(815,722)		-		6,585,592		6,585,592		-		6,585,592
SMCGP Masinloc Partners Company Limited		562,278		4,566,720		-		-		5,128,998		5,128,998		-		5,128,998
Malita Power Inc.		4,325,840		3,537,756		(3,022,122)		-		4,841,474		4,841,474		-		4,841,474
Albay Power and Energy Corporation		4,188,691		-		-		-		4,188,691		4,188,691		-		4,188,691
Multi-Ventures Investment Holdings, Inc.		3,126,041		1,830,000		(1,720,000)		-		3,236,041		442,447		2,793,594		3,236,041
VisMin Power Dynamics Services Inc.		11,985		1,621,791		(4,717)		-		1,629,059		23,700		1,605,359		1,629,059
PowerOne Ventures Energy, Inc.		1,187,491		381,865		(718)		-		1,568,638		216,001		1,352,637		1,568,638
SMGP Kabankalan Power Co. Ltd.		1,132,452		326,156		(6,416)		-		1,452,192		1,452,192		-		1,452,192
Dewsweeper Industrial Park, Inc.		710,965		1,100,000		(450,000)		-		1,360,965		650,000		710,965		1,360,965
San Miguel Electric Corp.		1,070,000		-		(50,000)		-		1,020,000		1,020,000		-		1,020,000
Ilijan Primeline Industrial Estate Corp.		-		780,048		-		-		780,048		154,366		625,682		780,048
TopGen Energy Development Inc.		12,882		656,723		-		-		669,605		26,065		643,540		669,605
Grand Planters International Inc.		30,767		1,165,556		(608,430)		-		587,893		128,582		459,310		587,892
Power Ventures Generation Corporation		486,228		822		-		-		487,050		47,846		439,204		487,050
SMCGP Transpower Pte Ltd Phils - ROHQ																
Philippine Branch		466,067		11,174		-		-		477,241		20,820		456,421		477,241
Oceantech Power Generation Corporation		126,000		250,000		-		-		376,000		376,000		-		376,000
SMC Global Light and Power Corporation		111,835		202,231		-		-		314,066		-		314,066		314,066
Bluelight Industrial Estate, Inc.		197,596		150,000		(70,000)		-		277,596		80,000		197,596		277,596
Alpha Water and Realty Services Corp.		251,438		30,408		(111,846)		-		170,000		170,000		-		170,000
Blue Eagle Star, Corp.		-		125,762		-		-		125,762		-		125,762		125,762
Prime Electric Generation Corporation		50,000		60,000		-		-		110,000		110,000		-		110,000
SMCGP Philippines Inc.		111,554		-		(12,888)		-		98,666		98,666		-		98,666
Everest Power Development Corporation		27,987		-		-		-		27,987		27,987		-		27,987
Luzon Power Dynamics Services Inc.		39,298		31		(22,238)		-		17,091		17,091		-		17,091
Reliance Energy Development Inc.		11,700		-		-		-		11,700		-		11,700		11,700
Converge Power Generation Corp.		7,400		-		-		-		7,400		-		7,400		7,400
Prestige Power Resources Inc.		6,900		-		-		-		6,900		-		6,900		6,900
SMC Power Generation Corp.		1,582		306		-		-		1,888		1,888		-		1,888
SMC Powergen Inc.		-		95		-		-		95		95		-		95
SMCGP Transpower Pte. Ltd - Singapore Office		30		3		-		-		33		33		-		33
	P	205,469,005	P	174,218,241	P	(61,942,871)	P	-	P	317,744,375	P	239,476,175	P	78,268,200	P	317,744,375

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
December 31, 2023
(Amounts In Thousands)

TITLE OF ISSUE	AGENT / LENDER	Principal	Current Portion of Debt	Current Transaction Cost	Amount Shown as Current	Noncurrent Portion of Debt	Noncurrent Transaction Cost	Amount Shown as Noncurrent	Outstanding Balance	Interest Rates	Number of Periodic Installments	Interest Payments	Final Maturity
<u>Philippine Peso-denominated:</u>													
<u>San Miguel Global Power Holdings Corp.</u>													
Fixed	Philippine Depository & Trust Corp.	P 4,756,310	P -	P -	P -	4,756,310	P 16,267	P 4,740,043	P 4,740,043	5.1792%	Bullet	Quarterly	July 2026
Fixed	Philippine Depository & Trust Corp.	6,478,020	6,478,020	11,919	6,466,101	-	-	-	6,466,101	6.2500%	Bullet	Quarterly	December 2024
Fixed	Philippine Depository & Trust Corp.	3,609,020	-	-	-	3,609,020	18,953	3,590,067	3,590,067	6.6250%	Bullet	Quarterly	December 2027
Fixed	BDO Unibank, Inc.	14,100,000	14,100,000	8,619	14,091,381	-	-	-	14,091,381	6.9265%	Amortized	Quarterly	April 2024
Fixed	Philippine Depository & Trust Corp.	9,232,040	9,232,040	8,948	9,223,092	-	-	-	9,223,092	7.1783%	Bullet	Quarterly	April 2024
Fixed	Philippine Depository & Trust Corp.	6,923,100	-	-	-	6,923,100	35,372	6,887,728	6,887,728	7.6000%	Bullet	Quarterly	April 2026
Fixed	China Banking Corporation	4,875,000	50,000	15,070	34,930	4,825,000	6,278	4,818,722	4,853,652	5.0000%	Amortized	Quarterly	May 2025
Fixed	Philippine Depository & Trust Corp.	5,000,000	-	-	-	5,000,000	38,208	4,961,792	4,961,792	5.9077%	Bullet	Quarterly	July 2025
Fixed	Philippine Depository & Trust Corp.	25,000,000	-	-	-	25,000,000	275,828	24,724,172	24,724,172	7.1051%	Bullet	Quarterly	April 2028
Fixed	Philippine Depository & Trust Corp.	10,000,000	-	-	-	10,000,000	126,093	9,873,907	9,873,907	8.0288%	Bullet	Quarterly	July 2032
Fixed	China Banking Corporation	7,500,000	-	-	-	7,500,000	60,535	7,439,465	7,439,465	7.9680% and 8.5411%	Bullet	Quarterly	June 2028
		97,473,490	29,860,060	44,556	29,815,504	67,613,430	577,534	67,035,896	96,851,400				
<u>Limay Power Inc.</u>													
Fixed	Philippine National Bank - Trust Banking Group (Facility Agent)	32,815,000	3,153,000	70,913	3,082,087	29,662,000	247,038	29,414,962	32,497,049	6.2836%, 6.5362% and 7.3889%	Amortized	Quarterly	June 2029

Forward

TITLE OF ISSUE	AGENT / LENDER	Principal	Current Portion of Debt	Current Transaction Cost	Amount Shown as Current	Noncurrent Portion of Debt	Noncurrent Transaction Cost	Amount Shown as Noncurrent	Outstanding Balance	Interest Rates	Number of Periodic Installments	Interest Payments	Final Maturity
<u>Malita Power Inc.</u>													
Fixed	Rizal Commercial Banking Corporation - Trust & Investments Group (Facility Agent)	P 14,818,836	P 1,296,744	P 63,522	P 1,233,222	P 13,522,092	P 112,067	P 13,410,025	P 14,643,247	8.2443%	Amortized	Quarterly	August 2030
<u>SMGP BESS Power Inc.</u>													
Fixed	Bank of Commerce - Trust Services Group (Facility Agent)	28,000,000	700,000	46,482	653,518	27,300,000	415,763	26,884,237	27,537,755	8.2104%	Amortized	Quarterly	October 2033
<u>Masinloc Power Co. Ltd.</u>													
Floating	Philippine National Bank - Trust Banking Group (Facility Agent)	7,278,337	1,164,534	26,943	1,137,591	6,113,803	63,813	6,049,990	7,187,581	BVAL + Margin	Amortized	Quarterly	December 2030
		180,385,663	36,174,338	252,416	35,921,922	144,211,325	1,416,215	142,795,110	178,717,032				
<u>Foreign denominated Term Loan:</u>													
<u>San Miguel Global Power Holdings Corp.</u>													
Floating	Standard Chartered Bank (Hong Kong) Limited (Facility Agent)	16,611,000	-	-	-	16,611,000	189,799	16,421,201	16,421,201	SOFR + Margin	Bullet	Monthly	March 2026
	Mizuho Bank Ltd (Facility Agent)	11,074,000	11,074,000	81,491	10,992,509	-	-	-	10,992,509	SOFR + Margin	Bullet	Monthly	September 2024
	Mizuho Bank Ltd (Facility Agent)	5,537,000	5,537,000	49,723	5,487,277	-	-	-	5,487,277	SOFR + Margin	Bullet	Monthly	September 2024
	CTBC Bank Co., Ltd., Singapore Branch (Facility Agent)	5,537,000	-	-	-	5,537,000	53,222	5,483,778	5,483,778	SOFR + Margin	Bullet	Quarterly	May 2025
	Standard Chartered Bank (Hong Kong) Limited (Facility Agent)	16,611,000	-	-	-	16,611,000	361,774	16,249,226	16,249,226	SOFR + Margin	Bullet	Monthly	August 2027
	Mizuho Bank Ltd (Facility Agent)	2,768,500	-	-	-	2,768,500	49,553	2,718,947	2,718,947	SOFR + Margin	Bullet	Monthly	April 2025
		58,138,500	16,611,000	131,214	16,479,786	41,527,500	654,348	40,873,152	57,352,938				
<u>Masinloc Power Co. Ltd.</u>													
Fixed	Philippine National Bank - Trust Banking Group (Facility Agent)												
Floating	Philippine National Bank - Trust Banking Group (Facility Agent)	17,251,963	1,329,766	33,461	1,296,305	15,922,197	139,828	15,782,369	17,078,674	8.3310%	Amortized	Semi- annual	December 2030
		5,677,862	437,644	11,012	426,632	5,240,218	46,021	5,194,197	5,620,829	SOFR + Margin	Amortized	Semi- annual	December 2030
		81,068,325	18,378,410	175,687	18,202,723	62,689,915	840,197	61,849,718	80,052,441				
Total Long-term Debt		P 261,453,988	P 54,552,748	P 428,103	P 54,124,645	P 206,901,240	P 2,256,412	P 204,644,828	P 258,769,473				

See Notes 18, 30 and 31 of the Consolidated Financial Statements.

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
December 31, 2023

DESCRIPTION	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING	NUMBER OF SHARES RESERVED FOR OPTIONS *	NUMBER OF SHARES HELD BY: AFFILIATES	DIRECTORS, OFFICERS AND EMPLOYEES
ISSUED SHARES COMMON STOCK	3,774,400,000	2,823,604,000	-	2,823,604,000	-	-	3,500

See Note 21 of the Consolidated Financial Statements.



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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 15, 2024.

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.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to read 'D. Virocel', with a stylized flourish at the end.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

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 10075206

Issued January 2, 2024 at Makati City

April 15, 2024

Makati City, Metro Manila

LIQUIDITY RATIO

⁽⁴⁾ Net carrying amount of the IPPA power plants, in relation to IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at December 31, 2023 and 2022, the net carrying amount of the IPPA power plant assets amounted to P95,545 million and P99,116 million, respectively.

PROFITABILITY RATIO

Return on Equity	=	Net Income	

		Total Equity	
<i>(in Millions Peso)</i>		December 2023	December 2022
(A) Net Income		9,903	3,134
(B) Total Equity		343,473	252,317
Return on Equity (A)/(B)		2.9%	1.2%

		Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	

Interest Coverage Ratio	=	Interest Expense	

Per relevant Loan Covenants of San Miguel Global Power Holdings Corp.

<i>(in Millions Peso)</i>	December 2023	December 2022
(A) EBITDA ⁽⁵⁾	34,511	34,494
(B) Interest Expense ⁽⁶⁾	13,575	13,170
Interest Coverage Ratio (A)/(B)	2.54	2.62

⁽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

Volume Growth (Decline)	=	Current Period Offtake Volume	-----	- 1
		Prior Period Offtake Volume		
		Years Ended December 31		
<i>(in GWh)</i>		2023	2022	
(A) Current Period Offtake Volume		25,205	27,402	
(B) Prior Period Offtake Volume		27,402	27,221	
Volume Growth (Decline) [(A)/(B) – 1]		(8.0%)	0.7%	

Revenue Growth (Decline)	=	Current Period Revenue	-----	- 1
		Prior Period Revenue		
		Years Ended December 31		
<i>(in Millions Peso)</i>		2023	2022	
(A) Current Period Revenue		169,590	221,389	
(B) Prior Period Revenue		221,389	133,710	
Revenue Growth (Decline) [(A)/(B) – 1]		(23.4%)	65.6%	

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

<i>(in Millions Peso)</i>	Years Ended December 31	
	2023	2022
(A) Income from Operations	32,526	28,886
(B) Revenue	169,590	221,389
Operating Margin (A)/(B)	19.2%	13.0%

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
DECEMBER 31, 2023
(Amounts in Thousands)

						Past Due				
		Total			Current	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	
Trade	P	99,030,192	P		53,461,204	P 9,651,743	P 2,450,433	P 2,367,521	P 31,099,291	
Non-trade		10,864,186			976,015	1,917,500	117,121	585,954	7,267,596	
Amounts owed by related parties		9,747,252			8,668,583	373,966	46,397	11,407	646,899	
Total		119,641,630	P		63,105,802	P 11,943,209	P 2,613,951	P 2,964,882	P 39,013,786	
Less allowance for impairment losses		2,665,606								
Net	P	116,976,024								

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE PERIOD ENDED DECEMBER 31, 2023**

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

Unappropriated Retained Earnings, beginning		P2,017,604
Less: Item that are directly debited to unappropriated retained earnings		
Distributions to capital securities during the reporting period		15,035,073
Deficit, as adjusted		(13,017,469)
Net Income for the current year		18,018,649
Less: Unrealized income recognized in profit or loss during the reporting period - net of tax		
Unrealized foreign exchange gain	P1,699,001	
Fair value adjustment on currency forwards	60,299	1,759,300
Add: Unrealized income recognized in prior reporting periods but realized in the current reporting period - net of tax		
Realized foreign exchange gain	591,340	
Realized fair value adjustment on currency forwards	19,213	610,553
Add: Unrealized income recognized in prior reporting periods but reversed in the current reporting period - net of tax		
Reversal of previously recorded foreign exchange gain		2,958,895
Adjusted Net Income		19,828,797
Total Retained Earnings, end of the reporting period available for dividend		P6,811,328

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
AND SUBSIDIARIES
PRINCIPAL PROPERTIES
AS OF DECEMBER 31, 2023

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In Php, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
1	SUAL POWER INC. (formerly San Miguel Energy Corporation)						
	1000 MW Sual Coal-Fired Thermal Power Plant	Brgy. Pangascasan, Sual, Pangasinan	IPPA with PSALM	Good			
2	SOUTH PREMIERE POWER CORP.						
	1200 MW Ilijan Natural Gas Combined Cycle Power Plant	Brgy. Ilijan, Batangas City, Batangas	Owned	Good			
	Land (where the 1200 MW Ilijan Natural Gas Combined Cycle Power Plant and related facilities are situated)	Brgy. Ilijan, Batangas City, Batangas	Rented ^(a)	Good	\$35,202,754.12 (one time payment)	April 4, 2047	Renewable for another 25 years or the remaining corporate life of the Lessor if its original corporate life is extended, whichever is shorter, upon mutual written agreement of both parties. With assignable option to purchase upon issuance by the Lessor of an Option Existence Notice.
3	SAN ROQUE HYDROPOWER INC. (formerly Strategic Power Devt. Corp.)						
	345 MW San Roque Multi-Purpose Hydroelectric Power Plant	Brgy. San Roque, San Manuel, Pangasinan	IPPA with PSALM	Good			
4	LIMAY POWER INC. (formerly SMC Consolidated Power Corporation, hereinafter referred to as "LPI") ^(b)						
	Phase I - 2 X 150 MW Coal-Fired Power Plant (Units 1 and 2)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Phase II - 2 X 150 MW Coal-Fired Power Plant (Units 3 and 4)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land - Site 1 (where a portion of the Phase I power plant and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Rented	Good	1,446,876.11	November 2040	Renewable for another 25 years at the option of the Lessee
	Land - Site 2 (where a portion of the Phase II power plant and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Rented	Good	81,021.53	December 2040	Renewable for another 25 years at the option of the Lessee
	Land (Ash Dump Facility)	Brgy. Lamao, Limay, Bataan	Rented	Good	1,890,841.61	November 2040	Renewable for another 25 years at the option of the Lessee
	Offshore/Foreshore Land	Brgy. Lamao, Limay, Bataan	Rented	Good	2,034,084.17	December 2042	Renewable for another 25 years at the option of the Lessor
	Land - Site 3 (where a portion of the Phase II power plant and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Rented	Good	512,248.44	March 2042	Renewable for another 25 years to be agreed by both parties
5	MALITA POWER INC. (formerly San Miguel Consolidated Power Corporation, hereinafter referred to as "MPI") ^(c)						
	2 X 150 MW Coal-Fired Power Plant (Units 1 and 2)	Brgy. Culaman, Malita, Davao Occidental	Owned	Good			
	5 X 1.6 MW Diesel Generator Set	Brgy. Sangali, Zamboanga, Philippines	Owned	Good			
	Land (where Units 1 and 2 power plant and related facilities are situated)	Brgy. Culaman, Malita, Davao Occidental	Rented	Good	1,636,705.40	June 2038	Renewable for another 25 years at the option of the Lessee
	Offshore/Foreshore Land	Brgy. Culaman, Malita, Davao Occidental	Rented	Good	55,300.51	February 2043	Renewable for another 25 years at the option of the Lessor
	Offshore/Foreshore Land	Brgy. Culaman, Malita, Davao Occidental	Rented	Good	558,354.47	February 2043	Renewable for another 25 years at the option of the Lessor
	1 X TM2500 60HZ Mobile Gas Turbine Generator	Brgy. Sangali, Zamboanga, Philippines	Owned	Ongoing construction			
	Offshore/Foreshore Land	Brgy. Culaman, Malita, Davao Occidental	Rented	Good	387,903.40	February 2048	Renewable for another 25 years at the option of the Lessor
	Offshore/Foreshore Land	Brgy. Culaman, Malita, Davao Occidental	Rented	Good	570,000.00	May 2048	Renewable for another 25 years at the option of the Lessor
	Offshore/Foreshore Land	Brgy. Culaman, Malita, Davao Occidental	Rented	Good	754,780.02	May 2048	Renewable for another 25 years at the option of the Lessor

Forward

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PHP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
6	GRAND PLANTERS INTERNATIONAL, INC.						
	Land - Site 1 (where a portion of the LPI Phase I and II power plants and related facilities are situated) ^(b)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land - Site 1 (where the 50 MW Lamao battery energy storage system [BESS] facility of SMGP BESS Power Inc. is situated) ^(e)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land - Site 2	Brgy. Alangan, Limay, Bataan	Owned	Good			
	Land (Subleased to Velocita Motors Inc.)	No. 169 E. Delos Santos Avenue, Mandaluyong City	Rented	Good	892,587.14	March 22, 2036	Renewable
	Land	Brgy. Biaan, Mariveles, Bataan	Owned	Good			
7	MASINLOC POWER CO. LTD. (formerly Masinloc Power Partners Co. Ltd., hereinafter referred to as "MPCL") ^(d)						
	344 MW coal-fired power plant (Unit 1)	Brgy. Bani, Masinloc, Zambales	Owned	Good			
	344 MW coal-fired power plant (Unit 2)	Brgy. Bani, Masinloc, Zambales	Owned	Good			
	335 MW coal-fired power plant (Unit 3)	Brgy. Bani, Masinloc, Zambales	Owned	Good			
	350 MW coal-fired power plant (Unit 4)	Brgy. Bani, Masinloc, Zambales	Owned	Ongoing construction			
	350 MW coal-fired power plant (Unit 5)	Brgy. Bani, Masinloc, Zambales	Owned	Ongoing construction			
	10 MW battery energy storage system (Phase 1)	Brgy. Bani, Masinloc, Zambales	Owned	Good			
	20 MW battery energy storage system (Phase 2)	Brgy. Bani, Masinloc, Zambales	Owned	Substantially complete			
	Land (where a portion of Unit 3, and Units 4, 5 power plants and related facilities are situated)	Brgy. Bani, Masinloc, Zambales	Rented	Good	US\$3,966.43	April 2028	With assignable option to purchase
8	ALPHA WATER REALTY SERVICES CORPORATION ^(d)						
	Land (where Units 1, 2, 3, 4 and 5 power plant and related facilities, and the 10 MW and 20 MW BESS projects of MPCL are situated)	Brgy. Bani, Masinloc, Zambales	Owned	Good			
9	SMGP KABANKALAN POWER CO. LTD. (formerly SMCGP Philippines Energy Storage Co. Ltd.)						
	Land (where the 20 MW and 10 MW BESS projects are situated)	Brgy. Binicuil, Kabankalan, Negros Occidental	Owned	Good			
	20 MW BESS (Phase 1)	Brgy. Binicuil, Kabankalan, Negros Occidental	Owned	Good			
	10 MW BESS (Phase 2)	Brgy. Binicuil, Kabankalan, Negros Occidental	Owned	Substantially complete			
10	MARIVELES POWER GENERATION CORPORATION						
	4 x 150 MW Coal-Fired Power Plant	Sitio Lusong, Brgy. Biaan, Mariveles, Bataan	Owned	Ongoing construction			
	Land (where the 4 x 150 MW coal-fired power plant project is situated)	Sitio Lusong, Brgy. Biaan, Mariveles, Bataan	Rented	Good	12,044,489.80	May 31, 2044	Renewable upon mutual agreement by both parties
	Land (where the transmission network project is situated)	Sitio Lusong, Brgy. Biaan, Mariveles, Bataan	Rented	Good	832,608.88	June 11, 2044	Renewable upon mutual agreement by both parties
	Land (for transmission line)	Brgys. Malaya and Maligaya, Mariveles Bataan	Rented	Good	P33,528,000 (one time payment)	October 31, 2046	Renewable upon mutual agreement by both parties
	Land (for transmission line)	Brgy. Biaan, Mariveles, Bataan	Owned	Good			
11	TOPGEN ENERGY DEVELOPMENT INC.						
	Land (where the 10 MW Tagum BESS project of SMGP BESS is situated) ^(e)	Brgy. Magdum Tagum City, Davao del Norte	Owned	Good			
	Land	Barrio Centro Occidental, Polangui, Albay	Owned	Good			
	Land	Brgy. Penafraancia, Daraga, Albay	Owned	Good			
12	SMGP BESS POWER INC. (formerly Universal Power Solutions, Inc., hereinafter referred to as "SMGP BESS") ^(e)						
	20 MW Malita BESS	Brgy. Culaman, Malita, Davao Occidental	Land - Rented; BESS - Owned	Land - Good; BESS - Good	45,818.04	May 31, 2038	Renewable upon mutual agreement by both parties
	50 MW Lamao BESS	Brgy. Lamao, Limay, Bataan	Owned	Good			
	40 MW Bataan Combined Cycle Power Plant BESS	Brgy. Luz, Limay, Bataan	Land - Rented; BESS - Owned	Land - Good; BESS - Good	205,528.05	April 15, 2045	Renewable upon mutual agreement by both parties

Forward

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In Php, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	20 MW Jasaan BESS	Jasaan, Misamis Oriental	Land - Rented; BESS - Owned	Land - Good; BESS - Substantially complete	2,160,000.00	April 15, 2045	Renewable upon mutual agreement by both parties
	20 MW Toledo BESS	Calong-calong and Talevera, Toledo City, Cebu	Land - Rented; BESS - Owned	Land - Good; BESS - Good	900,000.00	April 15, 2045	Renewable upon mutual agreement by both parties
	20 MW Villanueva BESS	Brgys. Sta. Ana, Tagaloan and San Maritin , Villanueva, Phividec Industrial Estate of Misamis Oriental - Special Economic Zone (PIEMO-SEZ)	Land - Rented; BESS - Owned	Land - Good; BESS - Substantially complete	342,368.34	June 04, 2045	Renewable upon mutual agreement by both parties
	20 MW Tabango BESS	Brgy. Tugas, Tabango, Leyte	Land - Rented; BESS - Owned	Land - Good; BESS - Ongoing Construction	4,326.85	March 01, 2036	Renewable upon mutual agreement by both parties
	Land - for the underground facility interconnecting the 20MW Tabango BESS to NGCP transmission lines	Barrio Tabango, San Isidro, Leyte	Rented	Good	95,250.23	September 26, 2032	Renewable upon mutual agreement by both parties
	50 MW Mexico BESS	Brgy. San Jose Matulid, Mexico, Pampanga	Land - Rented; BESS - Owned	Land - Good; BESS - Ongoing Construction	246,233.32	June 30, 2035	Renewable upon mutual agreement by both parties
	20 MW Mexico-2 BESS	Brgy. San Jose Matulid, Mexico, Pampanga	Land - Rented; BESS - Owned	Land - Good; BESS - Ongoing Construction	372,023.81	June 03, 2036	Renewable upon mutual agreement by both parties
	20 MW Maco BESS	Brgys. Dumlan and Concepcion, Maco, Compostela Valley, Davao del Norte	Land - Rented; BESS - Owned	Land - Good; BESS - Good	665,531.08	April 15, 2035	Renewable upon mutual agreement by both parties
	40 MW Gamu BESS	Brgy. Lenzon, Gamu, Isabela	Land - Rented; BESS - Owned	Land - Good; BESS - Substantially complete	49,282.37	June 30, 2035	Renewable upon mutual agreement by both parties
	40 MW Magapit BESS	Brgy. Magapit, Lal-lo, Cagayan	Land - Rented; BESS - Owned	Land - Good; BESS - Substantially complete	283,348.02	May 30, 2024	Renewable upon mutual agreement by both parties
	20 MW Ubay BESS	Brgy. Imelda, Ubay, Bohol	Owned	Good			
	50 MW San Manuel BESS	Brgy. Sto. Domingo, San Manuel, Pangasinan	Land - Rented;BESS - Owned	Land - Good;BESS - Good	62,718.88	April 1, 2025	Renewable upon mutual agreement by both parties
					152,597.23	April 1, 2035	Renewable upon mutual agreement by both parties
	50 MW Concepcion BESS	Brgy. Sta. Rosa, Concepcion, Tarlac	Land - Rented; BESS - Owned	Land - Good; BESS - Substantially complete	303,408.95	March 01, 2036	Renewable upon mutual agreement by both parties
	40 MW Ormoc BESS	Brgy. Dolores, Ormoc City, Leyte	Land - Rented; BESS - Owned	Land - Good; BESS - Substantially complete	136,302.36	May 31, 2037	Renewable upon mutual agreement by both parties
					139,643.52	May 31, 2037	Renewable upon mutual agreement by both parties
	50 MW Lumban BESS	Brgy. Halang & Lewin, Lumban, Laguna	Land - Rented; BESS - Owned	Land - Good; BESS - Ongoing Construction	202,935.53	March 21, 2037	Renewable upon mutual agreement by both parties
	10 MW Tagum BESS	Brgy. Magdum Tagum City, Davao del Norte	Owned	Good			
13	EXCELLENT ENERGY RESOURCES INC. ("EERI")						
	Batangas Combined Cycle Power Plant (BCCPP)	Barangays Ilijan and Dela Paz, Batangas	Owned	Ongoing Construction			
	Land (to be used as water source for BCCPP)	Barangay Dela Paz, Batangas	Owned	Good			
14	SAN MIGUEL GLOBAL POWER HOLDINGS CORP. (formerly SMC Global Power Holdings Corp.)						
	C5 Office Space	100 E. Rodriguez Jr. Avenue (C-5 Road) Brgy. Ugong, Pasig City, Metro Manila	Rented	Good	5,677,061.30	March 14, 2026	Renewable upon mutual agreement by both parties
15	MULTI-VENTURES INVESTMENT HOLDINGS, INC.						
	Land	Ternate, Naic and Maragondon, Cavite	Owned	Good			

Forward

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In Php, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
16	SMC GLOBAL LIGHT AND POWER CORP.						
	Land (for planned Solar Power Project)	Barangay San Luis, Cauayan City, Isabela	Rented	Good	4,200,000.00	March 14, 2047	Renewable for another 25 years upon mutual agreement of both parties
	Land (for planned Solar Power Project)	Barangay Lucanin, Mariveles, Bataan	Rented	Good	11,849,770.58	January 12, 2048	Renewable for another 25 years upon mutual agreement of both parties
17	ILIJAN PRIMELINE INDUSTRIAL ESTATE CORP.						
	Land (a portion of which are used (i) for the BCCPP and related facilities of EERI and (ii) for the Liquefied Natural Gas Terminal of a third party)	Barangays Ilijan and Dela Paz, Batangas	Owned	Good			
18	SMC POWERGEN INC.						
	Land (where the 20 MW Ubay BESS facility of SMGP BESS is situated) ^(a)	Brgy. Imelda, Ubay, Bohol	Owned	Good			
19	BLUE EAGLE STAR CORP.						
	Land	Maragondon and Naic, Cavite	Owned	Good			

Notes:

^(a) In January 2024, SPPC has fully paid the land purchase price net of unused rentals to PSALM.

All owned properties are free of liens and encumbrances, except for the following:

^(b) The Power Plant, including all related facilities therein, and the leasehold rights for the leased land are mortgaged in favor of the lenders to secure the loan obligation of LPI;

^(c) The Power Plant, including all related facilities therein, and the leasehold rights for the leased land are mortgaged in favor of the lenders to secure the loan obligation of MPI; and

^(d) The Power Plant, including all related facilities therein, and the land are mortgaged in favor of the lenders to secure the loan obligation of MPCL.

^(e) The BESS, including all related facilities therein, and the leasehold rights for the leased land are mortgaged in favor of the lenders to secure the loan obligation of SMGP BESS.

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
SUMMARY LIST OF REPORTS UNDER SEC FORM 17-C DURING THE YEAR 2023

Date of Report	Subject
17 January 2023	The following matters approved were approved by the Board of Directors of the San Miguel Global Power Holdings Corp. (formerly, SMC Global Power Holdings Corp. hereinafter the "Corporation") in its special meeting held on 17 January 2023: a. the authority of the Corporation to: (i) execute, deliver and perform an amendment to the Omnibus Refinancing Agreement, dated December 28, 2012 ("ORA"), by and between Masinloc Power Partners Co. Ltd. ("MPPCL") as the Borrower, Asia United Bank, Bank of Commerce and Security Bank Corporation (the "ORA Lenders"), Philippine National Bank, acting through its Trust Banking Group as the Facility Agent and the Collateral Trustee, Alpha Water and Realty Services Corporation as the Mortgagor and Qualified Philippine Entity, and SMCGP Masinloc Power Company Limited, and all related agreements and documents required for the additional loan to be secured by MPPCL under the ORA, as amended, in the amount of Philippine Pesos: Eight Billion One Hundred Fifty Five Million (P8,155,000,000.00 - the "Additional ORA Loan"), including a mortgage supplement for the Additional ORA Loan and (ii) grant or create a pledge on the 49.07% limited partnership interest of the Corporation in MPPCL in favor of the Collateral Trustee (for the benefit of the ORA Lenders), or otherwise confirm the grant or creation of such pledge, as security for the obligations of MPPCL under the Additional ORA Loan; and b. the designation of the authorized representatives of the Corporation, namely: Elenita D. Go and Paul Bernard D. Causon, jointly, to negotiate, enter into, execute, sign and deliver the amendment agreement to the ORA, the Additional ORA Loan, including a mortgage supplement, and any and all other agreements, acknowledgments, certifications, instruments or such other documents to which the Corporation is a party.
27 January 2023	Update on the petition for certiorari filed by the Corporation's wholly owned subsidiary, San Miguel Energy Corporation, regarding the ERC Order in ERC Case No. 2019-083, as disclosed on even date by San Miguel Corporation, the parent company of the Corporation, to the Securities and Exchange Commission and the Philippine Stock Exchange, Inc.
09 March 2023	The following matters approved during the Regular Meeting of the Board of Directors of the Corporation held on 09 March 2023, among others: a. the Financial Performance and Financial Position of the Corporation as of 31 December 2022; b. the capital security distribution to holders of the original USD 750 Million Senior Perpetual Capital Securities which the Corporation issued on 21 October 2020, amounting to USD 25,336,640.00, payable on 21 April 2023; c. the capital security distribution to holders of the original USD 800 Million Senior Perpetual Capital Securities which the Corporation issued on 25 April 2019, amounting to USD 25,452,830.00, payable on 25 April 2023; d. the capital security distribution to holders of the original USD 500 Million Senior Perpetual Capital Securities which the Corporation issued on 05 November 2019, amounting to USD 14,640,361.75, payable on 05 May 2023;

	e. the issuance by the Corporation of redeemable perpetual securities equivalent to up to USD500 Million, in favor of San Miguel Corporation ("SMC"), under such terms and conditions determined by Management to be most beneficial to the Corporation; and f. the 2023 Internal Audit Plan of the Corporation.
15 March 2023	The issuance of the Corporation, on 10 March 2023, of US Dollar-denominated redeemable perpetual securities amounting to USD 500 Million (the "Securities") in favor of San Miguel Corporation (the parent company of the Corporation) at a distribution rate of 8.0% per annum, payable quarterly. The Securities are redeemable at the option of the issuer in whole or in part at any time on any distribution date.
24 March 2023	The issuance of the SEC of the Certificate of Filing of Amended Articles of Incorporation and Certificate of Filing of Amended By-laws which set out the SEC's approval of the change in the corporate name of 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 same. Copies of the aforementioned Certificates were received by the Corporation on 23 March 2023.
02 May 2023	The following matters were approved during the Regular Meeting of the Board of Directors of the Corporation held on 02 May 2023, among others: I. During the Regular Meeting of the Board of Directors of the Corporation held on 02 May 2023, the Board approved the following matters, among others: a. the financial performance and financial position of the Corporation as of 31 March 2023; b. the capital security distribution to holders of the USD750 Million Senior Perpetual Capital Securities which the Corporation issued on 09 June 2021, amounting to USD18,626,683.00, plus applicable taxes, payable on 09 June 2023; c. the capital security distribution to holders of the USD600 Million Senior Perpetual Capital Securities which the Corporation issued on 21 January 2020, amounting to USD16,910,104.50, plus applicable taxes, payable on 21 July 2023; d. the 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 (the " USD145M Securities"); e. the relevant dates and details of the 2023 Annual Stockholders' Meeting of the Corporation, to wit: ➤ Date: 06 June 2023 (Tuesday) ➤ Time: 2:00 pm ➤ Chairman will preside at No. 40 San Miguel Avenue, Mandaluyong City. ➤ Stockholders are requested to attend through videoconference through the Zoom Meeting ID to be provided in the Definitive Information Statement. ➤ Dedicated email address: ASM@smcgph.sanmiguel.com.ph ➤ Important Dates: 09 May 2023 - Record Date 16 May 2023 - SEC Form 20-IS (Definitive Information Statement) to be filed with SEC & PDEx, and copies to be sent to the stockholders on the same date 22 May 2023 - Submission of Ballots/Proxies 29 May 2023 (12 noon) - Last day to signify attendance by videoconferencing 29 May 2023 (2 p.m.) - Validation of Ballots and Proxies by Stockholders 05 June 2023 - Distribution of the password to Stockholders for the videoconference

	➤ The Notices and the Definitive Information Statement will contain all the information needed by the stockholders in connection with the 2023 Annual Stockholders' Meeting; and the approval of the procedure for the holding/conduct of the 2023 Annual Stockholders' Meeting via videoconferencing, including the attendance, participation, and voting of the stockholders, in compliance with pertinent rules and guidelines promulgated by the SEC; f. the report on the qualifications of the nominees for the election to the Board of Directors of the Corporation in the 2023 Annual Stockholders' Meeting; g. the appointment of R.G. Manabat & Co. as external auditors of the Corporation for 2023, as favorably endorsed by the Corporate Governance Committee, to be submitted for approval, confirmation, and ratification of the stockholders in the 2023 Annual Stockholders' Meeting; and h. the report on the validation of the results by the Corporate Governance Committee and the Compliance Officer of the Performance Assessments of the Board Committees, the Board of Directors, and Management of the Corporation for 2022.
03 May 2023	The execution of the Subscription Agreement between the Corporation and SMC of the subscription by SMC of the USD145M Securities and issuance of the same on 2 May 2023.
30 May 2023	The Board approval on 30 May 2023 of the issuance by the Corporation of up to PhP 25,000,000,000.00 redeemable perpetual securities under such terms and conditions determined by Management to be most beneficial to the Corporation.
31 May 2023	The execution on 30 May 2023 of the Subscription Agreement between the Corporation and SMC of the subscription by SMC of redeemable perpetual securities amounting to PhP 6,000,000,000.00 and issuance of the same.
01 June 2023	The execution on 1 June 2023 of the Subscription Agreement between the Corporation and SMC of the subscription by SMC of redeemable perpetual securities amounting to PhP 7,000,000,000.00 and issuance of the same.
05 June 2023	The execution on 5 June 2023 of the Subscription Agreement between the Corporation and SMC of the subscription by SMC of redeemable perpetual securities amounting to PhP 5,000,000,000.00 and issuance of the same.
06 June 2023	The following matters were approved during the meetings held on 06 June 2023, among others: a. Annual Meeting of the Stockholders i. Approval of the Minutes of the Annual Stockholders' Meeting of the Corporation held on 07 June 2022; ii. Approval of the 2022 Audited Financial Statements of the Corporation; iii. Ratification of all acts and proceedings of the Board of Directors and corporate officers of the Corporation since the Annual Stockholders' Meeting of the Corporation held on 07 June 2022; iv. Appointment of R.G. Manabat & Co. as external auditors of the Corporation for fiscal year 2023; and v. Election of the following as members of the Board of Directors: 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

The stockholders likewise approved 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.

- vi. Approval of the Directors' Fee for independent directors representing per diem allowance for meetings attended.

b. Organizational Meeting of the Board of Directors

- i. Approval of the Minutes of the Organizational Meeting of the Board of Directors held on 07 June 2022;
- ii. Election of Consuelo M. Ynares-Santiago as the Lead Independent Director of the Corporation;
- iii. Election of the following as officers of the Corporation:

1. Ramon S. Ang	- Chairman & Chief Executive Officer and President & Chief Operating Officer
2. John Paul L. Ang	- Vice Chairman
3. Elenita D. Go	- General Manager
4. Virgilio S. Jacinto	- Corporate Secretary and Compliance Officer
5. Paul Bernard D. Causon	- Vice President and Chief Finance Officer
6. Ramon U. Agay	- Assistant Vice President and Comptroller
7. Jeciel B. Campos	- Assistant Vice President and Sales & Marketing Manager
8. Gonzalo B. Julian, Jr.	- Assistant Vice President, Sales and Marketing Manager - RES, and Head of the Battery Business
9. Julie Ann B. Domino-Pablo	- Assistant Vice President and General Counsel
10. Jose Ferlino P. Raymundo	- Assistant Vice President and Energy Sourcing & Trading Manager
11. Danilo T. Tolarba	- Assistant Vice President and Human Resources Group Manager
12. Irene M. Cipriano	- Assistant Corporate Secretary
13. Reynaldo S. Matillano	- Internal Audit Manager
14. Maria Floreselda S. Abalos-Sampaga	- Data Protection Officer

- iv. Appointment of following members of the Board Committees of the Corporation:

Executive Committee

1. Ramon S. Ang	- Chairman
2. John Paul L. Ang	- Member
3. Aurora T. Calderon	- Member

Corporate Governance Committee

	1. Consuelo M. Ynares-Santiago - Chairperson** 2. Jack G. Arroyo, Jr. - Member** 3. Josefina Guevara-Salonga - Member** 4. John Paul L. Ang - Member 5. Virgilio S. Jacinto - Member <u>Audit and Risk Oversight Committee</u> 1. Jack G. Arroyo, Jr. - Chairperson** 2. Consuelo M. Ynares-Santiago - Member** 3. Josefina Guevara-Salonga - Member** 4. John Paul L. Ang - Member 5. Aurora T. Calderon - Member <u>Related Party Transaction Committee</u> 1. Josefina Guevara-Salonga - Chairperson** 2. Consuelo M. Ynares-Santiago - Member** 3. Jack G. Arroyo, Jr. - Member** 4. John Paul L. Ang - Member 5. Aurora T. Calderon - Member **Independent Director Designation of depository banks and appointment of authorized signatories for banking and other corporate transactions.
13 June 2023	The execution on 13 June 2023 of the Subscription Agreement between the Corporation and SMC of the subscription by SMC of redeemable perpetual securities amounting to Php 6,760,000,000.00 and issuance of the same.
27 June 2023	The receipt today by the relevant subsidiaries of the Corporation, through counsels, of the copy of the Petition for Certiorari filed by the Energy Regulatory Commission with the Supreme Court dated 22 June 2023, in connection with the previous disclosure on its clarification on the news article entitled "ERC asks SC to void decision halting power deal" posted in BusinessWorld (Online Edition) on 26 June 2023.
29 June 2023	The disclosure of SMC to the SEC and the Philippine Stock Exchange, Inc., reporting the receipt today by the relevant subsidiaries of the Corporation, through counsels, of the copy of the Petition for Certiorari filed by the Energy Regulatory Commission with the Supreme Court dated 22 June 2023, in connection with the previous disclosure on its clarification on the news article entitled "ERC asks SC to void decision halting power deal" posted in BusinessWorld (Online Edition) on 26 June 2023.
10 July 2023	The approval by the Board of Directors in its special meeting held on 10 July 2023 of the issuance by the Corporation of Php 5,000,000,000.00 redeemable perpetual securities under such terms and conditions determined by Management to be most beneficial to the Corporation (the "Perpetual Securities") and the execution of the Corporation with SMC covering the subscription by SMC of the Perpetual Securities and issuance of the same on the same date.
11 July 2023	The completion on 11 July 2023, of the payment of its Series B fixed rate bonds (the "Series B Bonds") amounting to The Series B Bonds, which form part of the Php15 Billion Series ABC fixed rate bonds issued by the Corporation in 2016, which matured on even date.
12 July 2023	Receipt July 11, 2023, through Poblador Bautista Reyes Law Offices, the counsel of record of San Miguel Energy Corporation ("SMEC") and South Premiere Power Corp. ("SPPC"), wholly-owned subsidiaries of the Corporation, of a copy of the Joint Decision rendered by the 13th Division of the Court of Appeals, dated June 27, 2023, granting the consolidated petitions for certiorari of SPPC and SMEC. The dispositive portion of the Joint Decision states, as follows:

	“WHEREFORE, premises considered, the consolidated petitions of South Premiere Power Corporation and San Miguel Energy Corporation are GRANTED. With the grant of the petitions, judgment is hereby rendered: 1. ANNULLING and SETTING ASIDE the Orders dated September 29, 2022 in ERC Case No. 2019-081 and ERC Case No. 2019-083 for having been issued with grave abuse of discretion amounting to lack or excess of jurisdiction; 2. GRANTING the Joint Motions for Price Adjustment with Provisional Authority and/or Interim Relief in ERC Case No. 2019-081 and ERC Case No. 2019-083, without prejudice to any further requests for price adjustments for June 2022 onwards (for SPPC, from June 2022 to January 25, 2023 [date of WPI] and for SMEC, from June 2022 to the date of the finality of this Joint Decision); 3. DENYING SMEC’s Motion for Partial Reconsideration of the Court’s January 13, 2023 Resolution and its application for the issuance of a writ of preliminary injunction for being moot and academic; 4. The writ of preliminary injunction issued in favor of SPPC is hereby made permanent.
25 July 2023	The following matters were approved by the Board of Directors of the Corporation during its meeting held on 25 July 2023, among others: a. opening for subscription of the current unissued shares of the Corporation and the subscription by San Miguel Corporation (“SMC”, the parent company of the Corporation) to 410,000,000 shares of the Corporation out of the latter’s unissued capital stock (the “1st Subscription”) in cash at a subscription price of Php30.00 per share based on the book value per share of the Corporation as of 31 December 2022, as set out in its 2022 Audited Consolidated Financial Statements (the “2022 BV/share”), or for a total subscription amount of Php12,300,000,000.00; the appointment of authorized signatories for the transaction and their authority to determine the terms and conditions for the subscription to the Subject Shares to the best interest of the Corporation; and the issuance of the Subject Shares after receipt of full payment of the subscription price thereof; b. increase in the authorized capital stock of the Corporation by Php1,774,400,000.00 (comprising of 1,774,400,000 shares with par value of Php1.00 per share), or from Php2,000,000,000.00, divided into 2,000,000,000 shares with par value of Php1.00 per share to Php3,774,400,000.00, divided into 3,774,400,000 shares with par value of Php1.00 per share (the “ACS Increase”); c. to secure the approval by the stockholders of the Corporation of the ACS Increase in a special stockholders’ meeting to be convened on 07 September 2023 via remote communication with the details for attending, participating, and casting of votes to be set out in the Notice and in the Definitive Information Statement; d. to apply for and secure the approval by the Securities and Exchange Commission (“SEC”) of the ACS Increase and the amendment of the Corporation’s Amended Articles of Incorporation to reflect the ACS Increase (the “ACS Increase and AOI Amendment Application”); and e. opening for subscription of the shares out of the ACS Increase and subscription by SMC to 443,600,000 shares out of the ACS Increase in cash at a subscription price of Php30.00 per share based on the 2022 BV/share, or for a total subscription amount of Php13,308,000,000.00; the appointment of authorized signatories for the transaction and their authority to determine the terms and conditions for the subscription to the best interest of the Corporation; and the issuance of the said shares after: (i) the receipt of full payment of the subscription price thereof, (ii) the approval of the stockholders of the Corporation of the

	ACS Increase, and (iii) the approval by the SEC of the ACS Increase and AOI Amendment Application. The execution of the Corporation and SMC of the Subscription Agreement covering the 1st Subscription by SMC on the same date.
01 August 2023	The execution of the Corporation and SMC of the Subscription Agreement covering the subscription by SMC of 443,600,000 shares out of the proposed increase in the authorized capital stock of the Corporation in cash at a subscription price of Php30.00 per share, or for a total subscription amount of Php13,308,000,000.00, to be paid in full by SMC to the Corporation within thirty (30) days from the date thereof (the "2 nd Subscription").
07 August 2023	The full payment on 07 August 2023 by SMC of the subscription price of the 1 st Subscription and the issuance of the same on even date.
11 August 2023	The following matters were approved by the Board of Directors of the Corporation during its meeting held on 11 August 2023, among others: a. the approval of the Financial Performance and Financial Position of the Corporation as of 30 June 2023, the details of which shall be reported to the Securities and Exchange Commission ("SEC") and the Philippine Dealing & Exchange Corp. under SEC Form 17-Q to be filed on or before 14 August 2023; b. the capital security distribution to holders of the USD750 Million Senior Perpetual Capital Securities which the Corporation issued on 21 October 2020, amounting to USD25,336,640.00 plus applicable taxes, payable on 21 October 2023; c. the capital security distribution to holders of the USD800 Million Senior Perpetual Capital Securities which the Corporation issued on 25 April 2019, amounting to USD25,452,830.00, plus applicable taxes, payable on 25 October 2023; d. the capital security distribution to holders of the USD500 Million Senior Perpetual Capital Securities which the Corporation issued on 05 November 2019, amounting to USD14,640,361.75, plus applicable taxes, payable on 05 November 2023; e. the amendment of the Articles of Partnership of Masinloc Power Partners Co. Ltd. ("MPPCL") to reflect its new name and update the partnership interests and sharing ratio of the partners; and f. the appointment of the authorized representatives of the Corporation in MPPCL, SMCGP Masinloc Partners Company Limited, and SMCGP Masinloc Power Company Limited.
07 September 2023	The following matters were approved by the stockholders of the Corporation owning and/or representing 100% of the outstanding capital stock of the Corporation during its special meeting held on 7 September 2023, among others: a. the approval of the increase in the authorized capital stock of the Corporation by Php1,774,400,000.00 (comprising of 1,774,400,000 shares with par value of Php1.00 per share), or from Php2,000,000,000.00, divided into 2,000,000,000 shares with par value of Php1.00 per share to Php3,774,400,000.00, divided into 3,774,400,000 shares with par value of Php1.00 per share (the "ACS Increase"); b. the approval of the amendment of Article Seventh of the Amended Articles of Incorporation of the Corporation to reflect the ACS Increase; and c. the ratification of the subscription by the Corporation's parent company, San Miguel Corporation, to 443,600,000 shares out of the ACS Increase in cash at a subscription price of

	Php30.00, or for a total subscription amount of Php13,308,000,000.00.
22 September 2023	The disclosure of SMC to the SEC and the Philippine Stock Exchange, Inc. relating to its clarification on the news article entitled “SMC power unit investors warned” posted in Daily Tribune (Online edition), on 22 September 2023.
20 October 2023	The following matters were approved by the Board of Directors of the Corporation during its meeting held on 20 October 2023, among others: a. the authority of the Corporation to act as the Sponsor and Shares Security Grantor under a term loan facility to be obtained by Universal Power Solutions, Inc. (the “Borrower” and a wholly-owned subsidiary of the Corporation), in the aggregate principal amount of up to Forty Billion Pesos (PHP40,000,000,000.00), from China Banking Corporation, Bank of Commerce, and BDO Unibank, Inc. (collectively, the “Senior Term Lenders”), b. the creation of a security interest in favor of the Senior Term Lenders over: (a) the shares of the Corporation in the Borrower, and (b) the subordinated shareholder loans extended by the Corporation to the Borrower and perpetual securities issued by the Borrower to the Corporation, and c. the designation of authorized signatories to the agreements to be executed to implement the foregoing transactions.
24 October 2023	The report that Universal Power Solutions, Inc., wholly-owned subsidiary of the Corporation, entered into financing agreements in relation to the project financing in the aggregate principal amount of up to Php 40,000,000,000.00, to be divided into two tranches of (i) up to Php 28,000,000,000.00 for Tranche A and (ii) up to Php 12,000,000,000.00 for Tranche B, for UPSI’s battery energy storage system projects built or to be built across multiple sites in the Philippines (the “Project Financing”). The Corporation, in its capacity of shareholder of UPSI, has likewise entered into such relevant agreements as sponsor and shares security grantor of UPSI in the Project Financing.
27 October 2023	The approval by the SEC of the Corporation’s application for the increase in its authorized capital stock to P3,774,400,000.00, divided into 3,774,400,000 shares with par value of P1.00 per share (the “ACS Increase”) and the amendment of its Amended Articles of Incorporation to reflect the ACS Increase on 24 October 2023.
13 November 2023	The following matters were approved by the Board of Directors of the Corporation during its meeting held on 13 November 2023, among others: a. the approval of the Financial Performance and Financial Position of the Corporation as of 30 September 2023; b. the capital security distribution to holders of the USD750 Million Senior Perpetual Capital Securities which the Corporation issued on 09 June 2021, amounting to USD18,626,683, plus applicable taxes, payable on 09 December 2023; c. the capital security distribution to holders of the USD600 Million Senior Perpetual Capital Securities which the Corporation issued on 21 January 2020, amounting to USD16,910,104.50, plus applicable taxes, payable on 21 January 2024; d. the opening for subscription of all its unissued shares and the subscription by the parent company of the Corporation, San Miguel Corporation (SMC) of 720,000,000 shares of the Corporation at a subscription price of Php30.00 per share or a total subscription amount of Php21,600,000,000.00, to be fully paid on or before 31 December 2023 (the “3rd Subscription”); and e. the approval of the adoption of various amended company policies of the

	Corporation. The execution of the Corporation and SMC of the Subscription Agreement covering the 3rd Subscription.
27 December 2023	The disclosure of SMC to the SEC and the Philippine Stock Exchange, Inc. relating to its clarification on the news article entitled “SMC set to finish 32 battery energy storage systems” posted in manilastandard.net on 24 December 2023.

From: corsec.imc@sanmiguel.com.ph
To: [Alma G. Checa](#); [Mary Claire D. Cantor](#); [Vilma C. Quizon](#); [Keel Achernar R. Dinoy](#); [Julie Ann B. Domino](#); [Beatriz Irina Denise A. Garcia](#); [Ramon U. Agay Jr.](#)
Subject: SMGP_AFS_FW: SEC eFast Initial Acceptance
Date: Monday, April 15, 2024 7:26:35 PM

From: noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>

Sent: Monday, 15 April 2024 7:25 pm

Subject: SEC eFast Initial Acceptance

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Greetings!

SEC Registration No: CS200801099

Company Name: SAN MIGUEL GLOBAL POWER HOLDINGS CORP.

Document Code: AFS

This serves as temporary receipt of your submission.

Subject to verification of form and quality of files of the submitted report.

Another email will be sent as proof of review and acceptance.

Thank you.

REMINDER:

TO ALL FILERS OF REPORTS IN THE e-FAST

Please strictly follow the instruction stated in the form.

Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer.

1. General Information Sheet (GIS-Stock)
2. General Information Sheet (GIS-Non-stock)
3. General Information Sheet (GIS- Foreign stock & non-stock)
4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement
8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)

10. Lending Companies Interim Financial Statements (LCIF)

Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements.

A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

THIS IS AN AUTOMATED MESSAGE - PLEASE DO NOT REPLY DIRECTLY TO THIS EMAIL

Disclaimer and Data Privacy Notice

This email and any attachment/s (“Email”) is confidential and for viewing only by the intended recipient/s. If you received this in error, please notify us immediately and delete all copies. Any unauthorized access to review, reproduce, or disseminate the information contained herein is strictly prohibited. San Miguel Corporation, its subsidiaries and affiliates (collectively “SMC”) does not guarantee the security of any information electronically transmitted.

This Email may contain personal and sensitive personal information, and will be subject to the Data Privacy Act of 2012, its implementing rules, regulations and issuances of the National Privacy Commission of the Philippines (“Privacy Laws”). By viewing, using, storing, sharing and disposing (collectively “Processing”) this Email, you agree to comply with the Privacy Laws. By responding to this Email, you consent to the Processing by SMC of the Personal Data contained in your reply Email in accordance with SMC’s Personal Data Privacy Policy which you can find at www.sanmiguel.com.ph.

SMC is not liable for the proper and complete transmission of the information contained in this Email nor for any delay in its receipt. The use of this Email for any unlawful purpose or for any purpose other than as permitted by SMC is strictly prohibited. Opinions, conclusions and statements in this Email are opinions, conclusions and statements of the sender and are not necessarily given, endorsed, espoused or expressed by SMC.

Jonalyn T. Mendoza

From: Krizia O. Santos
Sent: Monday, April 15, 2024 7:01 pm
To: Jonalyn T. Mendoza; Princess Minesa L. Angeles
Subject: FW: Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Monday, April 15, 2024 6:57 PM
To: Krizia O. Santos <KSANTOS@SMCGPH.SANMIGUEL.COM.PH>
Cc: JRLORENZANA@SMCGPH.SANMIGUEL.COM.PH
Subject: Your BIR AFS eSubmission uploads were received

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi SMC GLOBAL POWER HOLDINGS CORP,

Valid files

- EAFS006960000ITRTY122023.pdf
- EAFS006960000AFSTY122023.pdf
- EAFS006960000TCRTY122023-01.pdf
- EAFS006960000OTHTY122023.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-QSRQX1ZQ0MVX1V43QPQY2XTTZ04Z2YN4SV**
Submission Date/Time: **Apr 15, 2024 06:56 PM**
Company TIN: **006-960-000**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

Disclaimer and Data Privacy Notice

This email and any attachment/s ("Email") is confidential and for viewing only by the intended recipient/s. If you received this in error, please notify us immediately and delete all copies. Any unauthorized access to review, reproduce, or disseminate the information contained herein is strictly prohibited. San Miguel Corporation, its subsidiaries and affiliates (collectively "SMC") does not guarantee the security of any information electronically transmitted.

This Email may contain personal and sensitive personal information, and will be subject to the Data Privacy Act of 2012, its implementing rules, regulations and issuances of the National Privacy Commission of the Philippines ("Privacy Laws"). By viewing, using, storing, sharing and disposing (collectively "Processing") this Email, you agree to comply with the Privacy Laws. By responding to this Email, you consent to the Processing by SMC of the Personal Data contained in your reply Email in accordance with SMC's Personal Data Privacy Policy which you can find at www.sanmiguel.com.ph.

SMC is not liable for the proper and complete transmission of the information contained in this Email nor for any delay in its receipt. The use of this Email for any unlawful purpose or for any purpose other than as permitted by SMC is strictly prohibited. Opinions, conclusions and statements in this Email are opinions, conclusions and statements of the sender and are not necessarily given, endorsed, espoused or expressed by SMC.

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	8	0	1	0	9	9

COMPANY NAME

S	A	N		M	I	G	U	E	L		G	L	O	B	A	L		P	O	W	E	R								
H	O	L	D	I	N	G	S		C	O	R	P	.																	
(	F	o	r	m	e	r	l	y		S	M	C		G	l	o	b	a	l		P	o	w	e	r					
H	o	l	d	i	n	g	s		C	o	r	p	.	)																
(	A		W	h	o	l	l	y	-	o	w	n	e	d		S	u	b	s	i	d	i	a	r	y		o	f		
S	a	n		M	i	g	u	e	l		C	o	r	p	o	r	a	t	i	o	n	)								

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

5	t	h		F	l	o	o	r	,		C	5		O	f	f	i	c	e		B	u	i	l	d	i	n	g	
C	o	m	p	l	e	x	,		#	1	0	0		E	.		R	o	d	r	i	g	u	e	z		J	r	.
A	v	e	.	,		C	5		R	o	a	d	,		B	o	.		U	g	o	n	g						
P	a	s	i	g		C	i	t	y		1	6	0	4	,		M	e	t	r	o		M	a	n	i	l	a	

Form Type

A A F S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's email Address

N/A

Company's Telephone Number/s

5317-1000

Mobile Number

N/A

No. of Stockholders

8

Annual Meeting (Month / Day)

June / 1st Tuesday

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Paul Bernard D. Causon

Email Address

pcauson@smcgp.ph.sanmiguel.com.ph

Telephone Number/s

5317-1000

Mobile Number

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)

SEPARATE FINANCIAL STATEMENTS
December 31, 2023 and 2022

With Independent Auditors' Report



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

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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.) (the “Company”), a wholly-owned subsidiary of San Miguel Corporation, which comprise the separate statements of financial position as at December 31, 2023 and 2022, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2023 and 2022, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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 Separate Financial Statements* section of our report. We are independent of the Company 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 separate 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.

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

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

In preparing the separate 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.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

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 10075206

Issued January 2, 2024 at Makati City

April 15, 2024

Makati City, Metro Manila

**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 separate financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, 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 the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 separate financial statements including the schedules attached therein, and submits the same to the stockholders or members.

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the separate 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 and COO



PAUL BERNARD D. CAUSON
Chief Finance Officer



Signed this 11th day of March 2024

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
(A Wholly-owned Subsidiary of San Miguel Corporation)
SEPARATE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(In Thousands)

	<i>Note</i>	2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	4, 6, 22, 23	P11,592,686	P7,909,888
Receivables	4, 5, 7, 9, 16, 22, 23	161,258,288	147,486,761
Prepaid expenses and other current assets	4, 8, 22, 23	1,679,618	1,715,801
Total Current Assets		174,530,592	157,112,450
Noncurrent Assets			
Investments and advances - net	4, 9	316,858,159	261,502,389
Property and equipment - net	4, 10, 19	198,948	268,464
Right-of-use assets - net	4, 5, 19	138,137	232,870
Intangible assets - net	4, 10, 11	79,209	88,140
Other noncurrent assets	9, 12, 16, 22, 23	11,797,536	6,510,057
Total Noncurrent Assets		329,071,989	268,601,920
		P503,602,581	P425,714,370
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	13, 14, 22, 23	P13,736,000	P21,000,000
Accounts payable and accrued expenses	13, 14, 15, 16, 22, 23	11,802,003	7,536,254
Lease liabilities - current portion	4, 5, 22, 23	63,572	66,011
Current maturities of long-term debt - net of debt issue costs	15, 22, 23	46,295,291	49,844,080
Total Current Liabilities		71,896,866	78,446,345
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	15, 22, 23	107,909,047	138,442,679
Deferred tax liabilities	21	338,060	340,115
Lease liabilities - net of current portion	4, 5, 22, 23	69,043	160,567
Defined benefit retirement liability	4, 17	236,798	236,597
Total Noncurrent Liabilities		108,552,948	139,179,958
Total Liabilities		180,449,814	217,626,303

Forward

	Note	2023	2022
Equity	18		
Capital stock		P2,823,604	P1,250,004
Additional paid-in capital		48,081,781	2,490,000
Senior perpetual capital securities		161,767,709	161,767,709
Redeemable perpetual securities		102,546,825	37,667,795
Equity reserves		(2,904,865)	(2,941,578)
Retained earnings		10,837,713	7,854,137
Total Equity		323,152,767	208,088,067
		P503,602,581	P425,714,370

See Notes to the Separate Financial Statements.

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

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands)

	<i>Note</i>	2023	2022
REVENUE			
Dividends	9, 16	P31,811,543	P22,110,646
Management and shared services income	16	2,091,420	1,794,798
Interest income	6, 16	232,559	199,715
Gain on sale of investments	9, 16	-	2,696,301
		34,135,522	26,801,460
COSTS AND EXPENSES	19	1,861,217	1,700,036
INCOME FROM OPERATIONS		32,274,305	25,101,424
INTEREST EXPENSE AND OTHER FINANCING CHARGES	5, 13, 15, 17	(14,182,675)	(10,817,914)
OTHER INCOME (CHARGES) - Net	20	34,281	(1,132,692)
INCOME BEFORE INCOME TAX		18,125,911	13,150,818
INCOME TAX EXPENSE - Net	21	107,262	413,839
NET INCOME		18,018,649	12,736,979
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss			
Remeasurements gain (loss) on net defined benefit retirement plan	17	5,484	(29,847)
Item that may be reclassified to profit or loss			
Net gain (loss) on cash flow hedges	23	31,229	(40,038)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		36,713	(69,885)
TOTAL COMPREHENSIVE INCOME - Net of tax		P18,055,362	P12,667,094

See Notes to the Separate Financial Statements.

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

SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands)

		Capital	Additional	Senior Perpetual	Redeemable	Equity Reserves			Unappropriated	
	Note	Stock	Paid-in Capital	Capital Securities	Perpetual Securities	Reserve for Retirement Plan	Hedging Reserve	Other Equity Reserve	Retained Earnings	Total
As at January 1, 2023		P1,250,004	P2,490,000	P161,767,709	P37,667,795	(P79,414)	(P31,229)	(P2,830,935)	P7,854,137	P208,088,067
Net income		-	-	-	-	-	-	-	18,018,649	18,018,649
Other comprehensive income - net of tax	17, 23	-	-	-	-	5,484	31,229	-	-	36,713
Total comprehensive income		-	-	-	-	5,484	31,229	-	18,018,649	18,055,362
Issuance of redeemable perpetual securities	18, 24	-	-	-	64,879,030	-	-	-	-	64,879,030
Issuance of capital stock	18, 24	1,573,600	45,591,781	-	-	-	-	-	-	47,165,381
Distributions to senior perpetual capital securities	18	-	-	-	-	-	-	-	(15,035,073)	(15,035,073)
Transactions with owners		1,573,600	45,591,781	-	64,879,030	-	-	-	(15,035,073)	97,009,338
As at December 31, 2023		P2,823,604	P48,081,781	P161,767,709	P102,546,825	(P73,930)	P -	(P2,830,935)	P10,837,713	P323,152,767

Forward

	Note	Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Equity Reserves			Unappropriated Retained Earnings	Total
						Reserve for Retirement Plan	Hedging Reserve	Other Equity Reserve		
As at January 1, 2022		P1,062,504	P2,490,000	P167,767,364	P32,751,570	(P49,567)	P8,809	(P2,830,935)	P10,799,137	P211,998,882
Net income		-	-	-	-	-	-	-	12,736,979	12,736,979
Other comprehensive loss - net of tax	17, 23	-	-	-	-	(29,847)	(40,038)	-	-	(69,885)
Total comprehensive income (loss)		-	-	-	-	(29,847)	(40,038)	-	12,736,979	12,667,094
Issuance of redeemable perpetual securities	18, 24	-	-	-	4,916,225	-	-	-	-	4,916,225
Repurchase of senior perpetual capital securities	18, 24	-	-	(5,999,655)	-	-	-	-	1,297,015	(4,702,640)
Collection of subscription receivable	18	187,500	-	-	-	-	-	-	-	187,500
Distributions:										
Redeemable perpetual securities	18	-	-	-	-	-	-	-	(1,616,926)	(1,616,926)
Senior perpetual capital securities	18	-	-	-	-	-	-	-	(15,362,068)	(15,362,068)
Transactions with owners		187,500	-	(5,999,655)	4,916,225	-	-	-	(15,681,979)	(16,577,909)
As at December 31, 2022		P1,250,004	P2,490,000	P161,767,709	P37,667,795	(P79,414)	(P31,229)	(P2,830,935)	P7,854,137	P208,088,067

See Notes to the Separate Financial Statements.

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

SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands)

	<i>Note</i>	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P18,125,911	P13,150,818
Adjustments for:			
Interest expense and other financing charges	5, 13, 15	14,165,573	10,806,404
Depreciation and amortization	5, 10, 11, 19	208,629	192,117
Retirement cost	17	37,960	66,802
Gain from sale of fixed assets	10	(572)	-
Interest income	6, 16	(232,559)	(199,715)
Unrealized foreign exchange losses (gains) - net		(1,873,000)	2,288,488
Dividend income	9, 16	(31,811,543)	(22,110,646)
Operating income (loss) before working capital changes		(1,379,601)	4,194,268
Decrease (increase) in:			
Receivables	7	291,431	(60,429,860)
Prepaid expenses and other current assets	8	(121,555)	(162,027)
Other noncurrent assets	12	(5,258,841)	(4,398,092)
Increase in accounts payable and accrued expenses	14	6,733,948	6,085,455
Cash generated from (used in) operations		265,382	(54,710,256)
Interest income received		173,970	115,127
Income taxes paid		(95,124)	(60,414)
Interest expense and other financing charges paid	13, 14, 15	(13,999,409)	(11,121,231)
Net cash flows used in operating activities		(13,655,181)	(65,776,774)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		16,694,999	9,504,000
Proceeds from sale of investments		-	506,470
Additions to intangible assets	11	(23,368)	(34,800)
Additions to property and equipment	10	(41,810)	(38,333)
Acquisition of subsidiaries	9	(18,750)	(15,500)
Return of (additions to) investments and advances	9	(3,324,604)	362,065
Payment of stock subscriptions	9	(52,245,978)	(17,542,864)
Net cash flows used in investing activities		(38,959,511)	(7,258,962)

Forward

	<i>Note</i>	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	13, 24	P95,322,000	P49,974,000
Proceeds from issuance of redeemable perpetual securities	18, 24	64,879,030	4,916,225
Proceeds from issuance of capital stock	18, 24	47,165,381	-
Proceeds from collection of subscription receivable	18	-	187,500
Proceeds from long-term debts	15, 24	15,822,500	72,312,000
Distributions paid to redeemable perpetual securities holder	18	-	(1,616,926)
Repurchase of senior perpetual capital securities	18, 24	-	(4,702,640)
Payments of lease liabilities	5, 24	(93,963)	(65,294)
Distributions paid to senior perpetual capital securities holders	18	(15,035,073)	(15,362,068)
Payments of long-term debts	15, 24	(49,566,190)	(23,957,820)
Payments of short-term borrowings	13, 24	(102,586,000)	(29,540,000)
Net cash flows provided by financing activities		55,907,685	52,144,977
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		389,805	636,937
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		3,682,798	(20,253,822)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		7,909,888	28,163,710
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	6	P11,592,686	P7,909,888

See Notes to the Separate Financial Statements.

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data and Number of Shares)

1. Reporting Entity

San Miguel Global Power Holdings Corp. (the 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 Company has a perpetual corporate life in accordance with the Revised Corporation Code of the Philippines which took effect on February 23, 2019.

On December 21, 2022, the stockholders of the 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.

The Company is a wholly-owned subsidiary of San Miguel Corporation (SMC). The ultimate parent company 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. (PSE).

The Company's subsidiaries, primarily engaged in power generation, retail and other power-related services, are incorporated in the Philippines and registered with the Philippine SEC. The major subsidiaries include the following:

	Percentage of Ownership	
	2023	2022
<i>Power Generation:</i>		
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
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
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 Co. Ltd. (MPCL, formerly Masinloc Power Partners Co. Ltd.) ^(g)	100	100
Power Ventures Generation Corporation (PVGC) ^{(g) (f)}	100	100
Mariveles Power Generation Corporation (MPGC) ^(h)	95	95
SMC Global Light and Power Corp. (SGLPC)	100	100
Excellent Energy Resources Inc. (EERI)	100	100
<i>Retail and Other Power-related Services</i>		
SMGP BESS Power Inc. (SMGP BESS, formerly Universal Power Solutions, Inc.) ⁽ⁱ⁾	100	100
SMGP Kabankalan Power Co. Ltd. (SMGP Kabankalan, formerly SMCGP Philippines Energy Storage Co. Ltd.) ^(j)	100	100
Albay Power and Energy Corp. (APEC)	100	100
SMC Power Generation Corp. (SPGC) ^(k)	100	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.
- (f) On June 2, 2022, the 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 9).
- (g) Co-owned by the Company with its wholly-owned subsidiaries, SMCGP Masinloc Power Company Limited (MaPoCo) and PVGC, and owner of the Masinloc Power Plant (Note 9). On November 13, 2023, the Philippine SEC approved the change in corporate name to "Masinloc Power Co. Ltd."
- (h) The Company subscribed to additional unissued common shares of MPGC in December 2022, thereby increasing its ownership interest from 91.98% 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 Zygnnet Prime Holdings, Inc. (Zygnnet), respectively. It has not yet started commercial operations as at December 31, 2023 (Note 9).
- (i) Owner of various battery energy storage system (BESS) facilities in the country. SMGP BESS commenced commercial operations in August 2023. On November 3, 2023, the Philippine SEC approved the change in the corporate name to "SMGP BESS Power Inc."
- (j) Indirectly owned by the Company, through its wholly-owned subsidiaries PEGC and OPGC, and owner of the BESS facility in Kabankalan, Negros Occidental. SMGP Kabankalan started its commercial operations in January 2022. On September 21, 2023, the Philippine SEC approved the change in the corporate name to "SMGP Kabankalan Power Co. Ltd."
- (k) SPGC owns 35% of the outstanding capital stock of Olongapo Electricity Distribution Company, Inc., (OEDC) as an associate.

2. Basis of Preparation

Statement of Compliance

The accompanying separate 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 Company also prepared and issued consolidated financial statements for the same period in which it consolidates all its investments in shares of stock of subsidiaries in accordance with PFRS 10, *Consolidated Financial Statements*. Such consolidated financial statements provide information about the economic activities of the Company and its subsidiaries.

The separate financial statements were approved and authorized for issue in accordance with a resolution by the BOD on March 11, 2024.

Basis of Measurement

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

3. Material Accounting Policy Information

The accounting policies set out below have been applied consistently to all periods presented in the separate 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 Company 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.

The Company reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information in certain instances in line with the amendments.

- 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 separate 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, 2023 and have not been applied in preparing the separate financial statements.

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

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:
 - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.
 - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

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

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

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting 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 Company presents assets and liabilities in the separate 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 Company 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 Company recognizes a financial asset or a financial liability in the separate 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 Company 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 Company for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Company 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 Company 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 Company 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 Company'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 Company 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 Company 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 Company's claim to cash flows from specified assets.

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 profit or loss when the financial asset is derecognized, modified or impaired.

The Company's cash and cash equivalents, receivables and restricted cash are included under this category (Notes 6, 7, 12, 22 and 23).

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 Company 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 profit or loss. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the separate statements of changes in equity are transferred to and recognized in profit or loss.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in profit or loss 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 separate statements of changes in equity are never reclassified to profit or loss.

The Company's derivative assets that are designated as cash flow hedge are classified under this category (Notes 8, 12, 22 and 23).

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 Company 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 Company carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in profit or loss as incurred. Changes in fair value and realized gains or losses are recognized in profit or loss. 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 profit or loss. Any dividend income from investment in equity instrument is recognized in profit or loss 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 Company's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 8, 22 and 23).

Financial Liabilities

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

The Company's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 14, 22 and 23).

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 separate statements of comprehensive income. Gains and losses are recognized in profit or loss 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 profit or loss.

The Company's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt and lease liabilities are included under this category (Notes 5, 13, 14, 15, 22 and 23).

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 Company 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.

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 profit or loss.

Impairment of Financial Assets

The Company 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 Company in accordance with the contract and the cash flows that the Company 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 Company 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 assets has increased significantly since initial recognition and when estimating ECLs, the Company 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 Company's historical experience and informed credit assessment and including forward-looking information.

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

At each reporting date, the Company 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 Company on terms that the Company 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 Company 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 Company 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 Company 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 Company'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 profit or loss.

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 Company; 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.

Derivative Financial Instruments and Hedge Accounting

The Company uses derivative financial instruments, such as forwards and swaps to manage its exposure on foreign currency risk. 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 profit or loss.

Freestanding Derivatives

The Company 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 Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Company 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 separate 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 profit or loss.

The Company 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 profit or loss, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects profit or loss 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 profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

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 profit or loss as a reclassification adjustment in the same period or periods as the hedged cash flows affect profit or loss, 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 separate statements of comprehensive income.

The Company has outstanding derivative assets accounted for as cash flow hedge as at December 31, 2022 (Notes 8, 12, 22 and 23), which matured in March 2023.

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 profit or loss 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.

Acquisition of an Entity that does not Constitute a Business

If the Company acquires an entity that does not constitute a business, then the transaction is outside the scope of PFRS 3, *Business Combination*. 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.

Investments in Subsidiaries

The Company's investments in subsidiaries are accounted for under the cost method as provided for under PAS 27, *Separate Financial Statements*. The investments are carried in the separate statements of financial position at cost less any impairment in value. The Company recognizes dividend from a subsidiary in profit or loss when its right to receive the dividend is established.

A subsidiary is an entity controlled by the Company. The Company 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 Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Property and Equipment

Property and equipment 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 and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property 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, 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 and equipment only when it is probable that future economic benefits associated with the items will flow to the Company 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 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
Office equipment and furniture and fixtures	3 - 5
Transportation equipment	5
Leasehold improvements	5
	or term of the lease, whichever is shorter

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 and equipment.

The carrying amounts of property 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 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 and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the period of retirement and disposal.

Leases

At inception of a contract, the Company 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 Company assesses whether, throughout the period of use:

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

The Company 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 which range from 2 to 5 years.

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 Company's incremental borrowing rate. Generally, the Company 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 Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company 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 Company 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 Company recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. 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 profit or loss in the year in which the related expenditures are incurred.

The useful life 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 profit or loss consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the estimated useful life of the intangible assets of 3 years.

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 profit or loss when the asset is derecognized.

Impairment of Non-financial Assets

The carrying amounts of investments and advances, property and equipment, right-of-use assets, 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. 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 profit or loss 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 profit or loss. 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.

Fair Value Measurements

The Company 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 Company.

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 Company 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 separate 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 separate financial statements on a recurring basis, the Company 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 Company 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 Company 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.

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 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.

Other Equity Reserve

The other equity reserve includes the effect of transactions with holders of the Company's capital securities.

Senior Perpetual Capital Securities (SPCS) and Redeemable Perpetual Securities (RPS)

SPCS and RPS 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 and RPS are recognized as a deduction from equity, net of tax.

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 Company 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 Company expects to be entitled in exchange for those goods or services.

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 Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The Company assesses its revenue arrangements to determine if it is acting as principal or agent. The Company 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:

Dividend Income

Dividend income is recognized when the Company's right to receive the payment is established.

Management and Shared Services Income

Management and shared services income is recognized when earned in accordance with the terms of the agreement.

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.

Gain or Loss on Sale of Investment in Shares of Stock

Gain or loss is recognized when the Company disposes of its investment in shares of stock of a subsidiary. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

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. Expenses are recognized when incurred.

Interest Expense and Other Financing Charges

Interest expense and other financing charges comprise finance charges on lease liabilities, loans, premium on option liabilities and other borrowings. Finance charges on lease liabilities, loans and premium on option liabilities are recognized in profit or loss using the effective interest method.

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 Company 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 profit or loss. 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 profit or loss.

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 profit or loss 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 profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are initially recorded in the respective functional currency of the Company 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 profit or loss.

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 Company 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, and an associate, 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 and an associate, 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 Company 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 profit or loss 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" or "Accounts payable and accrued expenses" accounts in the separate 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.

Contingencies

Contingent liabilities are not recognized in the separate financial statements. They are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed in the notes to the separate 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 Company's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the separate 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 separate 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 Company has made the following judgments, apart from those involving estimations, which have significant effect on the amounts recognized in the separate financial statements:

Determining whether a Contract Contains a Lease. The Company uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Company 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 - Company as Lessee. The Company has entered into various lease agreements as a lessee. The Company had determined that the significant risks and rewards of property leased from third party and related parties are retained by the lessors.

Rent expense recognized in profit or loss amounted to P326 and P188 in 2023 and 2022, respectively (Notes 5 and 19).

Determining the Lease Term of Contracts with Renewal Options - Company as Lessee. The Company 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 Company has several lease contracts that include extension options. At lease commencement date, the Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company's lease liabilities amounted to P132,615 and P226,578 as at December 31, 2023 and 2022, respectively (Notes 5, 22 and 23).

Determining Whether the Company is acting as a Principal or Agent in a Revenue Transaction. The determination whether the Company 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 Company obtains control of the specified goods and services before it is transferred to the customer.

For the management and shared services income, the Company has the obligation to provide a recurring service to the customer over the contract term and transfers control upon delivery, hence, the Company has determined that it is acting as principal in these revenue arrangements with customers.

Adequacy of Tax Liabilities. The Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company 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 Company 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 Company 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 separate statements of financial position.

The Company 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 23.

Estimates and Assumptions

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

Assessment of ECL on Receivables. The Company, in applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for receivables. The Company also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Company 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 Company has assessed that the forward-looking default rate component of its ECL on receivables is not material because substantial amount of 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 Company from its receivables.

There were no receivables written-off in 2023 and 2022. The carrying amount of receivables amounted to P161,258,288 and P147,486,761 as at December 31, 2023 and 2022, respectively (Note 7).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Company 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 Company 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 Company 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 Company 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 Company 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 2023 and 2022.

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2023	2022
Financial Assets			
Cash and cash equivalents (excluding cash on hand)	6	P11,592,100	P7,909,453
Noncurrent receivables (including Amounts owed by related parties, included under "Other noncurrent assets" account)	9, 12, 16	4,124,987	3,780,890
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	8, 12	55	60
	22, 23	P15,717,142	P11,690,403

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

The Company 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 Company 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).

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 Company 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 23.

Estimated Useful Lives of Property and Equipment and Right-of-Use Assets. The Company estimates the useful lives of property 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 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 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 and equipment and right-of-use assets would increase the recorded costs and expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation and amortization, amounted to P198,948 and P268,464 as at December 31, 2023 and 2022, respectively. Accumulated depreciation and amortization of property and equipment amounted to P342,552 and P241,294 as at December 31, 2023 and 2022, respectively (Note 10).

Right-of-use assets, net of accumulated depreciation and amortization, amounted to P138,137 and P232,870 as at December 31, 2023 and 2022, respectively. Accumulated depreciation and amortization of right-of-use assets amounted to P174,626 and P210,910 as at December 31, 2023 and 2022, respectively (Note 5).

Estimated Useful Life of an Intangible Asset. The useful life of an intangible asset is 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 Company.

Intangible asset with finite useful life, such as computer software and licenses, net of accumulated amortization, amounted to P79,209 and P88,140 as at December 31, 2023 and 2022, respectively. Accumulated amortization of intangible asset amounted to P249,720 and P208,738 as at December 31, 2023 and 2022, respectively (Note 11).

Realizability of Deferred Tax Assets. The Company 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 Company'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.

Deferred tax assets arising from MCIT and NOLCO have not been recognized because the management believes that it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom (Note 21).

Deferred tax assets from temporary differences amounted to nil as at December 31, 2023 and 2022 (Note 21).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments and advances, property and equipment, right-of-use assets, and intangible assets with finite useful life 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 separate 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.

The Company assessed that its non-financial assets are not impaired as at December 31, 2023 and 2022.

The combined carrying amounts of investments and advances, property and equipment, right-of-use assets and intangible assets with finite useful life amounted to P317,274,453 and P262,091,863 as at December 31, 2023 and 2022, respectively (Notes 5, 9, 10 and 11).

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 17 to the separate financial statements and include discount rate and salary increase rate.

The Company 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 Company 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 Company are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Company.

The present value of defined benefit retirement obligation amounted to P270,091 and P236,868 as at December 31, 2023 and 2022, respectively (Note 17).

5. Lease Agreement

The Company entered into various lease agreements with the following terms:

- a. for lease of office spaces and staff house with San Miguel Properties, Inc. (SMPI) and Bright Ventures Realty, Inc. (BVRI), both entities under common control, for periods ranging from 1 to 5 years (Note 16).

- b. for lease of office and parking spaces with Mabini Properties, Inc., an entity under common control, commencing in March 2021 for a term of 5 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 (Note 16).

Certain lease agreements of the Company that are short-term in nature did not qualify under PFRS 16 for the recognition of right-of-use assets and lease liabilities.

Relative to the lease agreements, the Company was required to pay advance rental and security deposits which are included under "Receivables" or "Prepaid expenses and other current assets" accounts in the separate statements of financial position (Notes 7 and 8).

The movements in right-of-use assets are as follows:

	<i>Note</i>	
Cost		
January 1, 2022		P402,943
Additions		40,837
December 31, 2022		443,780
Retirement/reversal		(131,017)
December 31, 2023		312,763
Accumulated Depreciation and Amortization		
January 1, 2022		138,475
Depreciation and amortization	19	72,435
December 31, 2022		210,910
Depreciation and amortization	19	65,235
Retirement/reversal		(101,519)
December 31, 2023		174,626
Carrying Amount		
December 31, 2022		P232,870
December 31, 2023		P138,137

Maturity analysis of lease payments as at December 31, 2023 and 2022 are disclosed in Note 22.

The retirement and reversal reported in 2023 pertain to the termination of lease agreements with SMPI and BVRI.

As at December 31, 2023 and 2022, the lease liabilities recognized in the separate statements of financial position amounted to P132,615 and P226,578, respectively.

Interest expense on lease liabilities, recognized as part of "Interest expense and other financing charges" account in the separate statements of comprehensive income, amounted to P9,155 and P13,590 in 2023 and 2022, respectively.

Rent expense recognized in the separate statements of comprehensive income amounted to P326 and P188 in 2023 and 2022, respectively (Notes 4 and 19).

Total cash outflows amounted to P94,289 and P65,482 in 2023 and 2022, respectively.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<i>Note</i>	2023	2022
Cash in banks and on hand		P2,292,686	P2,373,563
Short-term investments		9,300,000	5,536,325
	4, 22, 23	P11,592,686	P7,909,888

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 Company and earn interest at short-term investment rates. Interest income from cash and cash equivalents amounted to P176,138 and P122,041 in 2023 and 2022, respectively.

7. Receivables

Receivables consist of:

	<i>Note</i>	2023	2022
Amounts owed by related parties	5, 9, 16	P116,816,836	P118,267,180
Dividend receivables	9, 16	43,723,190	28,606,646
Other receivables		718,262	612,935
	22, 23	P161,258,288	P147,486,761

Receivables are unsecured and are generally on a 30-day term or an agreed collection period and non-interest bearing unless as may be agreed by both parties.

Dividend receivables consist of cash dividends declared in 2023 and 2022 and collectible in 2024 from the following:

	2023	2022
MPCL	P13,541,230	P1,864,660
SPPC	11,200,000	11,200,000
MaPoCo	8,010,600	1,160,520
SMCGP Masinloc Partners Company Limited (MaPaCo)	5,098,360	533,466
MPI	2,500,000	2,048,000
SRHI	1,600,000	-
Dewsweeper Industrial Park, Inc. (DIPI)	650,000	-
SPI	300,000	9,300,000
LPI	260,000	2,500,000
OPGC	250,000	-
Multi-Ventures Investment Holdings, Inc. (MVIHI)	110,000	-
Bluelight Industrial Estate, Inc. (Bluelight)	80,000	-
Grand Planters International, Inc. (GPII)	63,000	-
PEGC	60,000	-
	P43,723,190	P28,606,646

Other receivables mainly pertain to receivables from third parties for the installment sale of investment in Strategic Energy Development Inc. (SEDI) in 2022 (Note 9) and accrued interest income on money market placements (Note 6).

8. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	<i>Note</i>	2023	2022
Prepaid tax		P1,511,237	P1,334,881
Input VAT		119,929	24,128
Restricted cash	22, 23	5	5
Derivative assets designated as cash flow hedge	22, 23	-	143,545
Derivative assets not designated as cash flow hedge	22, 23	-	133,830
Other prepaid expenses	5	48,447	79,412
		P1,679,618	P1,715,801

Prepaid tax consists of creditable withholding taxes and excess tax credits which can be used as a deduction against future income tax payable.

Input VAT consists of VAT on purchases of goods and services which can be offset against the output VAT payable (Note 14).

Other prepaid expenses pertain mainly to prepaid legal and financial advisory fees relating to the Company's financing activities and prepayments of various operating expenses.

The methods and assumptions used to estimate the fair values of derivative assets are discussed in Note 23.

9. Investments and Advances

Investments and advances consist of:

	<i>Note</i>	2023	2022
Investments in Subsidiaries	1		
MaPoCo		P61,339,543	P61,339,543
MaPaCo		37,254,611	37,254,611
SPPC		20,131,375	20,131,375
MPCL		17,452,220	13,292,775
MPGC		17,387,749	17,387,749
SPI		16,509,693	16,509,693
LPI		15,337,500	15,337,500
SMGP BESS		10,000,000	10,000,000
PVEI		8,239,000	8,239,000
MPI		8,125,754	8,125,754
EERI		7,800,250	7,800,250
SMC PowerGen Inc. (SPGI)		7,217,610	7,217,610
GPII		3,362,972	3,362,972
SRHI		1,501,300	1,501,300
Lumiere Energy Technologies Inc.		700,000	700,000
PEGC		620,000	620,000
SPGC		528,700	528,700
SMCGP Transpower Pte. Ltd. (SMCGP Transpower)		381,417	381,417
OPGC		250,000	250,000
San Miguel Electric Corp.		250,000	250,000
TopGen Energy Development Inc. (TEDI)		192,375	192,375
APEC		150,000	150,000

Forward

	<i>Note</i>	2023	2022
Central Luzon Premiere Power Corp. (CLPPC)		P125,000	P125,000
Ilijan Primeline Industrial Estate Inc. (IPIEC)		50,000	-
Blue Eagle Star, Corp. (Blue Eagle)		25,000	-
Premiere Energy Resources Inc. (PERI)		25,000	25,000
VisMin Power Dynamics Services Inc. (VPDSI, formerly Safetech Power Services Corp.)		15,000	15,000
MVIHI		10,000	10,000
Luzon Power Dynamics Services Inc. (LPDSI, formerly Mantech Power Dynamics Services Inc.)		9,250	9,250
SMCGP Philippines, Inc. (SPHI)		8,414	8,414
DIPI		5,138	5,138
Bluelight		5,500	5,500
PVGC		1,000	1,000
Everest Power Development Corporation (EPDC)		350	350
Ascend Power Resources Inc.		350	350
Energy Core Resources Inc.		350	350
SGLPC		250	250
Prestige Power Resources Inc. (PPRI)		250	250
Reliance Energy Development Inc. (REDI)		250	250
Converge Power Generation Corp. (CPGC)		250	250
		235,013,421	230,778,976
Advances		81,844,738	30,723,413
		P316,858,159	P261,502,389

Advances pertain to deposits made to EERI, MPGC, MVIHI, DIPI, PVGC, Bluelight, SGLPC, REDI, CPGC, PPRI, TEDI, SPPC, GPII, VPDSI, IPIEC, and Blue Eagle, and certain landholding companies which will be applied to future stock subscriptions.

The following are the developments relating to the Company's investments in subsidiaries:

i. PVEI

In January 2017, PVEI granted shareholder loan amounting to US\$31,800 (equivalent to P1,578,870) to its joint venture company, AHC. The shareholder loan bears an annual interest rate of 4.50% and is due on April 30, 2017. As agreed amongst the parties, the due date of the shareholder loan was extended to December 31, 2023.

In February 2023 and June and October 2021, PVEI granted shareholder loans to AHC amounting to P344,097, 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.

The Company granted several cash advances to fund the shareholder loans of PVEI to AHC. As at December 31, 2023 and 2022, the remaining balance of the cash advance granted to PVEI in 2017 amounted to P103,663 and P104,381, respectively, and presented as part of "Receivables" account in the separate statements of financial position (Notes 7 and 16). The balance of the cash advances granted to PVEI in 2021 to 2023 amounted to P1,352,637 and P1,008,540, presented as part of "Other noncurrent assets" account in the separate statements of financial position as at December 31, 2023 and 2022, respectively (Notes 12 and 16).

ii. SPI and SPPC

On April 1, 2022, the Company subscribed to the remaining unissued capital shares of the respective subsidiaries as follows:

Subsidiary	Number of Shares	Subscription Price per Share	Total Amount of Subscription
SPI	40,000,000	P150	P6,000,000
SPPC	44,200,000	150	6,630,000

The Company paid the additional share subscriptions in tranches up to April 1, 2022.

The additional capital infusions partially financed the capital expenditures and working capital requirements of SPI and SPPC.

In December 2022, the Company's subsidiary, SPI, sold its 100% shareholdings in Daguma Agro-Minerals, Inc. (DAMI), Bonanza Energy Resources, Inc. (BERI) and Sultan Energy Phils. Corp. (SEPC) to a third party for P1,817,849.

DAMI and SEPC own coal mining properties, covered by Coal Operating Contracts issued by the Philippine Department of Energy, located in the provinces of Sarangani, South Cotabato and Sultan Kudarat.

Such sale resulted to loss of ownership and control by SPI over the said entities.

iii. SMCGP Masin Pte. Ltd. (SMCGP Masin), SMCGP Transpower, SPHI (the "Masinloc Group")

On August 30, 2022, the Philippine SEC approved the petition for withdrawal of the license to operate of SMCGP Masin - Philippine Branch. Following the completion of the dissolution of SMCGP Masin and the assignment of SMCGP Masin - Singapore Branch's interests in MaPaCo and MaPoCo, the resulting direct ownership interests of the Company in MaPaCo and MaPoCo increased to 99.96% and 60.00%, respectively.

iv. MPCL

In June 2023, the Company made additional capital contributions amounting to US\$74,270 (equivalent to P4,159,445) to MPCL, increasing further the partnership interest to 60.45%.

v. MPGC

MPGC is the owner of the 4 x 150 MW CFB Coal-fired Power Plant that is being constructed in Mariveles, Bataan (Mariveles Greenfield Power Plant).

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 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, which was fully paid in 2022. The increase in authorized capital stock was approved by the Philippine SEC on December 27, 2022.

Following the subscription, the Company's ownership interests in MPGC increased from 91.98% as at December 31, 2021 to 94.55% as at December 31, 2022. Consequently, the 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 financed in part the power plant project of MPGC.

As at December 31, 2023, Units 1 and 2 of the Mariveles Greenfield Power Plant are undergoing testing and commissioning.

vi. Acquisition of Subsidiaries

Blue Eagle and IPIEC

On April 3 and December 19, 2023, the Company acquired the 100% outstanding capital stock of IPIEC and Blue Eagle, respectively, for a total consideration amount of P75,000. IPIEC and Blue Eagle own and manage various properties located in the provinces of Batangas and Cavite, respectively.

The following summarized the recognized net assets acquired from Blue Eagle and IPIEC at acquisition date:

	IPIEC	Blue Eagle
Current assets	P287,011	P22,128
Noncurrent assets	1,541,208	132,736
Current liabilities	(1,129,312)	(4,022)
Noncurrent liabilities	(648,907)	(125,842)
Net assets	P50,000	P25,000

MVIHI and Bluelight

On August 25, 2022, the 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 provinces of Cavite and Quezon, respectively.

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

These transactions are accounted for as asset acquisitions since the assets and activities do not constitute a business as defined in PFRS 3.

vii. TEDI

On August 2, 2021, the Company subscribed to 847,500 shares out of the remaining unissued shares of TEDI, at the subscription price of P150 per share, for a total subscription amount of P127,125. Total subscription was fully paid in 2023.

The capital infusion funded TEDI's acquisition of properties in Daraga, Albay which will be used mainly for BESS projects.

viii. Sale of Subsidiaries

On August 26, 2022, the Company sold its 100% shareholdings in Soracil Prime Inc. (Soracil) and Ondarre Holding Corporation (OHC), to an entity under common control, and in SEDI, to a third party, for P5,064,700. 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, other receivables and noncurrent receivables under "Receivables" and "Other noncurrent assets" accounts in the separate statements of financial position (Notes 7, 12 and 16).

Soracil and OHC own certain parcels of land located in Barangay Wack-wack, Mandaluyong City. SEDI owns real properties, including land with a 15 MW heavy fuel oil power plant facility located in Tagum City, Davao del Norte.

The foregoing sale transactions resulted to loss of ownership and control by the Company over the said entities.

The Company has subscription payable to subsidiaries as follows:

	<i>Note</i>	2023	2022
CLPPC		P39,832	P39,832
PEGC		7,059	7,059
GPII		-	161,478
TEDI		-	72,083
	16	P46,891	P280,452

The Company recognized dividend income from the following subsidiaries:

	<i>Note</i>	2023	2022
MPCL		P11,676,570	P1,864,660
MaPoCo		6,850,080	1,160,520
MaPaCo		4,564,893	533,466
MPI		2,500,000	6,000,000
MVIHI		1,830,000	425,000
SRHI		1,600,000	-
DIPI		1,100,000	142,000
GPII		670,000	-
SPI		300,000	2,800,000
LPI		260,000	2,500,000
OPGC		250,000	-
Bluelight		150,000	25,000
PEGC		60,000	-
SPPC		-	5,700,000
SPGI		-	960,000
	16	P31,811,543	P22,110,646

10. Property and Equipment

Property and equipment consist of:

	Note	Office Equipment, Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Capital Projects in Progress	Total
Cost						
January 1, 2022		P193,127	P66,595	P139,873	P79,013	P478,608
Additions		316	2,147	5,584	30,286	38,333
Reclassifications	11	25,834	-	4,462	(37,479)	(7,183)
December 31, 2022		219,277	68,742	149,919	71,820	509,758
Additions		-	-	-	41,810	41,810
Reclassifications	11	17,218	18,568	31,324	(75,793)	(8,683)
Disposals		-	(1,385)	-	-	(1,385)
December 31, 2023		236,495	85,925	181,243	37,837	541,500
Accumulated Depreciation and Amortization						
January 1, 2022		84,607	47,095	29,726	-	161,428
Depreciation and amortization	19	45,315	7,018	27,533	-	79,866
December 31, 2022		129,922	54,113	57,259	-	241,294
Depreciation and amortization	19	51,868	8,655	41,889	-	102,412
Disposal		-	(1,154)	-	-	(1,154)
December 31, 2023		181,790	61,614	99,148	-	342,552
Carrying Amount						
December 31, 2022		P89,355	P14,629	P92,660	P71,820	P268,464
December 31, 2023		P54,705	P24,311	P82,095	P37,837	P198,948

Capital projects in progress pertains to the purchases of office equipment and various IT infrastructure projects for the new office space being leased by the Company.

Total depreciation and amortization expense related to property and equipment amounted to P102,412 and P79,866 in 2023 and 2022, respectively, included as part of "Costs and expenses" account in the separate statements of comprehensive income (Note 19).

Reclassifications mainly pertain to transfers from capital projects in progress account to specific property and equipment accounts and to intangible assets - net account for computer software-related project development costs (Note 11).

The disposal in 2023 is related to the sale of 1 unit of transportation equipment which resulted in gain amounting to P572.

Certain fully depreciated property and equipment with aggregate costs amounting to P152,154 and P103,306 as at December 31, 2023 and 2022, respectively, are still being used in the Company's operations.

11. Intangible Assets

The movements in computer software and licenses are as follows:

	<i>Note</i>	2023	2022
Computer Software and Licenses			
Cost			
Balance at beginning of year		P296,878	P254,895
Additions		23,368	34,800
Reclassifications	10	8,683	7,183
Balance at end of year		328,929	296,878
Accumulated Amortization			
Balance at beginning of year		208,738	168,922
Amortization	19	40,982	39,816
Balance at end of year		249,720	208,738
	4	P79,209	P88,140

12. Other Noncurrent Assets

Other noncurrent assets consist of:

	<i>Note</i>	2023	2022
Advances to suppliers and contractors		P7,672,411	P2,727,918
Amounts owed by related parties	9, 16, 22, 23	3,284,987	2,940,890
Noncurrent receivables	9, 22, 23	840,000	840,000
Prepaid input tax		88	1,194
Restricted cash	22, 23	50	55
		P11,797,536	P6,510,057

Advances to suppliers and contractors pertains to advance payments made for certain equipment ordered.

Noncurrent receivables pertain to receivables from a third party for the sale of investments in SEDI (Note 9).

13. Loans Payable

Loans payable account consist of unsecured short-term loans of the Company amounting to P13,736,000 and P21,000,000 as at December 31, 2023 and 2022, respectively (Notes 22 and 23). The interest rates applied ranged from 5.00% to 7.50% and from 5.00% to 5.50% as at December 31, 2023 and 2022, respectively. These loans were obtained from various local financial institutions to partially refinance maturing obligations, for working capital and for general corporate purposes.

Accrued interest on loans payable amounted to P49,988 and P183,854 as at December 31, 2023 and 2022, respectively (Note 14). Interest expense amounted to P1,098,603 and P573,384 in 2023 and 2022, respectively.

14. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	<i>Note</i>	2023	2022
Amounts owed to related parties	9, 16	P6,839,525	P3,613,246
Accrued interest	13, 15	1,026,022	1,274,126
Taxes payable		1,876,905	2,446,048
Accounts payable		1,968,887	58,146
Derivative liabilities not designated as cash flow hedge	22, 23	13,925	75,455
Premium on option liabilities	22, 23	-	6,799
Other accrued expenses		76,739	62,434
	22, 23	P11,802,003	P7,536,254

Accounts payable and accrued expenses are generally on a 30-day term and are non-interest bearing.

Other accrued expenses pertain mainly to statutory benefits due for remittance and other payroll-related payables.

The methods and assumptions used to estimate the fair values of financial liabilities are discussed in Note 23.

15. Long-term Debt

Long-term debt consists of:

	<i>Note</i>	2023	2022
Bonds			
Philippine Peso-denominated:			
Fixed interest rate of 5.9077%, 7.1051% and 8.0288% maturing in 2025, 2028 and 2032, respectively (a)		P39,559,871	P39,475,629
Fixed interest rate of 7.1783% and 7.6000% maturing in 2024 and 2026, respectively (b)		16,110,820	16,070,346
Fixed interest rate of 6.7500% matured in 2023 (c)		-	14,971,990
Fixed interest rate of 6.2500% and 6.6250% maturing in 2024 and 2027, respectively (d)		10,056,168	10,040,725
Fixed interest rate of 4.7575% and 5.1792% matured in 2023 and maturing in 2026, respectively (e)		4,740,043	8,820,612
		70,466,902	89,379,302

Forward

	Note	2023	2022
Term Loans			
Philippine Peso-denominated:			
Fixed interest rate with maturities up to 2024 (f)		P14,091,381	P14,215,532
Fixed interest rate with maturities up to 2025 (g)		4,853,652	4,889,250
Fixed interest rate with maturities up to 2028 (h)		7,439,465	-
Foreign currency-denominated:			
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, matured in 2023 (i)		-	27,858,560
Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2026 (j)		16,421,201	16,454,788
Floating interest rate based on LIBOR plus margin, matured in 2023 (k)		-	2,767,364
Floating interest rate based on SOFR plus margin, maturing in 2024 (l)		10,992,509	10,955,092
Floating interest rate based on SOFR plus margin, maturing in 2025 (m)		5,483,778	5,485,079
Floating interest rate based on SOFR plus margin, maturing in 2027 (n)		16,249,226	16,281,792
Floating interest rate based on SOFR plus margin, maturing in 2024 (o)		5,487,277	-
Floating interest rate based on SOFR plus margin, maturing in 2025 (p)		2,718,947	-
		83,737,436	98,907,457
	22, 23	154,204,338	188,286,759
Less current maturities		46,295,291	49,844,080
		P107,909,047	P138,442,679

- a. The amount represents the first tranche of the 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 Company'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.

- b. The amount represents the first tranche of the 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 Company for partial refinancing of existing loan obligations and/or re-denomination of US Dollar-denominated obligations (partly used for Masinloc Group acquisition in 2018), investments in power-related assets and for payment of transaction-related fees, costs and expenses.

On April 25, 2022, the Company redeemed the Series H Bonds, amounting to P13,844,860, upon its maturity pursuant to the terms and conditions of the bonds. The 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 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 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.

On August 17, 2023, the Company redeemed the Series G Bonds upon its maturity pursuant to the terms and conditions of the bonds. The Company used the proceeds from the additional capital stock subscription of SMC completed in August 2023 and cash generated from operations for the redemption of the Series G Bonds (Note 18).

- d. The amount represents the first tranche of the 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 100.00% 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 Company to refinance its short-term loans obtained from local banks.

On December 22, 2022, the Company redeemed the Series D Bonds, amounting to P9,912,960, upon its maturity pursuant to the terms and conditions of the bonds. The 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 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 100.00% 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.

Proceeds from the issuance were used to refinance the US\$300,000 short-term loan that matured on July 25, 2016, which were used for the redemption of the US\$300,000 bond in January 2016.

On July 11, 2023, the Company redeemed the Series B Bonds, amounting to P4,090,440, upon its maturity pursuant to the terms and conditions of the bonds. The Company used in part the proceeds of the P5,000,000 RPS issued in July 2023 and cash generated from operations for the redemption of the Series B Bonds (Note 18).

- f. The amount represents the remaining balance of the P15,000,000, fixed rate 7-year Term Loan Facility availed by the 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 P5,000,000, fixed rate 4-year Term Loan Facility drawn by the 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. On June 15 and August 8, 2023, the Company drew P5,000,000 and P2,500,000, respectively, from a P10,000,000 Corporate Notes Facility Agreement executed on June 9, 2023. The loan is subject to a fixed interest rate and will mature in June 2028.

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

- i. The amount represents the balance of the US\$700,000 floating interest term loan availed by the 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 which matured on March 12, 2021 and Facility B Loan amounting to US\$500,000 which matured on March 13, 2023. The proceeds were used to partially finance the acquisition of the Masinloc Group (Note 9).

The Facility A Loan was fully paid by the Company on March 12, 2021, using the proceeds from the US\$200,000 term loan availed by the Company on the same date.

The Facility B Loan was paid on March 13, 2023 using in part the proceeds from the RPS issued by the Company to SMC in March 2023 (Note 18). The rest was paid from the Company's cash flows from operations.

- j. The amount represents the balance of the US\$300,000 5-year term loan availed in tranches by the 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 SOFR 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.

- k. The amount represents the US\$50,000 3-year term loan drawn by the Company on April 12, 2021, from a facility agreement with a foreign bank executed on October 12, 2020. The loan was subject to floating interest rate based on LIBOR plus margin and matured 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.

- l. The amount represents the US\$200,000 3-year term loan drawn by the 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 SOFR plus margin and will mature in September 2024.

The proceeds were used for capital expenditures relating to expansion projects and payment of other transaction related fees, costs and expenses of the facility.

- m. The amount represents the US\$100,000 3-year term loan drawn by the 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.

- n. The amount represents the US\$300,000 5-year term loan drawn by the 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.

- o. The amount represents the US\$100,000 term loan drawn by the Company on March 16, 2023, from a facility agreement executed on March 10, 2023, with a foreign bank. The loan is subject to a floating interest rate based on SOFR 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.

- p. The amount represents the US\$50,000 term loan availed on October 31, 2023 from a facility agreement executed on October 24, 2023, with a foreign bank. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in April 2025.

Unamortized debt issue costs amounted to P1,407,652 and P1,821,921 as at December 31, 2023 and 2022, respectively. Accrued interest amounted to P976,034 and P1,090,272 as at December 31, 2023 and 2022, respectively (Note 14). Interest expense amounted to P12,354,775 and P9,421,331 in 2023 and 2022, respectively.

Valuation Technique for Philippine 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 P73,529,065 and P91,771,717 as at December 31, 2023 and 2022, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 23).

The debt agreements of the Company 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 Company and its material subsidiaries 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 Company or any of its material subsidiaries to secure any indebtedness, subject to certain exceptions.

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

The movements in debt issue costs are as follows:

	2023	2022
Balance at beginning of year	P1,821,921	P1,004,156
Additions	230,631	1,445,235
Amortization	(644,900)	(627,470)
Balance at end of year	P1,407,652	P1,821,921

Repayment Schedule

The annual maturities of long-term debt are as follows:

Year	Gross Amount		Debt Issue Costs	Net
	US Dollar	Peso Equivalent of US Dollar	Peso	
2024	US\$300,000	P16,611,000	P29,860,060	P175,769
2025	150,000	8,305,500	9,825,000	147,262
2026	300,000	16,611,000	11,679,410	241,439
2027	300,000	16,611,000	3,609,020	380,727
2028	-	-	32,500,000	336,363
2029 and thereafter	-	-	10,000,000	126,092
	US\$1,050,000	P58,138,500	P97,473,490	P1,407,652
				P154,204,338

Contractual terms of the Company's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 22.

16. Related Party Disclosures

The Company, certain subsidiaries and their shareholders, associates and joint ventures purchase products and services from one another in the normal course of business. The Company 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 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	14, 19	2023	P -	P50,662	P -	P75,089	30 days;	Unsecured
		2022	-	57,098	-	32,356	non-interest bearing	
Entities under common control	5, 7, 8	2023	-	160,411	85,245	311,459	30 days;	Unsecured;
	14, 19	2022	59,270	236,823	88,667	374,615	non-interest bearing	no impairment
		2023	-	-	2,705,290	-	Installment	Unsecured;
	7, 9, 12	2022	2,128,551	-	3,478,230	-	basis up to 2026; Interest bearing	no impairment secured

Forward

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Subsidiaries	7, 9, 14	2023	P2,066,331	P -	P117,306,860	P6,585,592	On demand, more than 1 year; non-interest bearing	Unsecured; no impairment
		2022	1,697,059	-	117,641,058	3,432,852		
	7, 9	2023	31,811,543	-	43,723,190	-	Within 1 year; non-interest bearing	Unsecured; no impairment
		2022	22,110,646	-	28,606,646	-		
Others	7	2023	6,039	-	4,428	-	On demand or 30 days; non-interest bearing	Unsecured; no impairment
		2022	6,039	-	554	-		
2023			P33,883,913	P211,073	P163,825,013	P6,972,140		
2022			P26,001,565	P293,921	P149,815,155	P3,839,823		

- a. Amounts owed by related parties consist of receivables pertaining to the sale of investments, management and shared services fees, cash advances of subsidiaries for capital expenditures and working capital requirements, security deposits, dividend receivables and interest receivables.

Sale of shares of OHC and Soracil

On August 26, 2022, the 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 and subject to interest as agreed by the relevant parties (Notes 7, 9 and 12).

- b. Amounts owed to related parties consist of subscription payable, cash advances from subsidiaries, management fees, rent, reimbursement of expenses and services rendered by related parties.
- c. The compensation of key management personnel of the Company, by benefit type, follows:

	Note	2023	2022
Short-term employee benefits		P129,041	P139,090
Retirement cost	17	17,523	10,181
		P146,564	P149,271

17. Retirement Plan

The Company has a funded, noncontributory, defined benefit retirement plan, (the "Retirement Plan") covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2023. Valuations are obtained on a periodic basis.

The Company's retirement plan is registered with the Bureau of Internal Revenue (BIR) as a tax-qualified plan under RA No. 4917, as amended. The control and administration of the retirement plan is vested in the Board of Trustees (BOT), as appointed by the BOD of the Company. The BOT of the Retirement Plan, who exercise voting rights over the shares and approve material transactions, are also officers of the Company and of SMC. The Retirement Plan's accounting and administrative functions are undertaken by SMC's Retirement Funds Office.

The following table shows the 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	
	2023	2022	2023	2022	2023	2022
Balance at beginning of year	P271	P -	(P236,868)	(P154,963)	(P236,597)	(P154,963)
Recognized in Profit or Loss						
Service costs	-	-	(20,858)	(55,292)	(20,858)	(55,292)
Interest expense	-	-	(17,102)	(11,510)	(17,102)	(11,510)
Interest income	1,210	-	-	-	1,210	-
	1,210	-	(37,960)	(66,802)	(36,750)	(66,802)
Recognized in Other Comprehensive Income						
Remeasurements						
Actuarial gains (losses) arising from:						
Experience adjustments	-	-	29,446	(47,648)	29,446	(47,648)
Changes in financial assumptions	-	-	(22,798)	17,804	(22,798)	17,804
Return on plan assets excluding interest income	(1,164)	(3)	-	-	(1,164)	(3)
	(1,164)	(3)	6,648	(29,844)	5,484	(29,847)
Others						
Contributions	31,065	15,015	-	-	31,065	15,015
Benefits paid	(9,891)	(14,741)	9,891	14,741	-	-
Other adjustments	11,802	-	(11,802)	-	-	-
	32,976	274	(1,911)	14,741	31,065	15,015
Balance at end of year	P33,293	P271	(P270,091)	(P236,868)	(P236,798)	(P236,597)

The Company's annual contribution to the Retirement Plan consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income by the Company amounted to P37,960 and P66,802 in 2023 and 2022 respectively (Note 19).

The net interest expense on the defined benefit retirement liability recognized as part of "Interest expense and other financing charges" account in the statements of comprehensive income by the Company amounted to P15,892 in 2023.

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 Company, amounted to P73,930 and P79,414 as at December 31, 2023 and 2022, respectively.

Net defined benefit retirement obligation presented as "Defined benefit retirement liability" account in the separate statements of financial position amounted to P236,798 and P236,597 as at December 31, 2023 and 2022, respectively.

The carrying amounts of the Company's retirement fund approximate fair values as at December 31, 2023 and 2022.

The Company's plan assets consist of the following:

	In Percentages	
	2023	2022
Cash and cash equivalents	84.71%	99.97%
Investments in marketable securities	15.13%	-
Receivables	0.16%	0.03%

As at December 31, 2023, the plan assets include investments in marketable securities pertaining to common and preferred shares of SMC and entities under common control, with a total fair market value of P11,479.

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as at the reporting date (Note 4).

The Retirement Plan recognized a gain on the investment in marketable securities of amounting to P136 in 2023.

Dividend income from the investment in shares of stock of the Company amounted to P156 in 2023.

The BOT reviews the level of funding required for the retirement fund. Such review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Company's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Company is expected to contribute P52,215 to the Retirement Plan in 2024.

The Retirement Plan expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plan. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Company to manage the Retirement Plan efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2023	2022
Discount rate	6.11%	7.22%
Salary increase rate	5.00%	5.00%

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 is 9.8 years and 8.6 years as at December 31, 2023 and 2022, respectively.

Sensitivity Analysis

As at December 31, 2023 and 2022, 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			
	2023		2022	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	(P20,695)	P23,953	(P15,175)	P17,482
Salary increase rate	23,980	(21,086)	17,698	(15,612)

18. Equity

Capital Stock

The details of the Company's authorized, subscribed issued and outstanding capital stock as at December 31 are as follows:

	2023		2022	
	Number of Shares	Amount	Number of Shares	Amount
Authorized - par value of P1.00	3,774,400,000	P3,774,400	2,000,000,000	P2,000,000
Subscribed capital stock:				
Balance at beginning of year	1,250,004,000	P1,250,004	1,250,004,000	P1,250,004
Subscription	1,573,600,000	1,573,600	-	-
Balance at end of year	2,823,604,000	2,823,604	1,250,004,000	1,250,004
Less subscription receivable:				
Balance at beginning of year	-	-	187,500,000	187,500
Collection	-	-	(187,500,000)	(187,500)
Balance at end of year	-	-	-	-
Issued and outstanding	2,823,604,000	P2,823,604	1,250,004,000	P1,250,004

On July 25, 2023, the Company and SMC executed a Subscription Agreement to subscribe to an additional 410,000,000 common shares out of the unissued capital stock of the Company for a total subscription price of P12,300,000 or P30.00 per share, which was fully paid in 2023.

On July 25, 2023, the BOD of the Company approved the additional increase in its authorized capital stock by P1,774,000 (comprising of 1,774,400,000 shares with par value of P1.00), or from P2,000,000, divided into 2,000,000,000 shares with par value of P1.00 to P3,774,000, divided into 3,774,400,000 shares with par value of P1.00 (the "ACS Increase"). On August 1, 2023, SMC in a Subscription Agreement, subscribed to 443,600,000 common shares out of the ACS Increase for a total subscription price of P13,308,000 or P30.00 per share. The total subscription price was fully paid in 2023.

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

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of the Company was approved by the Philippine SEC on October 24, 2023.

On November 13, 2023, the Company and SMC executed a Subscription Agreement to subscribe to an additional 720,000,000 common shares out of the unissued capital stock of the Company for a total subscription price of P21,600,000 or P30.00 per share, which was fully paid in 2023.

The Company recognized additional paid-in capital of P45,591,781, net of the share issuance cost paid amounting to P42,619 as at December 31, 2023.

The proceeds from the capital infusion of SMC were used to finance maturing obligations and for general corporate purposes, including capital expenditures of the group.

Retained Earnings

There were no appropriated retained earnings and cash dividend declarations to stockholders in 2023 and 2022.

SPCS

The Company issued and listed on the Singapore Exchange Securities Trading Limited (SGX-ST) the following SPCS:

Date of Issuance	Initial Rate of Distribution Per Annum	Step-Up Date	Amount of SPCS Issued	Amount in Philippine Peso*
June 9 and September 15, 2021	5.45%	December 9, 2026	US\$750,000	P35,567,632
October 21 and December 15, 2020	7.00%	October 21, 2025	750,000	36,141,570
January 21, 2020	5.70%	January 21, 2026	600,000	30,170,603
November 5, 2019	5.95%	May 5, 2025	500,000	24,836,690
April 25 and July 3, 2019	6.50%	April 25, 2024	800,000	41,050,869
			US\$3,400,000	P167,767,364

**Amount in Philippine Peso pertains to proceeds, net of directly attributable transaction costs amounting to P2,565,380.*

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 Securities Regulations Code 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 Company has a right to defer this distribution under certain conditions.

The SPCS constitute direct, unconditional, unsecured and unsubordinated obligations of the Company with no fixed redemption date and are redeemable in whole, but not in part, at the 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.

On October 26, 2022, the BOD of the 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 Company. Security holders that validly tendered their securities at or prior to the Expiration Deadline and which the 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, 2023 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	34,884,036
5.70% SPCS issued on January 21, 2020	600,000	6,663	593,337	29,835,558
5.95% SPCS issued on 5 November 2019	500,000	7,887	492,113	24,444,916
6.50% SPCS issued on April 25 and July 3, 2019	800,000	16,836	783,164	40,186,954
	US\$3,400,000	US\$123,934	US\$3,276,066	P161,767,709

The difference between the price paid and the 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 separate statements of financial position.

The payment for the repurchased SPCS was funded by the RPS issued to SMC on November 8, 2022.

On March 11, 2024, the Company issued a Notice of Redemption to the security holders of the US\$783,164, remaining securities out of the US\$800,000 SPCS issued on April 25 and July 3, 2019, for the redemption of the outstanding securities in April 2024 (the "Step-Up Date"). The redemption price will comprise the principal amount plus any accrued but unpaid distributions up to (but excluding), the Step-Up Date. The securities will be cancelled as of the Step-Up Date and distributions will cease to accrue on and after the Step-Up Date.

Distributions to SPCS Holders

The Company paid P15,035,073 and P15,362,068 to the SPCS holders in 2023 and 2022, respectively, as distributions in accordance with the terms and conditions of their respective subscription agreements.

On January 19, 2024, the Company paid distributions to holders of the SPCS issued in January 2020, amounting to US\$16,910.

On March 11, 2024, the Company's BOD approved the payment of distributions amounting to (i) US\$25,337 on April 21, 2024 to the holders of SPCS issued in October 2020, (ii) US\$25,453 on April 25, 2024 to the holders of SPCS issued in April 2019, (iii) US\$14,640 on May 5, 2024 to the holders of SPCS issued in November 2019.

RPS

The Company issued the following RPS at an issue price of 100% in favor of SMC, the RPS Holder:

Date of Issuance	Initial Rate of Distribution	Amount of RPS Issued	Amount in Philippine Peso*
US Dollar-denominated:			
May 2, 2023	6.25%	US\$145,000	P7,964,118
March 10, 2023	6.25%	500,000	27,378,112
November 8, 2022	6.25%	85,000	4,916,225
March 16, 2018	6.25%	650,000	32,751,570
Philippine Peso-denominated:			
July 10, 2023	6.25%	P5,000,000	4,962,500
June 13, 2023	6.25%	6,760,000	6,709,300
June 5, 2023	6.25%	5,000,000	4,962,500
June 1, 2023	6.25%	7,000,000	6,947,500
May 30, 2023	6.25%	6,000,000	5,955,000
			P102,546,825

*Amount in Philippine Peso pertains to proceeds, net of directly attributable transaction costs amounting to P1,569,350.

These RPS are direct, unconditional, unsecured and subordinated capital securities with no fixed redemption date. The RPS Holder shall have the right to receive distributions on a quarterly basis. The Company has a right to defer distribution under certain conditions.

The proceeds from the issuances of RPS in 2023 and 2022 were used for general corporate purposes, including capital expenditures, and refinancing of maturing obligations.

Distributions to RPS Holder

The Company paid nil and P1,616,926 to the RPS holder in 2023 and 2022, respectively, as distributions in accordance with the terms and conditions of the subscription agreement.

19. Costs and Expenses

Costs and expenses consist of:

	Note	2023	2022
Salaries and benefits	17	P614,293	P606,617
Taxes and licenses		491,103	403,678
Depreciation and amortization	5, 10, 11	208,629	192,117
Professional fees		163,484	136,282
Contracted outside jobs		86,082	80,034
Corporate special program		81,447	99,236
Management fees	16	53,793	49,723
Repairs and maintenance		50,362	48,129
Supplies		45,660	30,705
Travel and transportation		16,118	10,935
Advertising and promotions		8,952	6,511
Donations		538	-
Rent	4, 5	326	188
Miscellaneous		40,430	35,881
		P1,861,217	P1,700,036

Corporate special program pertains to the Company's corporate social responsibility projects. Donations represent contributions to registered donee institutions for their programs on education, environment and disaster-related projects, and Corona Virus Disease response initiatives.

20. Other Income (Charges) - net

Other income (charges) - net consists of:

	Note	2023	2022
Marked-to-market gains (losses) on derivatives - net	23	P81,135	(P142,460)
Foreign exchange losses - net	22	(45,054)	(992,582)
Others		(1,800)	2,350
		P34,281	(P1,132,692)

21. Income Taxes

The components of income tax expense are as follows:

	2023	2022
Current	P109,317	P93,908
Deferred	(2,055)	319,931
	P107,262	P413,839

The movements in deferred tax liabilities - net are as follows:

2023	Balance at January 1	Recognized in Profit or Loss	Balance at December 31
Unrealized foreign exchange gain	P24,137	(P62,828)	(P38,691)
Leases	104	947	1,051
Gain on sale of investments	(364,356)	63,936	(300,420)
	(P340,115)	P2,055	(P338,060)
2022	Balance at January 1	Recognized in Profit or Loss	Balance at December 31
Unrealized foreign exchange loss	(P20,111)	P44,248	P24,137
Leases	(73)	177	104
Gain on sale of investments	-	(364,356)	(364,356)
	(P20,184)	(P319,931)	(P340,115)

As at December 31, deferred tax assets have not been recognized in respect of the following since management does not expect sufficient taxable income in the future to which these deferred tax assets could be utilized:

	2023	2022
NOLCO	P34,265,037	P18,616,672
MCIT	61,987	115,648
Equity reserve for retirement plan	73,930	79,414
Defined benefit retirement obligation	37,960	66,802
Net loss on cash flow hedges	-	31,229
Others	7,847	31,689

As at December 31, 2023, the NOLCO and MCIT of the Company that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred	NOLCO	Expired	Remaining Balance	Carryforward Benefits Up To
2023	P15,648,364	P -	P15,648,364	December 31, 2026
2022	7,896,705	-	7,896,705	December 31, 2025
2021	6,052,155	-	6,052,155	December 31, 2026
2020	4,667,813	-	4,667,813	December 31, 2025
	P34,265,037	P -	P34,265,037	

Year Paid	MCIT	Expired	Remaining Balance	Carryforward Benefits Up To
2023	P14,193	P -	P14,193	December 31, 2026
2022	33,495	-	33,495	December 31, 2025
2021	14,299	-	14,299	December 31, 2024
2020	67,854	(67,854)	-	December 31, 2023
	P129,841	(P67,854)	P61,987	

On September 30, 2020, the BIR issued Revenue Regulation (RR) No. 25-2020 to implement Section 4 (bbbb) of 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 Company's effective income tax rate is as follows:

	2023	2022
Statutory income tax rate	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:		
Dividend income	(43.88%)	(42.03%)
Interest income	(0.07%)	(0.08%)
Unrecognized deferred tax assets and others	19.54%	20.26%
Effective income tax rate	0.59%	3.15%

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; then back to 2% effective July 1, 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, 2023 and 2022 were computed and measured using the applicable income tax rates. MCIT was computed using 1.5% and 1% tax rates in 2023 and 2022, respectively.

22. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

- Liquidity Risk
- Credit Risk
- Market Risk (Interest Rate Risk and Foreign Currency 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 Company 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 Company such as receivables, accounts payable and accrued expenses, and lease liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Company, such as swaps and forwards are intended mainly for risk management purposes. The Company uses derivatives to manage its exposures to foreign currency arising from its financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the separate financial statements.

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

The risk management policies of the Company are established to identify and analyze the risks faced by the Company, 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 Company, 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 Company's corporate governance process relating to the: a) quality and integrity of the separate 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 separate 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 Company 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 Company and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Company. 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 Company will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Company'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 Company 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 Company also uses derivative instruments such as forwards and swaps to manage liquidity.

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

December 31, 2023	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	P11,592,686	P11,592,686	P11,592,686	P -	P -	P -
Receivables*	161,257,335	161,257,335	161,257,335	-	-	-
Noncurrent receivables (including Amounts owed by related parties under "Other noncurrent assets" account; including current portion)	4,124,987	4,210,870	1,059,971	1,039,523	2,111,376	-
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	55	55	10	5	30	10
Financial Liabilities						
Loans payable	13,736,000	13,799,581	13,799,581	-	-	-
Accounts payable and accrued expenses*	9,911,173	9,911,173	9,911,173	-	-	-
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	13,925	13,925	13,925	-	-	-
Long-term debt - net (including current maturities)	154,204,338	203,863,441	58,854,092	27,833,250	98,971,794	18,204,305
Lease liabilities (including current portion)	132,615	142,723	71,835	70,888	-	-

*Excluding statutory receivables and payables

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	P7,909,888	P7,909,888	P7,909,888	P -	P -	P -
Receivables*	145,700,135	145,700,135	145,700,135	-	-	-
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	133,830	133,830	133,830	-	-	-
Derivative asset designated as cash flow hedge (included under "Other noncurrent assets" account)	143,545	143,545	143,545	-	-	-
Noncurrent receivables (including Amounts owed by related parties under "Other noncurrent assets" account)	5,566,770	5,991,945	1,988,469	2,145,944	1,857,532	-
Restricted cash (included under "Other noncurrent assets" account)	60	60	5	10	25	20
Financial Liabilities						
Loans payable	21,000,000	21,153,979	21,153,979	-	-	-
Accounts payable and accrued expenses*	5,003,080	5,011,276	5,011,276	-	-	-
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)	188,286,759	226,952,104	60,499,167	49,015,155	78,201,645	39,236,137
Lease liabilities (including current portion)	226,578	248,888	79,057	81,428	88,403	-

*Excluding statutory receivables and payables

Credit Risk

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

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

Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. However, management also considers the default risk of the industry in which counterparties operate, as these factors may have an influence on the credit risk.

The Company has established a credit policy under which each new counterparty is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Company ensures that sales on account are made to counterparties with appropriate credit history. The Company has detailed credit criteria and several layers of credit approval requirements before engaging a particular counterparty. The review includes external ratings, when available, and in some cases bank references.

Financial information on the Company's maximum exposure to credit risk as at December 31, without considering the effects of other risk mitigation techniques, is presented below:

	<i>Note</i>	2023	2022
Cash and cash equivalents (excluding cash on hand)	4, 6	P11,592,100	P7,909,453
Receivables*	4, 7, 16	161,257,335	145,700,135
Derivative assets not designated as cash flow hedge	8	-	133,830
Derivative assets designated as cash flow hedge	8, 12	-	143,545
Noncurrent receivables (including Amounts owed by related parties under "Other noncurrent assets" account; including current portion)	4, 7, 9, 12, 16	4,124,987	5,566,770
Restricted cash	8, 12	55	60
		P176,974,477	P159,453,793

*Excluding statutory receivables

The table below presents the Company'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.

December 31, 2023	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired			
Cash and cash equivalents (excluding cash on hand)	P11,592,100	P -	P -	P -	P -	P11,592,100
Receivables*	-	161,257,335	-	-	-	161,257,335
Noncurrent receivables (including Amounts owed by related parties under "Other noncurrent assets" account; including current portion)	-	4,124,987	-	-	-	4,124,987
Restricted cash	55	-	-	-	-	55
	P11,592,155	P165,382,322	P -	P -	P -	P176,974,477

*Excluding statutory receivables

December 31, 2022	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired			
Cash and cash equivalents (excluding cash on hand)	P7,909,453	P -	P -	P -	P -	P7,909,453
Receivables*	-	145,700,135	-	-	-	145,700,135
Derivative assets not designated as cash flow hedge	-	-	-	133,830	-	133,830
Derivative assets designated as cash flow hedge	-	-	-	-	143,545	143,545
Noncurrent receivables (including Amounts owed by related parties under "Other noncurrent assets" account)	-	5,566,770	-	-	-	5,566,770
Restricted cash	60	-	-	-	-	60
	P7,909,513	P151,266,905	P -	P133,830	P143,545	P159,453,793

*Excluding statutory receivables

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

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

	December 31, 2023			December 31, 2022		
	Amounts Owed by Related Parties	Other Receivables	Total	Amounts Owed by Related Parties	Other Receivables	Total
Current	P133,475,281	P618,712	P134,093,993	P29,160,339	P77,951	P29,238,290
Past due:						
1 - 30 days	240,300	49	240,349	55,634,334	116,589	55,750,923
31 - 60 days	283,436	33	283,469	5,873,439	7,452	5,880,891
61 - 90 days	224,180	40	224,220	14,078,295	7,043	14,085,338
Over 90 days	26,316,829	98,475	26,415,304	40,581,539	163,154	40,744,693
	P160,540,026	P717,309	P161,257,335	P145,327,946	P372,189	P145,700,135

The Company 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 credit ratings of the counterparty. There are no significant changes in their credit quality.

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

The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of homogenous counterparties.

The Company 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 Company's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company 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 Company 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 Company invests only in high-quality short-term investments while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Company 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 Company'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, 2023	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated	P29,860,060	P9,825,000	P11,679,410	P3,609,020	P32,500,000	P10,000,000	P97,473,490
Interest rate	5.0000% to 7.1783%	5.0000% to 5.9077%	5.1792% to 7.6000%	6.6250%	7.1051% to 8.5411%	8.0288%	
Floating Rate							
Foreign currency-denominated (expressed in Philippine Peso)	16,611,000	8,305,500	16,611,000	16,611,000	-	-	58,138,500
Interest rate	SOFR + Margin	SOFR + Margin	SOFR + Margin	SOFR + Margin			
	P46,471,060	P18,130,500	P28,290,410	P20,220,020	P32,500,000	P10,000,000	P155,611,990

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	P19,290,440 4.7575% to 6.9265%	P29,860,060 5.0000% to 7.1783%	P9,825,000 5.0000% to 5.9077%	P11,679,410 5.1792% to 7.6000%	P3,609,020 6.6250%	P35,000,000 7.1051% to 8.0288%	P109,263,930
Floating Rate Foreign currency-denominated (expressed in Philippine Peso) Interest rate	30,665,250 LIBOR + Margin	11,151,000 LIBOR + Margin	5,575,500 SOFR + Margin	16,726,500 LIBOR + Margin	16,726,500 SOFR + Margin	-	80,844,750
	P49,955,690	P41,011,060	P15,400,500	P28,405,910	P20,335,520	P35,000,000	P190,108,680

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Company's profit before tax (through the impact on floating rate borrowings) by P581,385 and P710,876 in 2023 and 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 Company's other comprehensive income.

Foreign Currency Risk

The functional currency is the Philippine Peso, which is the denomination of the bulk of the Company'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 Company. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Company 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 Company 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 Company 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 Company'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 Company's foreign currency-denominated monetary assets and monetary liabilities and their Philippine Peso equivalents are as follows:

		December 31, 2023		December 31, 2022	
	Note	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	6	US\$36,119	P1,999,914	US\$37,891	P2,112,594
Receivables	7	956,572	52,965,378	784,326	43,730,105
		992,691	54,965,292	822,217	45,842,699
Liabilities					
Accounts payable and accrued expenses	14	35,362	1,957,972	9,446	526,664
Long-term debt (including current maturities)	15	1,050,000	58,138,500	1,450,000	80,844,750
		1,085,362	60,096,472	1,459,446	81,371,414
Net Foreign Currency - Denominated Monetary Liabilities					
		(US\$92,671)	(P5,131,180)	(US\$637,229)	(P35,528,715)

The Company reported net losses on foreign exchange amounting to P45,054 and P992,582 in 2023 and 2022, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 20).

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, 2023	55.370
December 31, 2022	55.755

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Company'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 Company's profit before tax (due to changes in the fair value of monetary assets and liabilities):

	December 31, 2023		December 31, 2022	
	P1 Decrease in the US Dollar Exchange Rate	P1 Increase in the US Dollar Exchange Rate	P1 Decrease in the US Dollar Exchange Rate	P1 Increase in the US Dollar Exchange Rate
Cash and cash equivalents	(P36,119)	P36,119	(P37,891)	P37,891
Receivables	(956,572)	956,572	(784,326)	784,326
	(992,691)	992,691	(822,217)	822,217
Accounts payable and accrued expenses	35,362	(35,362)	9,446	(9,446)
Long-term debt (including current maturities)	1,050,000	(1,050,000)	1,450,000	(1,450,000)
	1,085,362	(1,085,362)	1,459,446	(1,459,446)
	P92,671	(P92,671)	P637,229	(P637,229)

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 Company's foreign currency risk.

Capital Management

The Company 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 Company manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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 15 and 18).

The Company defines capital as capital stock, additional paid-in capital, SPCS, 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 Company 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 separate 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 Company's business, operation and industry.

There were no changes in the Company's approach to capital management during the year.

23. Financial Assets and Financial Liabilities

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

	December 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P11,592,686	P11,592,686	P7,909,888	P7,909,888
Receivables*	161,257,335	161,257,335	145,700,135	145,700,135
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	-	-	133,830	133,830
Derivative assets designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	-	-	143,545	143,545
Noncurrent receivables (including Amounts owed by related parties under "Other noncurrent assets" account; including current portion)	4,124,987	4,124,987	5,566,770	5,566,770
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	55	55	60	60
	P176,975,063	P176,975,063	P159,454,228	P159,454,228

Forward

	December 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Loans payable	P13,736,000	P13,736,000	P21,000,000	P21,000,000
Accounts payable and accrued expenses*	9,911,173	9,911,173	5,003,080	5,003,080
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	13,925	13,925	75,455	75,455
Long-term debt - net (including current maturities)	154,204,338	158,010,117	188,286,759	190,886,317
Lease liabilities (including current portion)	132,615	132,615	226,578	226,578
	P177,998,051	P181,803,830	P214,591,872	P217,191,430

*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, Receivables (excluding statutory receivables) and Restricted Cash. The carrying amounts of cash and cash equivalents and receivables approximate their fair values primarily due to the relatively short-term maturities of these financial instruments. In the case of restricted cash, the carrying amount approximates its fair value, since the effect of discounting is not considered material.

Noncurrent Receivables. The carrying amounts of interest-bearing floating rate receivables with regular interest rate repricing approximate their fair values.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency 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 amount of accounts payable and accrued expenses approximates its fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine Peso-denominated loans range from 5.08% to 6.00% and 3.82% to 6.95% as at December 31, 2023 and 2022, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

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

Derivative Financial Instruments

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

Derivative Instruments Accounted for as Cash Flow Hedges

Call Spread Swaps

As at December 31, 2022, the Company 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 were designated to hedge foreign currency exposure on US Dollar-denominated loans and matured on March 13, 2023. As at December 31, 2022, the positive fair value of the call spread swaps, included under "Prepaid expenses and other current assets" account, amounted to P143,545 (Note 8).

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:

	2023	2022
Balance at beginning of year	(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 loss (gain) - net (included under "Other income (charges)" account)	31,993	(168,300)
Balance at end of year	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 years ended December 31, 2023 and 2022.

Derivative Instruments not Designated as Hedges

The Company 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 separate statements of comprehensive income. Details are as follows:

Currency Forwards

The Company entered into short-term foreign currency forward contracts with aggregate notional amount of US\$65,000 as at December 31, 2023 and 2022. The negative fair value of the currency forwards, included under "Accounts payable and accrued expenses" account amounted to P13,925 and P75,455 as at December 31, 2023 and 2022, respectively (Note 14).

Commodity Swaps

The Company had outstanding fixed swap agreements covering the coal requirements of a subsidiary which matured in 2023. Under the agreements, payment was made either by the Company or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The notional quantity covered by the commodity swaps was 90,000 metric tons as at December 31, 2022. As at December 31, 2022, the positive fair value of these commodity swaps, included under "Prepaid expenses and other current assets" account, amounted to P133,830 (Note 8).

The Company recognized marked-to-market gains (losses) - net from freestanding derivatives amounting to P81,135 and (P142,460) in 2023 and 2022, respectively (Note 20).

24. 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	Capital Stock	Additional Paid-in Capital	RPS	Total
Balance as at January 1, 2023	P21,000,000	P188,286,759	P226,578	P1,250,004	P2,490,000	P37,667,795	P250,921,136
Changes from Financing Activities							
Proceeds from borrowings	95,322,000	15,822,500	-	-	-	-	111,144,500
Proceeds from issuance of RPS	-	-	-	-	-	64,879,030	64,879,030
Proceeds from issuance of capital stock	-	-	-	1,573,600	45,591,781	-	47,165,381
Payments of lease liabilities	-	-	(93,963)	-	-	-	(93,963)
Payments of borrowings	(102,586,000)	(49,566,190)	-	-	-	-	(152,152,190)
Total Changes from Financing Activities	(7,264,000)	(33,743,690)	(93,963)	1,573,600	45,591,781	64,879,030	70,942,758
Effect of Changes in Foreign Exchange Rates	-	(753,000)	-	-	-	-	(753,000)
Other Changes	-	414,269	-	-	-	-	414,269
Balance as at December 31, 2023	P13,736,000	P154,204,338	P132,615	P2,823,604	P48,081,781	P102,546,825	P321,525,163

	Loans Payable	Long-term Debt	Lease Liabilities	SPCS	RPS	Total
Balance as at January 1, 2022	P -	P135,566,744	P251,035	P167,767,364	P32,751,570	P336,336,713
Changes from Financing Activities						
Proceeds from borrowings	49,974,000	72,312,000	-	-	-	122,286,000
Proceeds from issuance of RPS	-	-	-	-	4,916,225	4,916,225
Payments of borrowings	(29,540,000)	(23,957,820)	-	-	-	(53,497,820)
Payments of lease liabilities	-	-	(65,294)	-	-	(65,294)
Repurchase of SPCS	-	-	-	(4,702,640)	-	(4,702,640)
Total Changes from Financing Activities	20,434,000	48,354,180	(65,294)	(4,702,640)	4,916,225	68,936,471
Effect of Changes in Foreign Exchange Rates	566,000	5,183,600	-	-	-	5,749,600
Other Changes	-	(817,765)	40,837	(1,297,015)	-	(2,073,943)
Balance as at December 31, 2022	P21,000,000	P188,286,759	P226,578	P161,767,709	P37,667,795	P408,948,841

Other changes pertain to additions for new lease agreements and amortization of lease liabilities, amortization of debt issue costs of long-term debt and the net effect of capital securities redeemed in 2022.

25. Other Matters

a. Event after Reporting Date

On March 1, 2024, MGen and Therma NatGas Power, Inc. (TNGP, a subsidiary of Aboitiz Power Corporation), through their joint venture entity, Chromite Gas Holdings Inc. (CGHI), have entered into binding agreements with the Company and its relevant subsidiaries, for MGen and TNGP to jointly invest in and acquire a 67% stake in the Company's gas-fired power plants, namely (i) the brownfield 1,200 MW Ilijan Power Plant owned by SPPC, (ii) the greenfield 1,320 MW BCCPP owned by EERI and (iii) land owned by IPIEC where the aforesaid gas-fired power plants and related facilities are located.

The transaction also involves the acquisition by CGHI and the Company of the LNG import and regasification terminal owned by Linseed Field Corporation, which processes LNG for SPPC and EERI, and has the capacity to service additional third-party customers.

The transaction is subject to several standard closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission.

b. Commitments

The outstanding purchase commitments of the Company amounted to P110,142 as at December 31, 2023.

26. Supplementary Information Required under RR No. 15-2010

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the separate financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.