

# 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  
Fiscal Year

3 1

Day

SEC Form 17-C

FORM TYPE

0 6

Month  
Annual Meeting

1<sup>st</sup>  
Tues

Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

## STAMPS

Remarks = Pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.2(c) THEREUNDER

1. 27 August 2024  
Date of Report (Date of earliest event reported)
2. SEC Identification Number CS200801099 3. BIR Tax Identification No. 006-960-000
4. SAN MIGUEL GLOBAL POWER HOLDINGS CORP.  
Exact name of issuer as specified in its charter
5. Philippines 6. (SEC Use Only)   
Province, country or other jurisdiction of incorporation Industry Classification Code:
7. 5th Floor, C5 Office Building Complex,  
#100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong,  
Pasig City, Metro Manila 1604  
Address of principal office Postal Code
8. (02) 5317-1000  
Issuer's telephone number, including area code
9. N.A.  
Former name or former address, 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

Php 15 Billion worth of Fixed Rate Bonds issued in July 2016  
Php 20 Billion worth of Fixed Rate Bonds issued in December 2017  
Php 30 Billion worth of Fixed Rate Bonds issued in April 2019  
Php 40 Billion worth of Fixed Rate Bonds issued in July 2022

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of 30 June 2024)
Common Shares	2,823,604,000
Consolidated Total Liabilities (in Thousands)	₱459,562,676

11. Indicate the item numbers reported herein: **Item 9**

San Miguel Global Power Holdings Corp. (the "Corporation") hereby reports that during the Special Meeting of the Board of Directors of the Corporation held on 27 August 2024, the Board approved the following matters:

- a. to undertake to invite eligible holders of the Corporation's outstanding US Dollar-denominated Senior Perpetual Capital Securities that are listed with the Singapore Exchange Securities Trading Limited ("SGX-ST") (collectively, the "Existing Securities"), namely:
  - (i) USD492,113,000 5.95% Senior Perpetual Capital Securities issued on 05 November 2019 (ISIN: XS2072777381; Common Code: 207277738); and
  - (ii) USD723,904,000 7.00% Senior Perpetual Capital Securities issued on 21 October 2020 (ISIN: XS2239056174; Common Code: 223905617),
- (1) to offer to exchange some or all of its Existing Securities for new US Dollar-denominated Senior Perpetual Capital Securities to be issued by the Corporation (the "Exchanged New Securities") (the "Exchange Offers"); and
- (2) to tender for purchase for cash some or all of its Existing Securities up to an aggregate nominal amount and at a purchase price, in each case, to be determined by the Management of the Corporation (the "Tender Offers" and collectively together with the Exchange Offers, the "Offers");
- b. to undertake the offer and issuance of up to USD 300,000,000 in Senior Perpetual Capital Securities or such other amount as Management may later determine (the "Additional New Securities" and, together with the Exchanged New Securities, the "Securities"), based on prevailing market conditions and as may be advantageous to the Corporation (the "New Securities Offer" and, together with the Exchange Offers and the Tender Offers, the "Transactions"). The Securities shall be constituted by a Trust Deed by and between the Corporation and the trustee and listed on the SGX-ST;
- c. in respect of the Exchange Offers and the Tender Offers, the appointment of (i) Australia and New Zealand Banking Group Limited, DBS Bank Ltd., Mizuho Securities Asia Limited and Standard Chartered Bank as the dealer managers; and (ii) D.F. King Ltd as the exchange and tender agent; and
- d. in respect of the New Securities Offer and the issuance and listing of the Securities with the SGX-ST, the appointment of (i) Australia and New Zealand Banking Group Limited, DBS Bank Ltd., Mizuho Securities Asia Limited and Standard Chartered Bank as joint lead managers; (ii) DB Trustees (Hong Kong) Limited as trustee and Deutsche Bank AG, Hong Kong Branch as paying agent, calculation agent, transfer agent, and registrar; and (iii) Latham & Watkins as listing agent.

The Management of the Corporation is authorized and empowered to determine (i) the terms and conditions of the Exchange Offers and the Tender Offers, (ii) the terms and conditions of the New Securities Offer and the Securities including, but not limited to, the determination of the distribution rate of the Securities and the timing of the offering of the Additional New Securities; and (iii) appointment of such other agents, legal counsel, auditors and other relevant parties as may be necessary for the Transactions and the issuance and listing of the Securities, in each case, under such terms and conditions; as the Management of the Corporation may deem to be advantageous to the Corporation.

The Corporation intends to apply the net proceeds from the New Securities Offer in the following order: (i) the costs and expenses related to the Exchange Offers, including payment of the accrued distribution amount in respect of the Existing Securities accepted for exchange, pursuant to and subject to, the terms and conditions of the Exchange Offer; (ii) costs and expense related to the Tender Offer, including payment of the purchase price and accrued distribution amount, in respect of the Existing Securities accepted for purchase, pursuant and subject to, the terms and conditions of the Tender Offer, and (iii) pre-development costs of solar energy projects. For the avoidance of doubt, the net proceeds will not be applied to finance any of the Company's existing and planned coal-fired power assets.

Attached are the Preliminary Offering Circular and the Offer Memorandum to be issued pursuant to the Transactions.

The Corporation shall make an announcement on the Offers with the SGX-ST on even date.

#### **SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the Corporation duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized on 27 August 2024.

**SAN MIGUEL GLOBAL POWER HOLDINGS CORP.**

By:



**Virgilio S. Jacinto**

Corporate Secretary and Compliance Officer

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION IN OR INTO OR TO ANY PERSON LOCATED OR RESIDENT IN THE UNITED STATES OF AMERICA, ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES OR THE DISTRICT OF COLUMBIA (THE “UNITED STATES”).**

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached offer memorandum (the “**Offer Memorandum**”), whether received by email or otherwise received as a result of electronic communication, and you are therefore required to read this disclaimer carefully before accessing, reading or making any other use of the Offer Memorandum. By accessing the Offer Memorandum, including any e-mail to which the Offer Memorandum may have been attached, you agree (in addition to giving the representations below) to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from San Miguel Global Power Holdings Corp. (formerly known as SMC Global Power Holdings Corp.) (the “**Offeror**”) and/or Australia and New Zealand Banking Group Limited, DBS Bank Ltd., Mizuho Securities Asia Limited and Standard Chartered Bank (together, the “**Dealer Managers**”) and/or D.F. King Ltd (the “**Exchange and Tender Agent**”) as a result of such access. Capitalised terms used but not otherwise defined in this disclaimer shall have the meaning given to them in the Offer Memorandum.

**Confirmation of your representation:** In order to be eligible to view the Offer Memorandum or participate in the Offers (as defined below), you must be outside the United States and otherwise able to participate lawfully in the invitations by the Offeror to holders of the outstanding (i) 5.95% Senior Perpetual Capital Securities issued on 5 November 2019 (ISIN: XS2072777381; Common Code: 207277738) (the “**5.95% Securities**”); and (ii) 7.00% Senior Perpetual Capital Securities issued on 21 October 2020 (ISIN: XS2239056174; Common Code: 223905617) (the “**7.00% Securities**”, and together with the 5.95% Securities, the “**Existing Securities**”) issued by the Offeror, to (a) offer to exchange their Existing Securities for an equal nominal amount of US\$-denominated Senior Perpetual Capital Securities (the “**Exchanged New Securities**”) to be issued by the Offeror (the “**Exchange Offers**” and each and any of them, an “**Exchange Offer**”); and/or (b) tender their Existing Securities for purchase by the Offeror for cash (the “**Tender Offers**” and each and any of them, a “**Tender Offer**”, and together with the Exchange Offers, the “**Offers**” and each and any of them, an “**Offer**”) on the terms and subject to the conditions set out in the Offer Memorandum and the offer and distribution restrictions set out in the Offer Memorandum.

The Offer Memorandum has been sent to you in an electronic form on the basis that:

- (i) you are a holder or beneficial owner of the Existing Securities;
- (ii) you are a person to whom it is lawful to send the Offer Memorandum or to make an invitation pursuant to the Offers in accordance with applicable law;
- (iii) you consent to delivery of the Offer Memorandum by electronic transmission;
- (iv) the electronic mail address that you have provided and to which the Offer Memorandum has been delivered is not located in the United States; and
- (v) you are not a Sanctions Restricted Person (as defined in the Offer Memorandum).

You are responsible for protecting against viruses and other destructive items. Your receipt of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Offeror, the Dealer Managers, the Exchange and Tender Agent or any person who controls, or is a director, officer, employee, agent

or affiliate of, any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offer Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Exchange and Tender Agent.

You are also reminded that the Offer Memorandum has been sent to you on the basis that you are a person into whose possession the Offer Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located or resident and you may not, nor are you authorised to, deliver the Offer Memorandum (in whole or in part) to any other person. If you are not the named addressee to which the Offer Memorandum has been delivered, please notify the sender immediately and destroy the Offer Memorandum. If you have recently sold or otherwise transferred your entire holding(s) of Existing Securities, you should inform the Exchange and Tender Agent immediately.

Any materials relating to the Offers do not constitute, and may not be used in connection with, any form of offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires the Offers to be made by a licensed broker or dealer and the Dealer Managers or any of their respective affiliates is such a licensed broker or dealer in such jurisdiction, the Offers shall be deemed to be made by such Dealer Manager or affiliate (as the case may be) on behalf of the Offeror in such jurisdiction.

The Offer Memorandum has been issued by the Offeror and is being distributed only to existing holders of the Existing Securities (each a “**Securityholder**”). The communication of the Offer Memorandum and any other documents or materials relating to the Offers is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended). The attached Offer Memorandum may only be communicated to persons in the United Kingdom in circumstances where Section 21(1) of the Financial Services and Markets Act 2000, as amended, does not apply. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom, and are only for circulation to persons to whom they can lawfully be circulated outside the United Kingdom or to persons within the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”), or within Article 43(2) of the Order, or within Article 49(2)(a) to (d) of the Order, or to other persons to whom it may lawfully be communicated in accordance with the Order (such persons together being the “**Relevant Persons**”). The Offer Memorandum is only available to Relevant Persons and the transaction contemplated therein will be available only to, or engaged in only with, Relevant Persons, and the financial promotion must not be relied or acted upon by persons other than Relevant Persons.

NONE OF THE ATTACHED OFFER MEMORANDUM OR ANY RELATED DOCUMENT HAS BEEN FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION, NOR HAS ANY SUCH DOCUMENT BEEN FILED WITH OR REVIEWED BY ANY U.S. STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY OF ANY COUNTRY. NO AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE ATTACHED OFFER MEMORANDUM OR ANY RELATED DOCUMENTS, AND IT IS UNLAWFUL AND IS A CRIMINAL OFFENSE TO MAKE ANY REPRESENTATION TO THE CONTRARY.

**Restrictions:** Nothing in this electronic transmission constitutes an offer to buy or the solicitation of an offer to sell securities in (i) the United States; or (ii) any other jurisdiction in which such offer or solicitation would be unlawful. In order to be eligible to view the Offer Memorandum or make an investment decision with respect to the Offers, you must be able to participate lawfully in the Offers.

**THE OFFER MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE OFFER MEMORANDUM MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES AND TO PERSONS TO WHOM IT IS OTHERWISE LAWFUL TO SEND THE OFFER MEMORANDUM AND, IN PARTICULAR, SHOULD NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFER MEMORANDUM IN WHOLE OR IN PART**

**IS UNAUTHORISED. FAILURE TO COMPLY WITH THESE REQUIREMENTS MAY RESULT IN A VIOLATION OF APPLICABLE LAWS.**

**The Offer Memorandum contains important information which should be read carefully before any decision is made with respect to the Offers. If any Securityholder is in any doubt as to the action it should take, such Securityholder is recommended to immediately seek its own financial advice, including tax advice relating to the consequences resulting from the Offers from its stockbroker, bank manager, solicitor, accountant or other independent financial or legal adviser. Any individual or company whose Securities are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to offer for exchange or tender for purchase such Existing Securities pursuant to the Offers.**

**THE DISTRIBUTION OF THE OFFER MEMORANDUM IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PERSONS INTO WHOSE POSSESSION THE OFFER MEMORANDUM COMES ARE REQUIRED BY THE OFFEROR, THE DEALER MANAGERS AND THE TENDER AND EXCHANGE AGENT TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS.**

**NOT FOR DISTRIBUTION IN OR INTO OR TO ANY PERSON LOCATED OR RESIDENT IN THE UNITED STATES OF AMERICA, ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES OF AMERICA AND THE DISTRICT OF COLUMBIA (THE “UNITED STATES”).**

**OFFER MEMORANDUM DATED 27 AUGUST 2024**

This offer memorandum (as amended or supplemented, this “**Offer Memorandum**”) does not constitute an invitation to participate in the Offers (as defined below) in or from any jurisdiction in or from which, or from any person to or from whom, it is unlawful to make such offer under applicable securities laws or otherwise. The distribution of this Offer Memorandum in certain jurisdictions may be restricted by law. See “*Offer and Distribution Restrictions*” below. Persons into whose possession this Offer Memorandum comes are required by the Dealer Managers (as defined below) and the Offeror (as defined below) to inform themselves about, and to observe, any such restrictions. No action that would permit a public offer has been or will be taken in any jurisdiction by the Dealer Managers or by the Offeror.

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK YOUR OWN INDEPENDENT FINANCIAL ADVICE IMMEDIATELY FROM YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT ADVISER (FINANCIAL OR OTHERWISE).**



*(Incorporated with limited liability in the Republic of the Philippines)*

**San Miguel Global Power Holdings Corp.  
(formerly known as SMC Global Power Holdings Corp.) (the “Offeror”)**

Invitations to holders of the outstanding

**5.95% Senior Perpetual Capital Securities issued on 5 November 2019  
(the “5.95% Securities”)**

**7.00% Senior Perpetual Capital Securities issued on 21 October 2020  
(the “7.00% Securities”, and together with the 5.95% Securities, the “Existing Securities”, and either of them, a “Series”)**

to

(a) offer to exchange their Existing Securities for an equal nominal amount of US\$-denominated Senior Perpetual Capital Securities (the “**Exchanged New Securities**”) to be issued by the Offeror (the “**Exchange Offers**” and each and either of them, an “**Exchange Offer**”); and/or

(b) tender their Existing Securities for purchase by the Offeror for cash (the “**Tender Offers**” and each and either of them, a “**Tender Offer**”, and together with the Exchange Offers, the “**Offers**” and each and any of them, an “**Offer**”)

subject to satisfaction (or waiver) of the New Issue Condition (as defined herein) and the other conditions described in this Offer Memorandum

**(a) Exchange Offers**

Existing Securities	Outstanding Principal Amount	First Optional Redemption Date	ISIN/Common Code	Exchange Basis	Exchange Price <sup>(1)</sup>	Amount subject to the Exchange Offers
5.95% Senior Perpetual Capital Securities issued on 5 November 2019 (the “5.95% Securities”)	U.S.\$492,113,000	5 May 2025	ISIN: XS2072777381 /Common Code: 207277738	Par for Par	100 per cent.	Any and all
7.00% Senior Perpetual Capital Securities issued on 21 October 2020 (the “7.00% Securities”)	U.S.\$723,904,000	21 October 2025	ISIN: XS2239056174 /Common Code: 223905617	Par for Par	100 per cent.	Any and all

**Notes:**

- The Offeror will also pay in cash to holders of the Existing Securities (the “Securityholders”) whose Existing Securities are accepted for exchange by the Offeror, on the Settlement Date (as defined herein), an Accrued Distribution Amount (as defined herein).

**Exchanged New Securities**

Exchanged New Securities	ISIN/Common Code	New Issue Price	Expected Issue Date	Expected First Optional Redemption Date	Pricing Terms (i.e. New Issue Initial Rate of Distribution and New Issue Initial Credit Spread)
US\$-denominated Senior Perpetual Capital Securities	To be determined	100 per cent.	Settlement Date (as defined herein)	To be determined on Pricing Date (as defined herein)	To be determined on Pricing Date (as defined herein)

**(b) Tender Offers**

Existing Securities	Outstanding Principal Amount	First Optional Redemption Date	ISIN/Common Code	Purchase Price <sup>(1)</sup>	Maximum Acceptance Amount <sup>(2)</sup>	Priority Level <sup>(3)</sup>
5.95% Senior Perpetual Capital Securities issued on 5 November 2019 (the “5.95% Securities”)	U.S.\$492,113,000	5 May 2025	ISIN: XS2072777381 /Common Code: 207277738	100 per cent.	To be determined at the sole discretion of the Offeror following the pricing of the New Securities, not to exceed the net proceeds from the Additional New Securities Issuance	1
7.00% Senior Perpetual Capital Securities issued on 21 October 2020 (the “7.00% Securities”)	U.S.\$723,904,000	21 October 2025	ISIN: XS2239056174 /Common Code: 223905617	100 per cent.		2

Existing Securities	Outstanding Principal Amount	First Optional Redemption Date	ISIN/Common Code	Purchase Price <sup>(1)</sup>	Maximum Acceptance Amount <sup>(2)</sup>	Priority Level <sup>(3)</sup>
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**Notes:**

1. In addition to the applicable Purchase Price, the Offeror will also pay Securityholders whose Existing Securities are accepted for purchase by the Offeror, on the Settlement Date (as defined herein), an Accrued Distribution Amount (as defined herein).
2. The Offeror expects to announce the Maximum Acceptance Amount (as defined herein) as soon as reasonably practicable on or after the Pricing Date. The Offeror reserves the right, but is under no obligation, to increase or decrease the Maximum Acceptance Amount at any time, subject to compliance with applicable law.
3. Subject to the satisfaction (or waiver) of the New Issue Condition and the other conditions described in this Offer Memorandum, the principal amount of each Series of Existing Securities that is purchased in each Tender Offer will be determined in accordance with the applicable Priority Level, in numerical priority order as specified in this column.

The Offers begin on the date of this Offer Memorandum and will expire at 4:00 pm (London time) on 4 September 2024 (such time and date, as the same may be extended, the “Expiration Deadline”), unless extended, withdrawn or earlier terminated. The results of the Offers will be announced as soon as reasonably practicable on or after the Pricing Date, which is expected to be on or around 5 September 2024 (the “Results Announcement Date”).

**Exchange Offers**

Subject to terms and subject to the conditions set out in this Offer Memorandum (including the offer restrictions referred to in “*Offer and Distribution Restrictions*”), the Exchange Offers are being made in respect of any and all of the Existing Securities. If the Offeror accepts valid offers of Existing Securities for exchange pursuant to the Exchange Offers, it will accept all such offers that have been made.

There is no limit on the amount of Existing Securities that may be offered for exchange pursuant to the Exchange Offers. Therefore, no pro-rata factor will be applied to the acceptance of Existing Securities of a holder validly offered and accepted for exchange. Existing Securities that are not successfully offered for exchange pursuant to the Exchange Offers will remain outstanding.

Each Securityholder whose Existing Securities are accepted for exchange pursuant to the Exchange Offers will receive, on the Settlement Date, an aggregate principal amount of Exchanged New Securities equal to 100 per cent. of the aggregate principal amount of the Existing Securities accepted for exchange from such holder.

The Offeror will also pay in cash to each Securityholder whose Existing Securities are accepted for exchange pursuant to the Exchange Offers, on the Settlement Date, an Accrued Distribution Amount.

If the Offeror accepts valid offers of Existing Securities for exchange pursuant to the Exchange Offers, the Exchanged New Securities will be issued in denominations of US\$200,000 and integral multiples of US\$1,000 thereafter. Accordingly, to participate in an Exchange Offer, Securityholders must validly offer for exchange sufficient Existing Securities of the relevant Series to be eligible to receive, in accordance with the terms of the relevant Exchange Offer, a nominal amount of Exchanged New Securities at least equal to the minimum denomination of US\$200,000 and integral multiples of US\$1,000 thereafter.

The terms and conditions of the Exchanged New Securities are set out in the Preliminary Offering Circular (as defined below). There are a number of differences between the Conditions of the Existing Securities and the Conditions of the New Securities, including those specified in “*Comparison Between Certain Provisions of the Existing Securities and the New Securities*”. See further “*Risk Factors and Other Considerations – Differences between the Existing Securities and the New Securities*”.

The minimum New Issue Initial Distribution Rate (the “Minimum New Issue Initial Distribution Rate”) will be announced by the Offeror on the Minimum New Issue Initial Distribution Rate Fixing Date.

The following pricing terms of the New Securities will be determined on the Pricing Date and announced by the Offeror as soon as reasonably practicable on or after the Pricing Date:

- (a) the New Issue Initial Rate of Distribution; and
- (b) the New Issue Initial Credit Spread.

**Tender Offers**

The Offeror intends to accept valid tenders of Existing Securities for purchase pursuant to the Tender Offers in an aggregate nominal amount which shall be determined at the sole discretion of the Offeror following the pricing of the New Securities, not to exceed the net proceeds from the Additional New Securities Issuance (the “Maximum Acceptance Amount”), and which the Offeror will announce as soon as reasonably practicable on or after the Pricing Date.

The Offeror reserves the right, in its sole and absolute discretion, and for any reason, not to purchase any Existing Securities or not to purchase any Existing Securities of a particular Series, subject to applicable law.

If the Offeror decides to accept any Existing Securities for purchase pursuant to the relevant Tender Offer(s), the Offeror proposes to accept Existing Securities validly tendered for purchase pursuant to the relevant Tender Offer(s) in the order of the related Priority Level set out in the table on page ii of this Offer Memorandum (each a “Priority Level”), beginning with the Existing Securities with Priority Level of 1 being the highest Priority Level. Subject to the satisfaction (or waiver) of the New Issue Condition and the other conditions described in this Offer Memorandum, validly tendered Existing Securities with a higher Priority Level will be accepted before any validly tendered Existing Securities with a lower Priority Level.

The Offeror does not intend to accept any valid tenders of Existing Securities with a Priority Level of 2 unless it has accepted all valid tenders of Existing Securities with a Priority Level of 1 in full, with no *pro rata* scaling in the event that the aggregate principal amount of Existing Securities with a Priority Level of 1 accepted by the Offeror does not exceed the Maximum Acceptance Amount.

In the event that the principal amount accepted by the Offeror at a Priority Level causes the aggregate principal amount accepted by the Offeror to exceed the Maximum Acceptance Amount, the Existing Securities validly offered for purchase at that Priority Level may be subject to pro-rata in the manner set out under “*The Offers — The Tender Offers — Scaling of Tender Offers*” below such that the aggregate principal amount accepted by the Offeror does not exceed the Maximum Acceptance Amount.

**Alternative Options**

The Exchange Offers and the Tender Offers are alternative options available to Securityholders, and Securityholders who have submitted an Exchange Instruction or a Tender Instruction may not also submit a Tender Instruction or Exchange Instruction, as applicable, in respect of the same Existing Securities, without first validly revoking their original instruction. To illustrate, if a Securityholder holds US\$400,000 in aggregate principal amount of Existing Securities of a Series, he or she may submit a Tender Instruction in respect of US\$200,000 in aggregate principal amount of such Existing Securities and may submit an Exchange Instruction for the remaining US\$200,000 in aggregate principal amount of such Existing Securities. Such Securityholder may not, on the other hand, submit a Tender Instruction in respect of the portion of Existing Securities covered by the Exchange Instruction, and vice versa, without first validly revoking their original instruction.

**Additional New Securities**

The Offeror currently intends to issue further U.S.\$-denominated Senior Perpetual Capital Securities (the “Additional New Securities Issuance” and such securities, the “Additional New Securities”) with the same terms and conditions as, and are fungible with, the Exchanged New Securities (the Exchanged New

Securities, together with the Additional New Securities, the “New Securities”). The Additional New Securities Issuance remains at the sole discretion of the Offeror. Such concurrent transaction is not part of the Offers and will be conducted pursuant to a separate offering circular. The Additional New Securities (if any) will be subscribed for, or subscriptions will be procured for, by the Dealer Managers, in their capacity as joint lead managers (the “Joint Lead Managers”). For a summary of the terms of the New Securities, please refer to “Annex 2 - Preliminary Offering Circular”.

**New Issue Condition**

Whether the Offeror will accept for exchange any Existing Securities validly offered for exchange in the Exchange Offers or accept for purchase any Existing Securities validly tendered for purchase in the Tender Offers is subject to the pricing and successful completion (in the sole determination of the Offeror) of the issue of the New Securities (the “New Issue Condition”).

Please see “*The Offers*” for further details.

THE DEADLINES SET BY ANY INTERMEDIARY OR CLEARING SYSTEM FOR THE SUBMISSION AND (TO THE EXTENT PERMITTED UNDER THE LIMITED CIRCUMSTANCES SET OUT IN THE TERMS OF THIS OFFER MEMORANDUM) WITHDRAWAL OF INSTRUCTIONS MAY BE EARLIER THAN THE RELEVANT DEADLINES SPECIFIED IN THIS OFFER MEMORANDUM.

THE EXISTING SECURITIES ARE LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE “SGX-ST”).

**DEALER MANAGERS**

**ANZ**

**DBS Bank Ltd.**

**Mizuho**

**Standard Chartered Bank**

**The consummation of the Offers by the Offeror is subject to the satisfaction of certain conditions (including the New Issue Condition). Subject to applicable law, the Offeror reserves the right, in its sole discretion, to waive any and all conditions (including the New Issue Condition) to the Offers.**

Subject to applicable law and in accordance with the conditions described under “*Other Conditions to the Offers*”, the Offeror may, in its sole discretion, extend, re-open, amend, waive in whole or in part any condition to, and/or withdraw or terminate any or all of, the Offers as provided in this Offer Memorandum. Details of any such extension, re-opening, amendment, waiver, withdrawal or termination will be announced to Securityholders as provided in this Offer Memorandum as soon as reasonably practicable after the relevant decision is made. Additionally, subject to applicable law and in accordance with the conditions described herein, the Offeror reserves the right, in its sole and absolute discretion, not to accept any offers to exchange or tenders for purchase of the Existing Securities.

The Offeror has not expressed any opinion with respect to the Offers. None of the Offeror, the Dealer Managers, the Exchange and Tender Agent, nor any of their respective affiliates, makes any recommendation as to whether or not any Securityholder should offer any or all of its Existing Securities for exchange pursuant to the Exchange Offers or tender any or all of its Existing Securities for purchase pursuant to the Tender Offers and neither the Offeror nor any such other person has authorised any person to make any such recommendation. Each Securityholder must make its own decision as to whether or not to offer any or all of its Existing Securities for exchange pursuant to the Exchange Offers or whether to tender any or all of its Existing Securities for purchase pursuant to the Tender Offers.

*Each Securityholder is advised to check with any broker, dealer, bank, custodian, trust company or other nominee or other intermediary through which it holds Existing Securities to confirm whether such intermediary needs to receive instructions from such Securityholder before the deadlines specified in this Offer Memorandum in order for that Securityholder to be able to participate in, or (to the extent permitted under the limited circumstances set out in terms of this Offer Memorandum) withdraw its instruction to participate in, the Offers. The deadlines set by intermediaries for the submission and withdrawal of instructions may be earlier than the relevant deadlines specified in this Offer Memorandum.*

Securityholders should carefully consider all of the information in this Offer Memorandum (including the Preliminary Offering Circular and all information incorporated by reference therein). If you do not offer your Existing Securities for exchange or tender your Existing Securities for purchase, they will remain outstanding, and if the Offeror consummates an Offer, the applicable trading market for your outstanding Existing Securities may be significantly more limited. For a discussion of this and certain other matters to be considered in connection with the Offers, see the information contained in “*Risk Factors and Other Considerations*” beginning on page 19 of this Offer Memorandum and the section on “*Risk Factors*” (the “Offering Circular Risk Factors”) in the preliminary offering circular annexed to this Offer Memorandum (including all information incorporated by reference therein) (the “Preliminary Offering Circular”).

## CONTENTS

<b>OFFER AND DISTRIBUTION RESTRICTIONS.....</b>	<b>1</b>
<b>IMPORTANT DATES.....</b>	<b>5</b>
<b>GENERAL .....</b>	<b>8</b>
<b>SUMMARY.....</b>	<b>13</b>
<b>RISK FACTORS AND OTHER CONSIDERATIONS .....</b>	<b>19</b>
<b>THE OFFERS.....</b>	<b>23</b>
<b>PROCEDURES FOR PARTICIPATING IN THE OFFERS.....</b>	<b>29</b>
<b>AMENDMENT AND TERMINATION .....</b>	<b>38</b>
<b>TAX CONSEQUENCES.....</b>	<b>40</b>
<b>DEALER MANAGERS AND EXCHANGE AND TENDER AGENT.....</b>	<b>41</b>
<b>CONCURRENT TRANSACTIONS .....</b>	<b>43</b>
<b>ANNEX 1 - COMPARISON BETWEEN CERTAIN PROVISIONS OF THE EXISTING SECURITIES AND THE NEW SECURITIES .....</b>	<b>44</b>
<b>ANNEX 2 - PRELIMINARY OFFERING CIRCULAR .....</b>	<b>49</b>

## OFFER AND DISTRIBUTION RESTRICTIONS

*The distribution of this Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this Offer Memorandum comes are required by the Offeror, the Dealer Managers and the Exchange and Tender Agent to inform themselves about, and to observe, any such restrictions.*

### United States

The Offers are not being made, and will not be made, directly or indirectly in or into, or by use of the mail of, or by any means or instrumentality of interstate or foreign commerce of or of any facilities of a national securities exchange of, the United States. This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone, the internet and other forms of electronic communication. The Existing Securities may not be offered for exchange or tendered for purchase by any such use, means, instrumentality or facility from or within the United States or by persons located or resident in the United States. Accordingly, copies of this Offer Memorandum and any other documents or materials relating to the Offers are not being, and must not be, directly or indirectly mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into the United States or to any persons located or resident in the United States. Any purported offer of Existing Securities for exchange, or any purported tender of Existing Securities for purchase, resulting directly or indirectly from a violation of these restrictions will be invalid and any purported offer of Existing Securities for exchange, or any purported tender of Existing Securities for purchase made by a person located or resident in the United States or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States will be invalid and will not be accepted.

This Offer Memorandum is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration under, or an exemption from the registration requirements of, the United States Securities Act of 1933, as amended (the “**Securities Act**”). The New Securities have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered, directly or indirectly, within the United States.

**Each Securityholder participating in the Offers will represent that it is not located or resident in the United States and it is not participating in the Offers from the United States, or it is acting on a non-discretionary basis for a principal located outside the United States that is not giving an order to participate in the Offers from the United States. For the purposes of this and the above paragraph, “United States” means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.**

### United Kingdom

The communication of this Offer Memorandum and any other documents or materials relating to the Offers is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21(1) of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials is only directed at and may be communicated to (1) persons falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”)); (2) persons falling within Article 43(2) of the Financial Promotion Order; (3) persons outside the United Kingdom; or (4) any other persons to whom these documents and/or materials may lawfully be communicated under the Financial Promotion Order. The Offers and any investment or investment activity to which this Offer Memorandum relates is available only to such persons or will be engaged only with such persons and other persons should not rely on it.

The New Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**UK**”). For these purposes, a “**retail investor in the UK**” means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Markets and Services Act 2000, as amended (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the New Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

### **European Economic Area**

This Offer Memorandum and any other documents or materials relating to the Offers are only addressed to and directed at persons in member states of the European Economic Area (the “**EEA**”), who are “qualified investors” within the meaning of Article 2(e) of Regulation (EU) 2017/1129. The Offers are only available to persons within the EEA who are qualified investors. None of the information in this Offer Memorandum and any other documents and materials relating to the Offers should be acted upon or relied upon in any member state of the EEA by persons who are not qualified investors.

The New Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a “**retail investor in the EEA**” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the New Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### **Singapore**

None of the Offers, this Offer Memorandum or any other documents or materials relating to the Offers have been or will be registered as a prospectus with the Monetary Authority of Singapore. The Offers and the New Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275, of the SFA.

### **Hong Kong**

The contents of this Offer Memorandum and any other documents or materials relating to this Offer Memorandum have not been reviewed by any regulatory authority in Hong Kong. Securityholders should exercise caution in relation to the Offers. If a Securityholder is in any doubt about any of the contents of this Offer Memorandum, such holder should obtain independent professional advice.

The Offers and the offering of New Securities have not been made and will not be made in Hong Kong, by means of any document other than: (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and

Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**CWUMPO**”) or which do not constitute an offer to the public within the meaning of the CWUMPO.

Further, no person has issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Offers and the New Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Offers and the offering of New Securities which is or is intended to be made only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO. This Offer Memorandum and the information contained herein may not be used other than by the person to whom it is addressed and may not be reproduced in any form or transferred to any person in Hong Kong.

The Offers are not intended to be made to the public in Hong Kong and it is not the intention of the Offeror that the Offers be made to the public in Hong Kong.

### **Republic of the Philippines**

This Offer Memorandum has not been and will not be reviewed by the Philippine Securities and Exchange Commission (“**Philippine SEC**”), and should not be distributed or made available to the general public in the Philippines.

Under Philippine law, the offer for sale or purchase of securities within the Philippines is subject to registration requirements under the Securities Regulation Code of the Philippines (the “**SRC**”), unless the securities are exempt from registration or the offer or sale is made under circumstances which qualify as an exempt transaction under the SRC. The Existing Securities being offered for sale or purchase or otherwise tendered for purchase or offered for exchange for Exchanged New Securities by the Securityholders under the Offer Memorandum, the Additional New Securities, and any offer or distribution of the Existing Securities or New Securities have not been and will not be registered with the Philippine SEC under the SRC. The Offeror has not obtained any confirmation of exemption from the Philippine SEC in respect of any offer for sale, tender for purchase, offer for exchange or distribution, of the Existing Securities or the New Securities. Unless a confirmation of exemption in respect of any offer for sale, tender for purchase, offer for exchange or distribution of the Existing Securities or the New Securities is issued by the Philippine SEC, any person claiming exemption under the SRC has the burden of proof, if challenged, of showing that it is entitled to the exemption. The Philippine SEC may challenge such exemption anytime.

The Existing Securities that are subject to the Offers under the Offer Memorandum and the New Securities are not intended to be sold or offered for sale, tendered for purchase, offered for exchange or offered for distribution and should not be sold or offered for sale, tendered for purchase, offered for exchange or offered for distribution exchange or distribution within the Philippines; provided, that where a Securityholder of Existing Securities is a resident of or located in the Philippines and intends to participate in the Offers, such Securityholder shall represent that: (i) it did not receive, directly or indirectly, any invitation or offer to participate in the Offers by such means, instrumentality or facility from or within the Philippines or located within the Philippines, or otherwise through materials or documents mailed, transmitted, distributed or forwarded in or to the Philippines; (ii) it is not participating in the Offers from the Philippines or is otherwise participating in the Offers under circumstances where the sale or offer for sale, tender for purchase, offer for exchange, and acceptance of the offer for sale, tender for purchase or offer for exchange, of the Existing Securities qualify as an exempt transaction under the SRC, the SRC Rules and other issuances of the Philippine SEC; (iii) it is a “qualified buyer” pursuant to Section 10.1(I) of the SRC and Rules 10.1.3 and 10.1.11 of the 2015 Implementing Rules and Regulations of the SRC, as amended (the “**SRC Rules**”); and (iv) its participation in the Offers would be, at all times and in all respects, in compliance with the SRC, SRC Rules and other applicable laws and regulations.

To ensure compliance with Philippine law, this Offer Memorandum shall only be used as an invitation to Securityholders to tender their Existing Securities in accordance with the terms and conditions indicated herein.

Any future sale or offer for sale or distribution of the Existing Securities that are not validly tendered for purchase or exchange by Securityholders and accepted for purchase or exchange by the Offeror, or any future sale or offer for sale or distribution of the New Securities, within the Philippines is subject to the registration requirements under the SRC unless such offer or sale is made under circumstances which qualify as an exempt transaction under the SRC.

Notwithstanding that a particular class of securities issued under the SRC is exempt from registration, the conduct by any person in the purchase, sale, distribution, settlement and other post-trade activities involving such securities shall comply with the provisions of the SRC, the SRC Rules, and other relevant Philippine SEC issuances. The sale or offer for sale of a security in an exempt transaction shall not be exempt from civil liability and related liabilities and other applicable provisions of the SRC, the SRC Rules, and other relevant Philippine SEC issuances on fraud, among others.

This Offer Memorandum does not constitute or form part of and should not be construed as an offer to sell or the solicitation of an offer to buy or acquire securities of the Offeror or any of its subsidiaries or as an inducement to enter into an investment activity.

### **General**

This Offer Memorandum and any related documents do not constitute an offer to buy or the solicitation of an offer to sell the Existing Securities and/or the New Securities, as applicable, in any circumstances in which such offer or solicitation is unlawful. If a jurisdiction requires the Offers to be made by a licensed broker or dealer, and the Dealer Managers or any of their respective affiliates is such a licensed broker or dealer in such jurisdictions, the Offers shall be deemed to be made by such Dealer Manager or such affiliate (as the case may be) on behalf of the Offeror in such jurisdiction.

In addition to the representations referred to above in respect of the United States, the United Kingdom, the European Economic Area, Singapore, Hong Kong and the Philippines, each Securityholder participating in the Offers will also be deemed to give certain representations in respect of the other jurisdictions referred to above and generally as set out in *“Procedures for Participating in the Offers”*. Any offer of Existing Securities for exchange, or tender of Existing Securities for purchase pursuant to the Offers from a Securityholder that is unable to make these representations will not be accepted. Each of the Offeror, the Dealer Managers and the Exchange and Tender Agent reserves the right, in its absolute discretion, to investigate, in relation to any offer of Existing Securities for exchange, or tender of Existing Securities for purchase pursuant to the Offers, whether any such representation given by a Securityholder is correct and, if such investigation is undertaken and as a result the Offeror determines (for any reason) that such representation is not correct, such offer for exchange or tender for purchase of Existing Securities shall not be accepted.

## IMPORTANT DATES

*This is an indicative timetable showing one possible outcome for the timing of the Offers based on the dates printed in this Offer Memorandum and assuming that the Expiration Deadline and/or the Settlement Date are not extended in respect of the Offers. This timetable is subject to change and dates and times may be extended, amended, withdrawn or terminated by the Offeror in accordance with the terms of the Offers, as described in this Offer Memorandum. Accordingly, the actual timetable may differ significantly from the timetable below. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offer Memorandum.*

### **Date and Time**

### **Event**

27 August 2024.

### **Commencement Date**

Commencement of the Offers upon the terms and subject to the conditions set out in this Offer Memorandum.

On or around 29 August 2024.

### **Minimum New Issue Initial Distribution Rate Fixing Date**

Announcement of the Minimum New Issue Initial Distribution Rate in respect of the New Securities.

4:00 pm (London time) on 4 September 2024, unless extended or earlier terminated by the Offeror. In the case of an extension, the Expiration Deadline will be such other date and time as so extended.

### **Expiration Deadline**

Deadline for receipt of valid Exchange Instructions (as defined herein) or valid Tender Instructions (as defined herein) by the Exchange and Tender Agent in order for Securityholders to be able to participate in the Offers. A broker, dealer, bank, custodian, trust company or other nominee or other intermediary that holds Existing Securities of any Securityholder may have earlier deadlines for accepting the Offers than those specified herein. Each Securityholder should promptly contact the broker, dealer, bank, custodian, trust company or other nominee that holds its Existing Securities to determine its deadline or deadlines.

On or around 5 September 2024.

### **Announcement of each of the total aggregate nominal amount of Existing Securities validly (i) offered for exchange pursuant to the Exchange Offers; and (ii) tendered for purchase pursuant to the Tender Offers to be made by the Offeror.**

Subject to market conditions, on or around 5 September 2024.

### **Pricing Date**

Determination of the Pricing Terms (as defined herein) of the New Securities.

As soon as reasonably practicable on or after the Pricing Date, on or around 5 September 2024.

### **Results Announcement Date**

Announcement of whether (subject to satisfaction (or waiver) of the New Issue Condition on or prior to the Settlement Date) the Offeror will accept valid offers of Existing Securities for exchange and tenders of Existing Securities for purchase pursuant to the Offers. If so accepted, the Offeror will also announce: (i) in the case of the Exchange Offers; the aggregate nominal amount of Existing Securities accepted for exchange; (ii) in the case of the Tender Offers, the Maximum Acceptance Amount, the aggregate nominal amount of Existing Securities accepted for purchase at each Priority Level (to the extent applicable) and any Pro-Ration Factor (if applicable); (iii) the final aggregate nominal amount of New Securities to be issued and the Pricing Terms of the New Securities; and (iv) the aggregate principal amount of Existing Securities that will remain outstanding following the completion of the Offers.

On or about 12 September 2024.

#### **Settlement Date**

Subject to satisfaction (or waiver) of the New Issue Condition, (i) the settlement date for the Exchange Offers, including delivery of Exchanged New Securities in exchange for Existing Securities validly offered for exchange by a Securityholder and accepted by the Offeror and payment of the Accrued Distribution Amount; (ii) the settlement date for the Tender Offers, including payment of the applicable Purchase Price and the relevant Accrued Distribution Amount; and (iii) issue date of New Securities.

The above times and dates are subject to the rights of the Offeror to extend, re-open, amend, waive in whole or in part any condition to, and/or withdraw or terminate, any or all of the Offers (subject to applicable law and as provided in this Offer Memorandum).

Securityholders are advised to check with any broker, dealer, bank, custodian, trust company or other nominee or other intermediary through which they hold Existing Securities to confirm whether such intermediary requires that it receives instructions for such Securityholder to participate in the Offers before the deadlines specified above. The deadlines set by each Clearing System (as defined below) for the submission of Existing Securities subject to the Offers may be earlier than the deadlines set out above. Please see "*Procedures for Participating in the Offers*".

Unless stated otherwise, announcements will be made by the Offeror by (i) the delivery of notices to each of Euroclear and Clearstream, Luxembourg for communication to Direct Participants, (ii) by publication on the SGX-ST, or (iii) as required by relevant laws or regulations. Copies of all such announcements, press releases and notices can also be obtained from the Exchange and Tender Agent, the contact details for which are on page 50 of this Offer Memorandum. In addition, Securityholders may contact the Dealer Managers for information using the contact details on page 50 of this Offer Memorandum.

None of the Dealer Managers represents or warrants that any of the events referred to above will take place as and/or when described, including, subject to applicable law, any publications or announcements via the Clearing

Systems, nor shall they be liable for any failure of the Clearing Systems to deliver any notices to Securityholders or beneficial owners of the Existing Securities or of any news service to publish a notice.

This Offer Memorandum and any other relevant notice and documents with respect to the Offers will be available at <https://clients.dfkingltd.com/smgp/> (the “**Offer Website**”), operated by the Exchange and Tender Agent for the purpose of the Offers.

## GENERAL

**SECURITYHOLDERS SHOULD READ THIS OFFER MEMORANDUM CAREFULLY BEFORE MAKING A DECISION AS TO WHETHER OR NOT TO OFFER ANY OR ALL OF THEIR EXISTING SECURITIES FOR EXCHANGE PURSUANT TO THE EXCHANGE OFFERS OR WHETHER TO TENDER ANY OR ALL OF THEIR EXISTING SECURITIES FOR PURCHASE PURSUANT TO THE TENDER OFFERS.**

Neither the delivery of this Offer Memorandum nor any exchange or purchase of the Existing Securities pursuant to the Offers by the Offeror will, under any circumstances, create any implication that the information contained in this Offer Memorandum is current as of any time subsequent to the date of this Offer Memorandum.

Securityholders should rely only on the information contained in this Offer Memorandum.

No person has been authorised in connection with the Offers to give any information or to make any representation, other than those contained in this Offer Memorandum and any such information or representation must not be relied upon as having been authorised by the Offeror, the Dealer Managers or the Exchange and Tender Agent. Neither the Offeror nor the Dealer Managers is making the Offer in any jurisdiction where this offer or solicitation is not permitted. Neither the delivery of this Offer Memorandum nor any exchange or purchase of Existing Securities pursuant to the Offers shall, under any circumstances, create any implication that there has not been any change in the affairs of the Offeror since the date of this Offer Memorandum or that the information contained in this Offer Memorandum has remained accurate and complete as of any time subsequent to the date of this Offer Memorandum.

No broker, dealer, salesperson or any other person has been authorised to give any information or to make any representations other than those contained in this Offer Memorandum and, if given or made, such information or representations must not be relied upon as having been authorised by the Offeror, the Dealer Managers or the Tender and Exchange Agent. Neither this Offer Memorandum nor any other materials relating to the Offers constitutes an offer to buy any Securities, or a solicitation of an offer to sell any Securities, and the Offers will not be accepted from holders of Existing Securities, in any jurisdiction in which such offer or solicitation is unlawful.

**THIS OFFER MEMORANDUM HAS NOT BEEN REVIEWED BY ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY IN THE UNITED STATES, THE UNITED KINGDOM OR THE EUROPEAN ECONOMIC AREA, NOR HAS THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) OR ANY SUCH COMMISSION OR AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF OFFER MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL AND MAY BE A CRIMINAL OFFENCE.**

The Offeror has prepared this Offer Memorandum and is solely responsible for its contents. None of the Offeror, the Dealer Managers or the Tender and Exchange Agent or any of their respective directors, officers, employees, advisers, agents or affiliates has expressed any opinion as to whether the terms of the Offers are fair. None of the Offeror, the Dealer Managers or the Tender and Exchange Agent or any of their respective directors, employees, advisers, agents or affiliates make any representation or recommendation whatsoever regarding this Offer Memorandum or the Offers or whether any Securityholder should submit the Exchange Instruction and/or the Tender Instruction or refrain from doing so, and no one has been authorised by any of them to make any such recommendation. None of the Offeror, the Dealer Managers or the Tender and Exchange Agent (or any of their respective directors, officers, employees, advisers, agents or affiliates) is providing Securityholders with any legal, business, tax or other advice in this Offer Memorandum. Each Securityholder must make its own decision as to whether to submit the Exchange Instruction and/or the Tender Instruction or refrain from doing so and, if it wishes to submit a the Exchange Instruction and/or the Tender Instruction, the principal amount of Existing Securities to offer for exchange or tender for purchase.

None of the Dealer Managers, the Tender and Exchange Agent and their respective directors, officers, employees, advisers, agents or affiliates assume any responsibility for the accuracy or completeness of the information

contained in this Offer Memorandum, including the information concerning the Offers, the Offeror or the Offers, or for any failure by the Offeror to disclose events that may have occurred and may affect the significance or accuracy of such information.

Existing Securities may only be offered for exchange or tendered for purchase pursuant to the Offers in accordance with the procedures described in “*Procedures for Participating in the Offers*”. In particular:

- (a) Exchange Instructions must be submitted in respect of a minimum nominal amount of Existing Securities of US\$200,000, being the minimum denomination of each Series, and may thereafter be submitted in integral multiples of US\$1,000. To participate in an Exchange Offer, Securityholders must validly offer for exchange sufficient Existing Securities of the relevant Series to be eligible to receive, in accordance with the terms of the relevant Exchange Offer, a nominal amount of Exchanged New Securities at least equal to the Minimum Exchange Offer Amount; and
- (b) Tender Instructions must be submitted in respect of a minimum nominal amount of Existing Securities of US\$200,000, being the minimum denomination of each Series, and may thereafter be submitted in integral multiples of US\$1,000.

Each Securityholder is solely responsible for making its own independent appraisal of all matters as such Securityholder deems appropriate (including those relating to the Offers).

**NONE OF THE OFFEROR, THE DEALER MANAGERS, THE EXCHANGE AND TENDER AGENT, NOR ANY OF THEIR RESPECTIVE AFFILIATES MAKES ANY RECOMMENDATION AS TO WHETHER OR NOT ANY SECURITYHOLDER SHOULD OFFER ANY OR ALL OF ITS EXISTING SECURITIES FOR EXCHANGE PURSUANT TO THE EXCHANGE OFFERS OR WHETHER TO TENDER ANY OR ALL OF ITS EXISTING SECURITIES FOR PURCHASE PURSUANT TO THE TENDER OFFERS. THE EXCHANGE AND TENDER AGENT IS THE AGENT OF THE OFFEROR AND OWES NO DUTY TO ANY SECURITYHOLDER. EACH SECURITYHOLDER SHOULD MAKE ITS OWN DECISION AS TO WHETHER TO OFFER ANY OR ALL OF ITS EXISTING SECURITIES FOR EXCHANGE PURSUANT TO THE EXCHANGE OFFERS OR WHETHER TO TENDER ANY OR ALL OF ITS EXISTING SECURITIES FOR PURCHASE PURSUANT TO THE TENDER OFFERS AND, IF SO, THE PRINCIPAL AMOUNT OF THE EXISTING SECURITIES IN RESPECT OF WHICH AN OFFER TO EXCHANGE OR A TENDER IS TO BE MADE.**

Securityholders holding their Existing Securities through a broker, dealer, bank, custodian, trust company or other nominee must contact that nominee if they desire to offer to exchange or tender those Existing Securities. Any questions or requests for assistance or for additional copies of this Offer Memorandum or related documents should be directed to the Exchange and Tender Agent at its telephone number or email set forth on page 50 of this Offer Memorandum. Securityholders may also contact the Dealer Managers or its broker, dealer, bank, custodian, trust company or other nominee for assistance concerning the terms of the Offers.

A Securityholder or a beneficial owner of the Existing Securities who is a Sanctions Restricted Person (as defined in “*Representations, Warranties and Undertakings*”) may not participate in the Offers. No steps taken by a Sanctions Restricted Person to offer any or all of its Existing Securities for exchange pursuant to the Exchange Offers or to tender any or all of its Existing Securities for purchase pursuant to the Tender Offers will be accepted by the Offeror and such Sanctions Restricted Person will not be eligible to receive the delivery of the Exchanged New Securities, the Purchase Price or the relevant Accrued Distribution Amount, in any circumstances.

The applicable provisions of the FSMA must be complied with in respect of anything done in relation to the Offers in, from or otherwise involving the United Kingdom.

**In making a decision whether to offer any or all of their Existing Securities for exchange pursuant to the Exchange Offers or whether to tender any or all of their Existing Securities for purchase pursuant to the**

**Tender Offers, Securityholders must carefully consider all of the information in this Offer Memorandum and rely on their own examination of the Offeror, the Existing Securities and the information contained in this Offer Memorandum, including their own determination of the merits and risks involved in participating in the Offers. Accordingly, each person receiving this Offer Memorandum acknowledges that such person has not relied upon the Offeror, the Dealer Managers or the Tender and Exchange Agent in connection with its decision as to whether to participate in the Offers. If such person is in any doubt about any aspect of the Offers and/or the action it should take, including in respect of any tax consequences, it should consult its professional advisers.**

In the event of a termination by the Offeror of any or all of the Offers, all Existing Securities offered for exchange or tendered pursuant to such Offers will be promptly returned to the relevant Securityholders or credited to their account.

Except for fees payable to the Dealer Managers and the Exchange and Tender Agent, the Offeror will not pay any commissions or other remuneration to any broker, dealer, salesman, or other person for soliciting offers for exchange or tenders of Existing Securities. Securityholders participating in the Offers will not be obligated to pay brokerage fees, commission or transfer taxes to the Offeror, the Dealer Managers or the Exchange and Tender Agent in relation to the Offeror's exchange of Existing Securities pursuant to the Exchange Offers, purchase of Existing Securities pursuant to the Tender Offers or the payment of the applicable Purchase Price or the relevant Accrued Distribution Amount. Securityholders participating in the Offers may be required to pay fees to their own brokerage firm.

A decision to participate or not participate in the Offers will involve certain risks. See *"Risk Factors and Other Considerations"* and the Offering Circular Risk Factors.

Securityholders must comply with all laws that apply in any place in which such Securityholders possess this Offer Memorandum. Securityholders must also obtain any consents or approvals that are needed and comply with any laws that apply in order to participate in the Offers. None of the Offeror or any of its subsidiaries or affiliates, the Dealer Managers or the Exchange and Tender Agent or any of their respective affiliates is responsible for Securityholders' compliance with these legal requirements. For the avoidance of doubt, the ability of the Securityholders to participate in the Offers is subject to all applicable securities laws and regulations in force in any relevant jurisdiction. It is the sole responsibility of each Securityholder to satisfy itself that it is eligible to participate in the Offers.

No action that would permit a public offer has been or will be taken in any jurisdiction by the Dealer Managers or by the Offeror. None of the Offeror or any of its subsidiaries or affiliates or the Dealer Managers or the Exchange and Tender Agent or any of their respective affiliates is providing Securityholders with any legal, business, tax or other advice in this Offer Memorandum or in connection with the Offers. Securityholders should consult with their own advisers as needed to assist in making an investment decision and to advise as to whether such Securityholders are legally permitted to participate in the Offers.

Whether or not the Offers are completed, the Offeror and its affiliates may from time to time purchase Existing Securities in the open market, in privately negotiated transactions, through tender or exchange offers, or otherwise, or the Offeror may redeem Existing Securities that the Offeror is permitted to redeem pursuant to their terms. Any future purchases may be on the same terms or on terms that are more or less favorable to Securityholders than the terms of the applicable Offer. Any future purchases by the Offeror or its affiliates will depend on various factors existing at that time. There can be no assurance as to which, if any, of these alternatives (or combinations thereof) the Offeror or its affiliates may choose to pursue in the future.

Unless the context otherwise requires, references in this Offer Memorandum to a **"Securityholder"** include:

- (a) each person who is shown in the records of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**" and together with Euroclear, the "**Clearing Systems**") as a holder of the

Existing Securities (a “**Direct Participant**”) (except that one Clearing System shall not be treated as the holder of the Existing Securities held in the account of another Clearing System when holding on behalf of the first Clearing System’s accountholders); and

- (b) each beneficial owner of Existing Securities holding such Existing Securities, directly or indirectly, in accounts in the name of a Direct Participant acting on the beneficial owner’s behalf,

except that for the purposes of the exchange of any Existing Securities for Exchanged New Securities and any payment of the relevant Accrued Distribution Amount pursuant to the relevant Exchange Offer, or the payment of the applicable Purchase Price and relevant Accrued Distribution Amount pursuant to the relevant Tender Offer, to the extent the beneficial owner of the relevant Existing Securities is not a Direct Participant, the relevant Exchanged New Securities will only be delivered (if applicable) and the applicable Purchase Price and/or relevant Accrued Distribution Amount, will only be paid to the relevant Direct Participant, and the delivery of such Exchanged New Securities (if applicable) and the payment of the applicable Purchase Price and/or relevant Accrued Distribution Amount, to such Direct Participant will satisfy any obligations of the Offeror and the relevant Clearing System in respect of the exchange or purchase of such Existing Securities.

The trustees and the agents appointed under the Existing Securities and to be appointed under the New Securities, and their respective affiliates, directors, officers, employees, representatives, advisers and agents, are not involved in the formulation of the Offers or the preparation of this Offer Memorandum. None of them (i) expresses any view or provide any advice on the merits, terms, procedures or settlement of the Offers or the content of this Offer Memorandum, (ii) makes any representation as to the sufficiency, accuracy of the information disclosed herein or whether the same is not misleading, or (iii) accepts any responsibility or liability for the information contained in this Offer Memorandum. Securityholders should consult with their own independent advisers as needed to assist in making an investment decision and to advise them as to all and any matter in relation to the Offers and this Offer Memorandum.

All references in this Offer Memorandum to “**U.S. dollars**” and “**US\$**” are to the lawful currency of the United States of America. A “**Business Day**” refers to a day other than a Saturday or a Sunday or a public holiday on which commercial banks and foreign exchange markets are open for business in Hong Kong and Mandaluyong City, Philippines.

For the avoidance of doubt, the invitations by the Offeror to Securityholders contained in this Offer Memorandum are each an invitation to treat by the Offeror, and any references to any offer or invitation being made by the Offeror under or in respect of the Offers shall be construed accordingly.

In the ordinary course of its business, each of the Dealer Managers is entitled to hold positions in the Existing Securities either for its own account or for the account, directly or indirectly, of third parties. In the ordinary course of its business, each Dealer Manager is entitled to continue to hold or dispose of, in any manner it may elect, subject to applicable law, any Existing Security it may hold as of the date of this Offer Memorandum. No such submission or non-submission of Exchange Instructions and/or Tender Instructions by the Dealer Managers should be taken by any Securityholder or any other person as any recommendation or otherwise by the Dealer Managers as to the merits of participating or not participating in the Offers.

### **Governing Law**

The Offers, each Exchange Instruction and Tender Instruction and any non-contractual obligations arising out of or in connection with the foregoing, will be governed by English law. By submitting an Exchange Instruction or a Tender Instruction, the relevant Securityholder irrevocably and unconditionally agrees for the benefit of the Offeror, the Dealer Managers and the Exchange and Tender Agent that the courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Offers or such Exchange Instruction or Tender Instruction (including any disputes relating to any non-contractual obligations arising out of

or in connection with the Offers) and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

#### **NOTE REGARDING FORWARD-LOOKING STATEMENTS AND OTHER FACTORS**

This Offer Memorandum includes forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as the words “expect”, “estimate”, “project”, “anticipate”, “believes”, “should”, “could”, “intend”, “plan”, “probability”, “risk”, “target”, “goal”, “objective”, “may”, “will”, “endeavour”, “outlook”, “optimistic”, “prospects” or by the use of similar expressions or variations on such expressions, or by the discussion of strategy or objectives. Forward-looking statements are based on current plans, estimates and projections and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. Any forward-looking statements made in this Offer Memorandum speak only as of the date hereof. The Offeror does not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this Offer Memorandum and does not assume any responsibility to do so.

## SUMMARY

*The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this Offer Memorandum. Securityholders are urged to read the entire Offer Memorandum thoroughly.*

**The Offeror .....** San Miguel Global Power Holdings Corp. (formerly known as SMC Global Power Holdings Corp.), a company incorporated under the laws of the Philippines.

**The Existing Securities.....** (i) 5.95% Senior Perpetual Capital Securities issued on 5 November 2019 (ISIN: XS2072777381; Common Code: 207277738) (the “**5.95% Securities**”), which have a first optional redemption date on 5 May 2025; and

(ii) 7.00% Senior Perpetual Capital Securities issued on 21 October 2020 (ISIN: XS2239056174; Common Code: 223905617) (the “**7.00% Securities**”), which have a first optional redemption date on 21 October 2025,

collectively, the “**Existing Securities**”, and either of them, a “**Series**”.

**Minimum Denomination for Each Series.....** US\$200,000 and integral multiples of US\$1,000 thereafter

**Accrued Distribution Amount.....** An amount in cash (rounded to the nearest US\$0.01 with US\$0.005 rounded upwards) equal to the distribution accrued and unpaid on the relevant Existing Securities exchanged or tendered from (and including) the immediately preceding distribution payment date for the relevant Series of Existing Securities up to (but excluding) the Settlement Date on such Existing Securities (the “**Accrued Distribution Amount**”).

**Rationale for the Offers .....** The Offers are being undertaken by the Offeror as part of a proactive approach to the strategic management of its capital structure.

**Overview of the Exchange Offers** Subject to the “Offer and Distribution Restrictions”, and subject to satisfaction (or waiver) of the New Issue Condition and the other conditions contained in this Offer Memorandum, the Exchange Offers are being made in respect of any and all of the Existing Securities. If the Offeror accepts valid offers of Existing Securities for exchange pursuant to the Exchange Offers it will accept all such offers that have been made.

There is no limit on the amount of Existing Securities that may be offered for exchange pursuant to the Exchange Offers. Therefore, no pro-rata factor will be applied to the acceptance of Existing Securities of a holder validly offered and accepted for exchange. Existing Securities that are not successfully offered for exchange pursuant to the Exchange Offers will remain outstanding.

Subject to applicable law, the Offeror reserves the right, in its sole and absolute discretion, not to accept any offers for exchange of Existing

	<p>Securities or to modify in any manner any of the terms and conditions of either or both of the Exchange Offers (including, but not limited to, modifying the Exchange Price in respect of any Series of Existing Securities and the New Issue Condition). For a more detailed discussion, see “<i>The Offers</i>”.</p>
<b>Exchange Consideration .....</b>	<p>Each Securityholder whose Existing Securities are accepted for exchange pursuant to the Exchange Offers will receive, on the Settlement Date, an aggregate principal amount of Exchanged New Securities equal to 100 per cent. of the aggregate principal amount of the Existing Securities accepted for exchange from such holder.</p> <p>The Offeror will also pay each Securityholder whose Existing Securities are accepted for exchange pursuant to the Exchange Offers, on the Settlement Date, the Accrued Distribution Amount. The calculations of the relevant Accrued Distribution Amount payable to the Securityholders that are offering the Existing Securities for exchange will be made by the Offeror and such calculations will be final and binding on all such Securityholders, absent manifest error.</p>
<b>Exchange Price .....</b>	100 per cent.
<b>Exchanged New Securities .....</b>	<p>If the Offeror accepts valid offers of Existing Securities for exchange pursuant to the Exchange Offers, the Exchanged New Securities will be issued in denominations of US\$200,000 and integral multiples of US\$1,000 thereafter.</p> <p>The terms and conditions of the Exchanged New Securities are set out in the Preliminary Offering Circular. There are a number of differences between the Conditions of the Existing Securities and the Conditions of the New Securities, including those specified in “Comparison Between Certain Provisions of the Existing Securities and the New Securities”. See further “<i>Risk Factors and Other Considerations – Differences between the Existing Securities and the New Securities</i>”.</p>
<b>Overview of the Tender Offers ...</b>	<p>Subject to the “Offer and Distribution Restrictions”, and subject to satisfaction (or waiver) of the New Issue Condition and the other conditions contained in this Offer Memorandum, the Offeror is inviting Securityholders to tender for purchase for cash the Existing Securities, in accordance with the procedures described herein, at the applicable Purchase Price plus the relevant Accrued Distribution Amount.</p> <p>Subject to applicable law, the Offeror reserves the right, in its sole and absolute discretion, not to accept any tenders of Existing Securities or to modify in any manner any of the terms and conditions of either or both of the Tender Offers (including, but not limited to, modifying the Purchase Price in respect of any Series of Existing Securities, the Priority Level and the New Issue Condition). For a more detailed discussion, see “<i>The Offers</i>”.</p>
<b>Total Tender Consideration Amount .....</b>	<p>Securityholders whose Existing Securities are accepted for purchase by the Offeror, will be paid (subject to the conditions described herein):</p> <p>(a) the applicable Purchase Price; and</p>

(b) the Accrued Distribution Amount.

**Purchase Price** ..... 100 per cent.

**Maximum Acceptance Amount, Priority of Acceptance and Pro-ration** ..... Upon the terms and subject to the conditions set out in this Offer Memorandum, the Offeror will accept for purchase on the Expiration Deadline such Existing Securities validly tendered, subject to the Maximum Acceptance Amount.

The Offeror proposes to accept valid tenders of Existing Securities for purchase pursuant to the Tender Offers in an aggregate nominal amount which shall be determined at the sole discretion of the Offeror following the pricing of the New Securities, not to exceed the net proceeds from the Additional New Securities Issuance (the “**Maximum Acceptance Amount**”), and which the Offeror will announce as soon as reasonably practicable on or after the Pricing Date.

If the Offeror decides to accept any Existing Securities for purchase pursuant to the relevant Tender Offer(s), the Offeror proposes to accept Existing Securities validly tendered for purchase pursuant to the relevant Tender Offer(s) in the order of the related Priority Level set out in the table on page ii of this Offer Memorandum (each a “**Priority Level**”), beginning with the Existing Securities with Priority Level of 1 being the highest Priority Level. Subject to the satisfaction (or waiver) of the New Issue Condition and the other conditions described in this Offer Memorandum, validly tendered Existing Securities with a higher Priority Level will be accepted before any validly tendered Existing Securities with a lower Priority Level.

The Offeror does not intend to accept any valid tenders of Existing Securities with a Priority Level of 2 unless it has accepted all valid tenders of Existing Securities with a Priority Level of 1 in full, with no *pro rata* scaling in the event that the aggregate principal amount of Existing Securities with a Priority Level of 1 accepted by the Offeror does not exceed the Maximum Acceptance Amount.

In the event that the principal amount accepted by the Offeror at a Priority Level causes the aggregate principal amount accepted by the Offeror to exceed the Maximum Acceptance Amount, the Existing Securities validly offered for purchase at that Priority Level may be subject to pro-rata in the manner set out under “*The Offers — The Tender Offers — Scaling of Tender Offers*” below such that the aggregate principal amount accepted by the Offeror does not exceed the Maximum Acceptance Amount.

**Additional New Securities**

The Offeror currently intends to issue further US\$-denominated Senior Perpetual Capital Securities with the same terms and conditions as, and are fungible with, the Exchanged New Securities. The issue of such Additional New Securities remains at the sole discretion of the Offeror. Such concurrent transaction is not part of the Offers and will be conducted pursuant to a separate offering circular. The Additional New Securities (if any) will be subscribed for, or subscriptions will be

	procured for, by the Joint Lead Managers. For a summary of the terms of the New Securities, please refer to “ <i>Annex 2 - Preliminary Offering Circular</i> ”.
<b>New Issue Condition</b>	Whether the Offeror will accept for exchange any Existing Securities validly offered for exchange in the Exchange Offers or accept for purchase any Existing Securities validly tendered for purchase in the Tender Offers is subject to the pricing and successful completion (in the sole determination of the Offeror) of the issue of the New Securities (the “ <b>New Issue Condition</b> ”).
<b>Pricing of New Securities .....</b>	<p>The following pricing terms of the New Securities will be determined on the Pricing Date and announced by the Offeror as soon as reasonably practicable on or after the Pricing Date:</p> <p>(a) the distribution payable on the New Securities from the period commencing on (and including) the Issue Date to (but excluding) the Step Up Date (each term as defined in the Conditions of the New Securities) at a fixed rate per annum (the “<b>New Issue Initial Rate Of Distribution</b>”); and</p> <p>(b) the spread to be added to the Treasury Rate and the Step Up Margin (each term as defined in the Conditions of the New Securities) to determine the applicable Reset Rate of Distribution (as defined in the Conditions of the New Securities) (the “<b>New Issue Initial Credit Spread</b>”)</p> <p>(collectively, the “<b>Pricing Terms</b>”).</p>
<b>Acceptance of Exchange or Tender of Existing Securities .....</b>	If Existing Securities validly offered for exchange or tendered for purchase pursuant to an Offer are accepted by the Offeror, the relevant Exchanged New Securities will be delivered (if applicable), and the aggregate amounts of the Purchase Prices and Accrued Distribution Amounts (as applicable) will be paid by (or on behalf of) the Offeror in immediately available funds, on the Settlement Date.
<b>Expiration Deadline .....</b>	4:00 pm (London time) on 4 September 2024, unless earlier terminated or extended by the Offeror, and, in the case of an extension, the Expiration Deadline will be such other date and time as so extended.
<b>Pricing Date .....</b>	Subject to market conditions, on or around 5 September 2024.
<b>Settlement Date .....</b>	Subject to satisfaction (or waiver) of the New Issue Condition, (i) the settlement date for the Exchange Offers, including delivery of Exchanged New Securities in exchange for Existing Securities validly offered for exchange by a Securityholder and accepted by the Offeror and payment of the Accrued Distribution Amount; (ii) the settlement date for the Tender Offers, including payment of the applicable Purchase Price and the relevant Accrued Distribution Amount; and (iii) issue date of New Securities; and a date following the Expiration Deadline expected to be on or about 12 September 2024.

**Procedures for Participating in the Offers .....**

If a Securityholder wishes to participate in an Offer and such Securityholder's Existing Securities are held by a custodial entity such as a broker, dealer, bank, custodian, trust company or other nominee or other intermediary, such holder must instruct that intermediary to offer such Existing Securities for exchange or tender such Existing Securities for purchase on the Securityholder's behalf pursuant to the procedures of the intermediary.

Each Securityholder offering Existing Securities for exchange or tendering Existing Securities for purchase through an intermediary that is a participant in a Clearing System must submit an Exchange Instruction or a Tender Instruction through such Clearing System, as described in "*Procedures for Participating in the Offers — General.*"

Securityholders are advised to check with any broker, dealer, bank, custodian, trust company or other nominee or other intermediary through which they hold Existing Securities whether such intermediary requires receipt of instructions to participate in the Offers before the deadline specified in this Offer Memorandum. **The deadlines set by each Clearing System for the submission of instructions may be earlier than the relevant deadlines specified in this Offer Memorandum.**

**Amendment, Extensions, Waiver of Conditions to, or Withdrawal or Termination of, the Offers .....**

Subject to applicable law and in accordance with the conditions described under "*Amendment and Termination*", the Offeror may extend, re-open, amend, waive in whole or in part any condition to, and/or withdraw or terminate the Offers.

**Other Conditions to the Offers....**

Notwithstanding any other provision of the Offers (or any extension of or amendments to the Offers), the Offeror will not be required to (i) accept for exchange any Existing Securities, or deliver any Exchanged New Securities, pursuant to the Exchange Offers or (ii) accept for purchase, or to pay for, any Existing Securities tendered pursuant to the Tender Offers. The Offeror may, subject to applicable law, withdraw, terminate, extend or amend any or all of the Offers and postpone (i) the acceptance for exchange of any Existing Securities, or delivery of any Exchanged New Securities, pursuant to the Exchange Offers; and/or (ii) the acceptance for purchase of, and payment for, Existing Securities tendered pursuant to the Tender Offers, if the conditions to the Offers have not been satisfied. See "*The Offers — Other Conditions to the Offers*".

**Sanctions Restricted Person .....**

A Securityholder or a beneficial owner of the Existing Securities who is a Sanctions Restricted Person (as defined in "*Procedures for Participating in the Offers — Representations, Warranties and Undertakings*") may not participate in the Offers. No steps taken by a Sanctions Restricted Person to offer any or all of its Existing Securities for exchange pursuant to the Exchange Offers or to tender any or all of its Existing Securities for purchase pursuant to the Tender Offers will be accepted by the Offeror and such Sanctions Restricted Person will not be eligible to receive the delivery of the Exchanged New Securities,

	the Purchase Price or the relevant Accrued Distribution Amount, in any circumstances.
<b>Use of Proceeds .....</b>	The Offeror will not receive any cash proceeds from the Offers. The Offeror will receive cash proceeds from the Additional New Securities Issuance. For the intended use of proceeds of the Additional New Securities Issuance, see “ <i>Annex 2 - Preliminary Offering Circular</i> ”.
<b>Dealer Managers.....</b>	Australia and New Zealand Banking Group Limited  DBS Bank Ltd.  Mizuho Securities Asia Limited  Standard Chartered Bank
<b>Exchange and Tender Agent .....</b>	D.F. King Ltd.
<b>Jurisdictions .....</b>	The Offeror is making the Offers only in those jurisdictions where it is legal to do so. See “ <i>Offer and Distribution Restrictions</i> ”.
<b>Offer Website.....</b>	The website, <a href="https://clients.dfkingltd.com/smgp/">https://clients.dfkingltd.com/smgp/</a> , operated by the Exchange and Tender Agent for the purpose of the Offers, access to which is subject to the Offer and Distribution Restrictions.

## **RISK FACTORS AND OTHER CONSIDERATIONS**

*Before making a decision with respect to the Offers, Securityholders should carefully consider, in addition to the other information contained in this Offer Memorandum (including the Preliminary Offering Circular and all information incorporated by reference therein), the following factors and the Offering Circular Risk Factors.*

### ***Uncertainty as to the trading market and future price for Existing Securities not accepted for exchange or purchase.***

Although the Existing Securities that are not validly offered for exchange or tendered for purchase by Securityholders and accepted for exchange or purchase by the Offeror will continue to be admitted to trading on the SGX-ST, to the extent that any Existing Securities are accepted by the Offeror for exchange or purchase pursuant to the Offers and the Offers are completed, the trading market for Existing Securities that remain available for trading following such exchange or purchase may be significantly more limited. As such, any remaining Existing Securities may command a lower market price than would a comparable issue of debt securities with greater market liquidity. A reduced market value may also make the trading price of such Existing Securities more volatile. As a result, the market price for Existing Securities that remain available for trading after completion of the Offers may be adversely affected by the completion of the Offers. None of the Offeror, the Dealer Managers or the Exchange and Tender Agent has any duty to make a market in any such remaining Existing Securities.

It will not be possible to ascertain the aggregate nominal amount of the Existing Securities of a given Series to be accepted for exchange or purchase prior to the Expiration Deadline.

### ***Uncertainty as to the trading market for the New Securities.***

The Offeror does not intend to make any application for the listing and admission to trading of the New Securities other than for the New Securities to be listed on the SGX-ST. The New Securities are securities for which there is currently no trading market and for which there can be no assurance of future liquidity.

### ***Differences between the Existing Securities and the New Securities.***

There are a number of differences between the terms and conditions of the Existing Securities (the “**Conditions of the Existing Securities**”) and the terms and conditions of the New Securities set out in the Preliminary Offering Circular (the “**Conditions of the New Securities**”), including those specified in “Comparison Between Certain Provisions of the Existing Securities and the New Securities”. The Conditions of the New Securities are set out in the Preliminary Offering Circular. Securityholders should review the Preliminary Offering Circular and the Conditions of the New Securities in their entirety before making a decision whether to offer the Existing Securities for exchange pursuant to the Exchange Offers. In particular, attention is also drawn to the Offering Circular Risk Factors.

### ***There is no obligation to accept offers for exchange or tenders for purchase of the Existing Securities.***

The Offeror is under no obligation to accept any offers for exchange or tenders for purchase of the Existing Securities pursuant to the Offers. Prior to acceptance by the Offeror, offers of Existing Securities for exchange and tenders of Existing Securities for purchase may be rejected in the sole discretion of the Offeror for any reason and the Offeror is under no obligation to Securityholders to furnish any reason or justification for refusing to accept an offer of Existing Securities for exchange or a tender of Existing Securities for purchase. For example, offers of Existing Securities for exchange or tenders of Existing Securities for purchase may be rejected if the New Issue Condition is not satisfied, if the relevant Offer is terminated, if the relevant Offer does not comply with the relevant requirements of a particular jurisdiction or for any other reason. Even if an offer for exchange or a tender for purchase of Existing Securities is accepted, such acceptance or the delivery of the Exchanged New Securities or the payment of the relevant consideration may be delayed.

***Offers of Existing Securities for exchange and tenders of Existing Securities by Sanctions Restricted Persons will not be accepted.***

A Securityholder or a beneficial owner of the Existing Securities who is a Sanctions Restricted Person may not participate in the Offers. No steps taken by a Sanctions Restricted Person to offer any or all of its Existing Securities for exchange pursuant to the Exchange Offers or to tender any or all of its Existing Securities for purchase pursuant to the Tender Offers will be accepted by the Offeror and such Sanctions Restricted Person will not be eligible to receive the delivery of the Exchanged New Securities, the Purchase Price or the relevant Accrued Distribution Amount, in any circumstances.

***No recommendation has been made as to whether Securityholders should offer for exchange or tender for purchase their Existing Securities.***

The applicable Exchange Price in connection with the Exchange Offers and the applicable Purchase Price to be paid by the Offeror in connection with the Tender Offers will not necessarily bear any relationship to the actual trading or other value of such Existing Securities. Securityholders should independently analyse the value of the Existing Securities and make an independent assessment of the terms of the Offers. None of the Offeror, the Dealer Managers or the Exchange and Tender Agent has expressed any opinion as to whether the terms of the Offers are fair. None of the Offeror, the Dealer Managers or the Exchange and Tender Agent makes any recommendation whether Securityholders should offer any or all of their Existing Securities for exchange or tender any or all of their Existing Securities for purchase or refrain from doing so pursuant to the Offers, and none of them has authorised anyone to make any such recommendation.

***From the date the relevant Exchange Instruction or Tender Instruction is submitted, the Existing Securities will be held in blocked accounts.***

When considering whether to offer for exchange or tender for purchase their Existing Securities pursuant to the Offers, Securityholders should take into account that restrictions on the transfer of the Existing Securities by Securityholders will apply from the date the relevant Exchange Instruction or Tender Instruction, as applicable, is submitted. A Securityholder will, on submission of the relevant Exchange Instruction or Tender Instruction, as applicable, be deemed to agree that the relevant Existing Securities will be blocked in the relevant Clearing System from the date the relevant Exchange Instruction or Tender Instruction, as applicable, is submitted until the earlier of (i) the time of settlement on the Settlement Date and (ii) the date of any termination of the relevant Offer (including, where such Existing Securities are not accepted by the Offeror for exchange or purchase (as the case may be), the time of such announcement on the Results Announcement Date) or the date on which such offer for exchange or, as the case may be, tender for purchase is validly withdrawn (in the limited circumstances in which such withdrawal is permitted), in each case in accordance with the terms of the Offers.

***Securityholders are responsible for complying with the procedures of the Offers.***

Securityholders are responsible for complying with all of the procedures for submitting Exchange Instructions or Tender Instructions in the Offers. None of the Offeror, the Dealer Managers or the Exchange and Tender Agent assumes any responsibility for informing Securityholders of irregularities with respect to an Exchange Instruction or a Tender Instruction in the Offers.

***Securityholders are responsible for compliance with the Offer and Distribution Restrictions.***

Securityholders are referred to the Offer and Distribution Restrictions on beginning on page 1 hereof and the representations, warranties and undertakings beginning on page 31 hereof, which Securityholders will be deemed to make on offering for exchange or, as the case may be, tendering for purchase, of the Existing Securities. Non-compliance with any of these restrictions could result in, among other things, the unwinding of trades and/or significant civil and/or criminal penalties.

***Exchange Instructions and Tender Instructions will be irrevocable except in limited circumstances.***

Once submitted, Exchange Instructions and Tender Instructions will be irrevocable except in the limited circumstances described in “*Amendment and Termination — Revocation Rights*”.

Securityholders are advised that they are bound by the Exchange Instruction and the Tender Instruction submitted by them even if any other exchange or sale of the Existing Securities after submission of the relevant Exchange Instruction or Tender Instruction would be more advantageous.

***The Offers may or may not be completed or may be withdrawn, terminated or amended.***

Until (i) the Offeror announces whether it has decided to accept valid offers to exchange and/or tenders to purchase of Existing Securities pursuant to the Offers and (ii) the New Issue Condition is satisfied (or waived), no assurance can be given that the Offers will be completed. Completion of the Offers is subject to, among other things, the conditions to the Offers. In addition, subject to applicable law and as provided in this Offer Memorandum, the Offeror may, in its sole discretion, extend, re-open, amend, waive in whole or in part any condition to, and/or withdraw and/or terminate any or all of the Offers.

***Securityholders should consult their tax, accounting, financial and legal advisers before participating in the Offers.***

Securityholders should consult their tax, accounting, financial and legal advisers, as they may deem appropriate, regarding the impact on themselves of the tax, accounting, financial and legal or other consequences of participating or declining to participate in the Offers. Save for the information set out under the heading “Taxation” in the Preliminary Offering Circular (which describes certain tax consequences which may apply to holders of the New Securities), this Offer Memorandum does not discuss any tax consequences for Securityholders arising from the exchange or purchase, as applicable, of the Existing Securities by the Offeror pursuant to the Offers and the receipt by the Securityholders of (in the case of the Exchange Offers) the Exchanged New Securities and the relevant Accrued Distribution Amount and (in the case of the Tender Offers) the applicable Purchase Price and the relevant Accrued Distribution Amount. Securityholders are urged to consult their professional advisers regarding any tax consequences under the laws of any relevant jurisdictions. Securityholders are liable for their own taxes and have no recourse to the Offeror, the Dealer Managers or the Exchange and Tender Agent with respect to taxes arising in connection with the Offers.

None of the Offeror, the Dealer Managers or the Exchange and Tender Agent (nor any director, officer, employee, agent or affiliate of any such person) is acting for any Securityholder or will be responsible to any Securityholder for providing any protections which might be afforded to its clients or for providing advice in relation to the Offers, and accordingly none of the Offeror, the Dealer Managers or the Exchange and Tender Agent (nor any director, officer, employee, agent or affiliate of any such person) makes any recommendation as to whether or not any Securityholder should offer any or all of its Existing Securities for exchange pursuant to the Exchange Offers or tender any or all of its Existing Securities for purchase pursuant to the Tender Offers.

***Other Repurchases or Redemption of Existing Securities.***

Whether or not the Offers are completed, the Offeror and its affiliates may, to the extent permitted by applicable law, continue to acquire, from time to time, Existing Securities other than pursuant to the Offers, including through open market repurchases, privately negotiated transactions, tender offers, exchange offers or otherwise, upon such terms and at such prices as the Offeror may determine, which may be more or less than the prices to be paid pursuant to the Offers and could be for cash or other consideration or otherwise on terms more or less favourable than those contemplated in the Offers.

***Minimum Denominations of the Existing Securities.***

The Existing Securities have the minimum denomination of US\$200,000 and integral multiples of US\$1,000 thereafter (the “**Minimum Denominations**”).

Tender Instructions which relate (including as a result of any pro-ration, if applicable) to a nominal amount of Existing Securities of less than US\$200,000 will be rejected. Exchange Instructions must also be submitted in respect of a minimum nominal amount of Existing Securities of US\$200,000, being the minimum denomination of each Series, and may thereafter be submitted in integral multiples of US\$1,000.

A Securityholder whose offer of Existing Securities for exchange, or whose tender of Existing Securities for purchase, pursuant to the relevant Offer, is accepted the Offeror and who, following exchange or purchase, as applicable, of the relevant Existing Securities by the Offeror on the Settlement Date, continues to hold in its account with the relevant Clearing System further Existing Securities in a nominal amount of less than the applicable Minimum Denomination (including as a result of any pro-ration, if applicable) would need to purchase a nominal amount of Existing Securities such that its holding amounts to at least the applicable Minimum Denomination before such Existing Securities may be traded in the Clearing Systems or it may receive a definitive security in respect of such holding (should definitive securities be printed).

***Maximum Acceptance Amount and Scaling.***

The Offeror proposes to accept valid tenders of Existing Securities for purchase pursuant to the Tender Offers in an aggregate nominal amount which shall be determined at the sole discretion of the Offeror following the pricing of the New Securities, not to exceed the net proceeds from the Additional New Securities Issuance. The Offeror reserves the right to determine the final principal amount of Existing Securities to be accepted for purchase in its sole and absolute discretion, which could affect the amount accepted in each Priority Level. In such event, revocation rights, as described in “*Amendment and Termination — Revocation Rights*”, would not be triggered.

In the circumstances described in this Offer Memorandum in which Existing Securities validly tendered pursuant to a Tender Offer are to be accepted on a *pro rata* basis, each such tender of Existing Securities will be scaled by the relevant Pro-Ration Factor as described under “*The Offers — The Tender Offers — Scaling of Tender Offers*” (subject to adjustment to allow for the aggregate nominal amount of Existing Securities of each Series accepted for purchase, following the rounding of tenders of such Existing Securities described in the next sentence, to equal the Priority Level Acceptance Amount (as defined below) at that Priority Level exactly). Each tender of Existing Securities that is scaled in this manner will be rounded down or at the Offeror’s discretion to the nearest US\$1,000, subject to the Minimum Denomination.

In the event of any such pro-ration, the Offeror will only accept valid tenders of Existing Securities of any Series subject to pro-ration to the extent such pro-ration will not result in the relevant Securityholder of Existing Securities of any Series transferring Existing Securities of any Series to the Offeror in an aggregate nominal amount of less than US\$200,000, being the minimum denomination of each Series of Existing Securities and subject as further set out under “*The Offers — The Tender Offers — Scaling of Tender Offers*”. In such event, the relevant Securityholder shall continue to hold the Existing Securities that are not accepted for purchase (including any Existing Securities returned as a result of pro-ration). A Securityholder whose tender of Existing Securities of any Series for purchase pursuant to an Offer is accepted by the Offeror and who, following purchase of such Existing Securities on the Settlement Date, continues to hold in its account with the relevant Clearing System further Existing Securities of such Series in a nominal amount of less than US\$200,000 would therefore need to purchase a nominal amount of Existing Securities of such Series such that its holding amounts to at least US\$200,000 before such Existing Securities may be traded in the Clearing Systems or it may receive a definitive security in respect of such holding (should definitive securities be printed).

## THE OFFERS

### Introduction

The Offers are made on the terms and subject to the conditions set out in this Offer Memorandum (including, in each case, the offer restrictions referred to in “*Offer and Distribution Restrictions*”).

### Rationale for the Offers

The Offers are being undertaken by the Offeror as part of a proactive approach to the strategic management of its capital structure.

Any Existing Securities accepted for exchange pursuant to the Exchange Offers or purchased pursuant to the Tender Offers will be cancelled.

### The Exchange Offers

#### *Amount to be Exchanged*

Subject to the “*Offer and Distribution Restrictions*”, and subject to satisfaction (or waiver) of the New Issue Condition and the other conditions contained in this Offer Memorandum, the Exchange Offers are being made in respect of any and all of the Existing Securities. If the Offeror accepts valid offers of Existing Securities for exchange pursuant to the Exchange Offers, it will accept all such offers that have been made.

There is no limit on the amount of Existing Securities that may be offered for exchange pursuant to the Exchange Offers. Therefore, no pro-rata factor will be applied to the acceptance of Existing Securities of a holder validly offered and accepted for exchange. Existing Securities that are not successfully offered for exchange pursuant to the Exchange Offers will remain outstanding.

#### *Exchange Consideration*

Each Securityholder whose Existing Securities are accepted for exchange pursuant to the Exchange Offers will receive, on the Settlement Date, an aggregate principal amount of New Securities equal to 100 per cent. of the aggregate principal amount of the Existing Securities accepted for exchange from such holder.

The Offeror will also pay in cash to each Securityholder whose Existing Securities are accepted for exchange pursuant to the Exchange Offers, on the Settlement Date, the Accrued Distribution Amount. The calculations of the relevant Accrued Distribution Amount payable to the Securityholders that are offering the Existing Securities for exchange will be made by the Offeror and such calculations will be final and binding on all such Securityholders, absent manifest error.

#### *Exchanged New Securities*

If the Offeror accepts valid offers of Existing Securities for exchange pursuant to the Exchange Offers, the Exchanged New Securities will be issued in denominations of US\$200,000 and integral multiples of US\$1,000 thereafter. Accordingly, to participate in an Exchange Offer, Securityholders must validly offer for exchange sufficient Existing Securities of the relevant Series to be eligible to receive, in accordance with the terms of the relevant Exchange Offer, a nominal amount of Exchanged New Securities at least equal to the minimum denomination of US\$200,000 and integral multiples of US\$1,000 thereafter (the “**Minimum Exchange Offer Amount**”).

The terms and conditions of the Exchanged New Securities are set out in the Preliminary Offering Circular. There are a number of differences between the Conditions of the Existing Securities and the Conditions of the New

Securities, including those specified in “Comparison Between Certain Provisions of the Existing Securities and the New Securities”. See further “*Risk Factors and Other Considerations – Differences between the Existing Securities and the New Securities*”.

The Minimum New Issue Initial Distribution Rate will be announced by the Offeror on the Minimum New Issue Initial Distribution Rate Fixing Date.

The following pricing terms of the New Securities will be determined on the Pricing Date and announced by the Offeror as soon as reasonably practicable on or after the Pricing Date:

- (a) the New Issue Initial Rate of Distribution; and
- (b) the New Issue Initial Credit Spread.

## **The Tender Offers**

### ***Purchase Price and Accrued Distribution Amount***

Securityholders whose Existing Securities are accepted for purchase by the Offeror, will be paid (subject to the conditions described herein):

- (a) the applicable Purchase Price; and
- (b) the Accrued Distribution Amount.

The calculations of the applicable Purchase Price and the relevant Accrued Distribution Amount payable to the tendering Securityholders will be made by the Offeror and such calculations will be final and binding on all Securityholders, absent manifest error.

### ***Maximum Acceptance Amount and Priority of Acceptance***

#### ***Maximum Acceptance Amount***

The Offeror proposes to accept valid tenders of Existing Securities for purchase pursuant to the Tender Offers in an aggregate nominal amount which shall be determined at the sole discretion of the Offeror following the pricing of the New Securities, not to exceed the net proceeds from the Additional New Securities Issuance, and which the Offeror will announce as soon as reasonably practicable on or after the Pricing Date.

#### ***Priority of Acceptance***

If the Offeror decides to accept any Existing Securities for purchase pursuant to the relevant Tender Offer(s), the Offeror proposes to accept Existing Securities validly tendered for purchase pursuant to the relevant Tender Offer(s) in the order of the related Priority Level set out in the table on page ii of this Offer Memorandum (each a “**Priority Level**”), beginning with the Existing Securities with Priority Level of 1 being the highest Priority Level. Subject to the satisfaction (or waiver) of the New Issue Condition and the other conditions described in this Offer Memorandum, validly tendered Existing Securities with a higher Priority Level will be accepted before any validly tendered Existing Securities with a lower Priority Level.

**The Offeror does not intend to accept any valid tenders of Existing Securities with a Priority Level of 2 unless it has accepted all valid tenders of Existing Securities with a Priority Level of 1 in full, with no *pro rata* scaling in the event that the aggregate principal amount of Existing Securities with a Priority Level of 1 accepted by the Offeror does not exceed the Maximum Acceptance Amount.**

In the event that the principal amount accepted by the Offeror at a Priority Level causes the aggregate principal amount accepted by the Offeror to exceed the Maximum Acceptance Amount, the Existing Securities validly offered for purchase at that Priority Level may be subject to pro-ration in the manner set out under “*Scaling of Tender Offers*” below such that the aggregate principal amount accepted by the Offeror does not exceed the Maximum Acceptance Amount.

### ***Scaling of Tender Offers***

The Offeror is under no obligation to accept for purchase any Existing Securities tendered pursuant to the Tender Offers. The acceptance for purchase by the Offeror of Existing Securities tendered pursuant to the Tender Offers is at the sole and absolute discretion of the Offeror and tenders may be rejected by the Offeror for any reason in its sole and absolute discretion.

In the event that the principal amount accepted by the Offeror at a Priority Level causes the aggregate principal amount accepted by the Offeror to exceed the Maximum Acceptance Amount, the Existing Securities validly offered for purchase at that Priority Level may be subject to pro-ration in the manner set out below such that the aggregate principal amount accepted by the Offeror does not exceed the Maximum Acceptance Amount.

### ***Pro-Ration Factor***

In the circumstances in which valid tenders of Existing Securities of a Series pursuant to the relevant Tender Offer are to be accepted, at the sole and absolute discretion of the Offeror, on a *pro rata* basis, each such valid tender of Existing Securities of the relevant Series will be scaled by a factor rounded to the nearest US\$0.01 (with US\$0.005 being rounded upwards)) (each a “**Pro-Ration Factor**”) derived from (i) the Priority Level Acceptance Amount at that Priority Level, divided by (ii) the aggregate nominal amount of Existing Securities of such Series at that Priority Level validly tendered pursuant to the relevant Tender Offer (subject to adjustment to allow for the aggregate nominal amount of Existing Securities of each Series accepted for purchase, following the rounding of tenders of such Existing Securities of each Series as described below, to equal the Priority Level Acceptance Amount that Priority Level exactly). “**Priority Level Acceptance Amount**” means in relation to the relevant Series of that Priority Level, the Maximum Acceptance Amount less the aggregate nominal amount of Existing Securities of any/the higher Priority Level(s) validly tendered and accepted for purchase by the Offeror.

Each tender of Existing Securities that is pro-rated in this manner will be rounded down to the nearest US\$1,000 in nominal amount. In addition, in the event of any such pro-ration:

- (a) the Offeror intends to apply *pro rata* scaling to each valid tender of Existing Securities of the relevant Series in such a manner as will result in both (i) the relevant Securityholder transferring Existing Securities of the relevant Series to the Offeror in an aggregate nominal amount of at least US\$200,000, being the minimum denomination of the Existing Securities (unless the relevant Tender Instruction is rejected in its entirety, as described in paragraph (b) below) and (ii) the relevant Securityholder's residual amount of Existing Securities of the relevant Series (being the nominal amount of the Existing Securities the subject of the relevant Tender Instruction that are not accepted for purchase by virtue of such *pro rata* scaling) amounting to either (A) at least US\$200,000 or (B) zero, and (subject to the next sentence) the Offeror therefore intends to adjust the relevant Pro-Ration Factor applicable to any Tender Instruction accordingly; and
- (b) if following the application of the *pro rata* scaling, the nominal amount of Existing Securities of a Series otherwise due to be accepted from a Securityholder pursuant to a Tender Instruction would be less than US\$200,000, the Offeror may in its sole discretion choose to (i) accept at least US\$200,000, being the minimum denomination of the Existing Securities or (ii) reject the relevant Tender Instruction in its entirety.

A Securityholder whose tender of Existing Securities of any Series for purchase pursuant to a Tender Offer is accepted by the Offeror and who, following purchase of such Existing Securities on the Settlement Date, continues to hold in its account with the relevant Clearing System further Existing Securities of such Series in a nominal amount of less than US\$200,000 would therefore need to purchase a nominal amount of Existing Securities of such Series such that its holding amounts to at least US\$200,000 before such Existing Securities may be traded in the Clearing Systems or it may receive a definitive security in respect of such holding (should definitive securities be printed).

### **New Issue Condition**

Whether the Offeror will accept for exchange any Existing Securities validly offered for exchange in the Exchange Offers or accept for purchase any Existing Securities validly tendered for purchase in the Tender Offers is subject to the pricing and successful completion (in the sole determination of the Offeror) of the issue of the New Securities (the “**New Issue Condition**”).

Even if the New Issue Condition is satisfied (or waived), the Offeror is under no obligation to accept, and shall have no liability to any person for any non-acceptance of, any offer of Existing Securities for exchange pursuant to the Exchange Offers or any tender of Existing Securities for purchase pursuant to the Tender Offers. Offers of Existing Securities for exchange and tenders of Existing Securities for purchase may be rejected in the sole discretion of the Offeror for any reason and the Offeror is under no obligation to Securityholders to furnish any reason or justification for refusing to accept an offer of Existing Securities for exchange or a tender of Existing Securities for purchase.

### **Participation in the Offers**

In order to:

- (a) participate in, and be eligible to receive Exchanged New Securities and the Accrued Distribution Amount pursuant to, the relevant Exchange Offer, Securityholders must validly offer Existing Securities for exchange by delivering, or arranging to have delivered on their behalf, a valid Exchange Instruction that is received by the Exchange and Tender Agent by the Expiration Deadline; or
- (b) participate in, and be eligible to receive the relevant Purchase Price and the Accrued Distribution Amount pursuant to, the relevant Tender Offer, Securityholders must validly tender Existing Securities for purchase by delivering, or arranging to have delivered on their behalf, a valid Tender Instruction that is received by the Exchange and Tender Agent by the Expiration Deadline.

See “*Procedures for Participating in the Offers*”.

Exchange Instructions must be submitted in respect of a minimum nominal amount of Existing Securities of US\$200,000, being the minimum denomination of each Series, and may thereafter be submitted in integral multiples of US\$1,000. To participate in an Exchange Offer, Securityholders must validly offer for exchange sufficient Existing Securities of the relevant Series to be eligible to receive, in accordance with the terms of the relevant Exchange Offer, a nominal amount of Exchanged New Securities at least equal to the Minimum Exchange Offer Amount.

Tender Instructions must be submitted in respect of a minimum nominal amount of Existing Securities of US\$200,000, being the minimum denomination of each Series, and may thereafter be submitted in integral multiples of US\$1,000. Tender Instructions which relate (including as a result of any pro-rata, if applicable) to a nominal amount of Existing Securities of less than US\$200,000 will be rejected.

The Exchange Offers and the Tender Offers are alternative options available to Securityholders, and Securityholders who have submitted an Exchange Instruction or a Tender Instruction may not also submit a Tender Instruction or Exchange Instruction, as applicable, in respect of the same Existing Securities, without first validly

revoking their original instruction. To illustrate, if a Securityholder holds US\$400,000 in aggregate principal amount of Existing Securities of a Series, he or she may submit a Tender Instruction in respect of US\$200,000 in aggregate principal amount of such Existing Securities and may submit an Exchange Instruction for the remaining US\$200,000 in aggregate principal amount of such Existing Securities. Such Securityholder may not, on the other hand, submit a Tender Instruction in respect of the portion of Existing Securities covered by the Exchange Instruction, and vice versa, without first validly revoking their original instruction.

### **No Recommendation**

The applicable Exchange Price in connection with the Exchange Offers and the applicable Purchase Price to be paid by the Offeror in connection with the Tender Offers will not necessarily bear any relationship to the actual trading or other value of such Existing Securities. Securityholders should independently analyse the value of the Existing Securities and make an independent assessment of the terms of the Offers. None of the Offeror, the Dealer Managers or the Exchange and Tender Agent has expressed any opinion as to whether the terms of the Offers are fair. None of the Offeror, the Dealer Managers or the Exchange and Tender Agent makes any recommendation whether Securityholders should offer any or all of their Existing Securities for exchange or tender any or all of their Existing Securities for purchase or refrain from doing so pursuant to the Offers, and none of them has authorised anyone to make any such recommendation.

### **Delivery of Exchanged New Securities and payment in relation to the Offers**

If Existing Securities validly offered for exchange or tendered for purchase pursuant to an Offer are accepted by the Offeror, the relevant Exchanged New Securities will be delivered (if applicable), and the aggregate amounts of the Purchase Prices and Accrued Distribution Amounts (as applicable) will be paid by (or on behalf of) the Offeror in immediately available funds, on the Settlement Date.

At settlement of the Offers, the Exchanged New Securities will be delivered (if applicable) and cash payments made to the Clearing System accounts in which the relevant Existing Securities are held. The delivery of such Exchanged New Securities (if applicable) and payment of such aggregate amounts to the Clearing Systems will discharge the obligation of the Offeror to all such Securityholders in respect of the delivery of the Exchanged New Securities and payment of the Purchase Prices and Accrued Distribution Amounts (as applicable).

Provided that the Offeror delivers, or has delivered on its behalf, the Exchanged New Securities (if applicable) and makes, or has made on its behalf, full payment of the Purchase Prices and Accrued Distribution Amounts (as applicable) for all Existing Securities accepted for exchange and purchase pursuant to the Offers to the Clearing Systems on or before the Settlement Date, under no circumstances will any additional interest be payable to a Securityholder because of any delay in the delivery of the Exchanged New Securities by, or transmission of funds from, the relevant Clearing System or any other intermediary with respect to such Existing Securities of that Securityholder.

Following settlement of the Offers on the Settlement Date, the Offeror will arrange for the cancellation of all Existing Securities accepted for exchange and purchase pursuant to the Offers.

### **Other Conditions to the Offers**

Notwithstanding any other provision of the Offers and in addition to (and not in limitation of) the Offeror's rights, subject to applicable law, to extend, re-open, amend, waive in full or in part any condition to, withdraw and/or terminate any or all of the Offers in its sole discretion, the Offeror will not be required to (i) accept for exchange any Existing Securities, or deliver any Exchanged New Securities, pursuant to the Exchange Offers or (ii) accept for purchase, or to pay for, any Existing Securities tendered pursuant to the Tender Offers. The Offeror may, subject to applicable law, withdraw, terminate, extend or amend any or all of the Offers and postpone (i) the acceptance for exchange of any Existing Securities, or delivery of any Exchanged New Securities, pursuant to the Exchange Offer; and/or (ii) the acceptance for purchase of, and payment for, Existing Securities tendered pursuant

to the Tender Offers, if at or prior to the Settlement Date it becomes necessary to do so in order to comply with applicable laws.

The foregoing conditions to the Offers are for the sole benefit of the Offeror and may be asserted by the Offeror in its sole discretion regardless of the circumstances giving rise to such conditions or may be waived at any time prior to the Settlement Date by the Offeror, in whole or in part, in its sole discretion, whether or not any other condition of the Offers is also waived. The Offeror has not made a decision as to what circumstances would lead it to waive any such condition, and such waiver would depend on circumstances prevailing at the time of such waiver. Any determination by the Offeror concerning the events described in this section will be final and binding upon all Securityholders.

In all cases, the Offeror will only exchange Existing Securities for Exchanged New Securities pursuant to the relevant Exchange Offer after the submission of a valid Exchange Instruction and will only purchase Existing Securities pursuant to the relevant Tender Offer after the submission of a valid Tender Instruction, in each case in accordance with the procedures described in “*Procedures for Participating in the Offers*”. These procedures include the blocking of the Existing Securities offered for exchange or tendered for purchase, as applicable, in the relevant account in the relevant Clearing System from the date the relevant Exchange Instruction or Tender Instruction, as applicable, is submitted until the earlier of (i) the time of settlement on the Settlement Date and (ii) the date of any termination of the relevant Offer (including, where such Existing Securities are not accepted by the Offeror for exchange or purchase (as the case may be), the time of such announcement on the Results Announcement Date) or the date on which such offer for exchange or, as the case may be, tender for purchase is validly withdrawn (in the limited circumstances in which such withdrawal is permitted), in each case in accordance with the terms of the Offers.

The Offeror will, at all times, have the discretion to accept any Existing Securities offered for exchange or tendered for purchase, the offer for exchange or tender for purchase of which would otherwise be invalid or, in the sole opinion of the Offeror, may otherwise be invalid. Subject to applicable laws and in accordance with the conditions set out herein, the Offeror is under no obligation to accept any Existing Securities offered for exchange or tendered for purchase pursuant to the Offers.

Securityholders are advised that the Offeror may, in its sole discretion, accept any Existing Securities offered for exchange or tendered for purchase pursuant to any of the relevant Offer on multiple dates if such Offer is extended or re-opened. The failure of any person to receive a copy of this Offer Memorandum or any announcement made or notice issued in connection with the relevant Offer shall not invalidate any aspect of such Offer. No acknowledgement of receipt of any Exchange Instruction, Tender Instruction and/or other documents will be given by the Offeror, the Dealer Managers or the Exchange and Tender Agent.

Notwithstanding any other provisions of the Offers, or any extension of the Offers, prior to acceptance for exchange or purchase by the Offeror of Existing Securities in the Offers, the Offeror will not be required to deliver any Exchanged New Securities or purchase any Existing Securities, and the Offeror may withdraw or terminate any or all of the Offers or, at its option, modify, extend or otherwise amend any or all of the Offers subject to applicable laws and in accordance with the conditions set out herein.

Any determination made by the Offeror concerning an event, development or circumstance described or referred to above shall be conclusive and binding.

## PROCEDURES FOR PARTICIPATING IN THE OFFERS

*Securityholders who need assistance with respect to the procedures for participating in the Offers should contact the Exchange and Tender Agent, the contact details of which are set out on page 50 of this Offer Memorandum.*

### General

The Offeror will only accept offers of Existing Securities for exchange pursuant to an Exchange Offer which are made by way of the submission of valid Exchange Instructions, and will only accept tenders of Existing Securities for purchase pursuant to a Tender Offer which are made by way of the submission of valid Tender Instructions, in each case in accordance with the procedures set out in this section.

To offer Existing Securities for exchange pursuant to an Exchange Offer or to tender Existing Securities for purchase pursuant to a Tender Offer, a Securityholder should deliver, or arrange to have delivered on its behalf, via the relevant Clearing System and in accordance with the requirements of such Clearing System, a valid Exchange Instruction or Tender Instruction, as the case may be, that is received by the Exchange and Tender Agent by the Expiration Deadline.

The Exchange Offers and the Tender Offers are alternative options available to Securityholders, and Securityholders who have submitted an Exchange Instruction or a Tender Instruction may not also submit a Tender Instruction or Exchange Instruction, as applicable, in respect of the same Existing Securities, without first validly revoking their original instruction. To illustrate, if a Securityholder holds US\$400,000 in aggregate principal amount of Existing Securities of a Series, he or she may submit a Tender Instruction in respect of US\$200,000 in aggregate principal amount of such Existing Securities and may submit an Exchange Instruction for the remaining US\$200,000 in aggregate principal amount of such Existing Securities. Such Securityholder may not, on the other hand, submit a Tender Instruction in respect of the portion of Existing Securities covered by the Exchange Instruction, and vice versa, without first validly revoking their original instruction.

***In addition, a separate Exchange Instruction or Tender Instruction must be completed on behalf of each beneficial owner and in respect of each Series.***

The offer for exchange or tender for purchase of Existing Securities, as applicable, pursuant to any of the procedures set forth in this Offer Memorandum will, if and when accepted by the Offeror, constitute a binding agreement between the Securityholder and the Offeror upon the terms and subject to the conditions of the Offers and constitute the agreement of the Securityholder to deliver good and marketable title to all Existing Securities that are offered for exchange or tendered for purchase (as the case may be), free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind.

Only registered Securityholders are authorised to offer for exchange or tender for purchase their Existing Securities pursuant to the Offers. Accordingly, to properly offer for exchange or tender for purchase Existing Securities or cause Existing Securities to be offered for exchange or tendered for purchase, the following procedures must be followed.

### Existing Securities Held through Euroclear or Clearstream

A Securityholder that is a participant in Euroclear or Clearstream must submit an Exchange Instruction or a Tender Instruction to Euroclear or Clearstream, as applicable, to authorise the offer for exchange or tender for purchase of Existing Securities. If you are a beneficial owner of Existing Securities that are registered in the name of a Direct Participant in Euroclear or Clearstream, such as a broker, dealer, bank, custodian, trust company or other nominee, and you wish to offer your Existing Securities for exchange or tender your Existing Securities for purchase, you should contact such participant promptly and instruct such participant to tender on your behalf in accordance with these procedures.

The offering of Existing Securities for exchange by a Securityholder will be deemed to have occurred upon receipt by the Exchange and Tender Agent from the relevant Clearing System of a valid Exchange Instruction, and the tendering of Existing Securities for purchase by a Securityholder will be deemed to have occurred upon receipt by the Exchange and Tender Agent from the relevant Clearing System of a valid Tender Instruction, in each case submitted in accordance with the requirements of such Clearing System. Each Exchange Instruction or Tender Instruction must specify, among other things, (i) the aggregate principal amount of the Existing Securities being offered for exchange or, as the case may be, tendered for purchase, (ii) the name of the relevant Direct Participant and (iii) the account number for the securities account at the relevant Clearing System in which the Existing Securities are held. The receipt of such Exchange Instruction or Tender Instruction, as applicable, by the relevant Clearing System will be acknowledged in accordance with the standard practices of such Clearing System and will result in the blocking of the Existing Securities in the Securityholder's account with the relevant Clearing System so that no transfers may be effected in relation to such Existing Securities. The submission of an Exchange Instruction or a Tender Instruction, as applicable, in the manner provided herein shall constitute an offer for exchange or a tender for purchase of Existing Securities, respectively.

The term “**Exchange Instruction**” means an instruction transmitted by a participant in Euroclear or Clearstream, to Euroclear or Clearstream, as applicable, that includes:

- (a) irrevocable instructions to block any attempt to transfer such participant's Existing Securities that are offered for exchange at or prior to the Settlement Date, subject to the automatic withdrawal of the instructions in the event that the relevant Exchange Offer is terminated by the Offeror, as notified to Euroclear or Clearstream by the Exchange and Tender Agent;
- (b) an authorisation to disclose the name of the Direct Participant and information about the foregoing instructions; and
- (c) an express acknowledgement that such participant has received and agrees to be bound by the terms and subject to the conditions set forth in this Offer Memorandum and that the Offeror may enforce that agreement against such participant.

Exchange Instructions must be submitted in respect of a minimum nominal amount of Existing Securities of US\$200,000, being the minimum denomination of each Series, and may thereafter be submitted in integral multiples of US\$1,000. To participate in an Exchange Offer, Securityholders must validly offer for exchange sufficient Existing Securities of the relevant Series to be eligible to receive, in accordance with the terms of the relevant Exchange Offer, a nominal amount of Exchanged New Securities at least equal to the minimum denomination of US\$200,000 and integral multiples of US\$1,000 thereafter.

The term “**Tender Instruction**” means an instruction transmitted by a participant in Euroclear or Clearstream, to Euroclear or Clearstream, as applicable, that includes:

- (a) irrevocable instructions to block any attempt to transfer such participant's tendered Existing Securities at or prior to the Settlement Date, subject to the automatic withdrawal of the instructions in the event that the relevant Tender Offer is terminated by the Offeror, as notified to Euroclear or Clearstream by the Exchange and Tender Agent;
- (b) an authorisation to disclose the name of the Direct Participant and information about the foregoing instructions; and
- (c) an express acknowledgement that such participant has received and agrees to be bound by the terms and subject to the conditions set forth in this Offer Memorandum and that the Offeror may enforce that agreement against such participant.

Tender Instructions must be submitted in respect of a minimum nominal amount of Existing Securities of US\$200,000, being the minimum denomination of each Series, and may thereafter be submitted in integral multiples of US\$1,000. Tender Instructions which relate (including as a result of any pro-rata, if applicable) to a nominal amount of Existing Securities of less than US\$200,000 will be rejected.

Any Existing Securities accepted for exchange pursuant to the Exchange Offers or purchased pursuant to the Tender Offers will be cancelled on the Settlement Date.

*Securityholders are advised to check with any broker, dealer, bank, custodian, trust company or other nominee or other intermediary through which they hold Existing Securities whether such intermediary needs to receive instructions from a Securityholder before the deadlines specified in this Offer Memorandum in order for that Securityholder to be able to participate in the Offers.*

***The deadlines set by each Clearing System for the submission of Exchange Instructions or Tender Instructions may be earlier than the relevant deadlines specified in this Offer Memorandum.***

### **Representations, Warranties and Undertakings**

By offering for exchange, or tendering for purchase, the Existing Securities (as applicable) through an electronic submission to the relevant Clearing System, a Securityholder, and any person in whose name such Securityholder has nominated Existing Securities to be offered for exchange or, as the case may be, tendered (the “**Nominated Beneficial Owner**”), is deemed to agree, and acknowledge, represent, warrant and undertake, to the Offeror, the Dealer Managers and the Exchange and Tender Agent the following as of the date of submission of such electronic submission and (i) the Expiration Deadline or (ii) the Settlement Date that (if a Securityholder is unable to make any such agreement or acknowledgement or give any such representation, warranty or undertaking, such Securityholder should contact the Exchange and Tender Agent immediately):

- (a) it has received and reviewed this Offer Memorandum (including the Preliminary Offering Circular and all information incorporated by reference therein) and all other information as it deems necessary or appropriate in order to make its decision and has undertaken an appropriate analysis of the implications of the Offers, without reliance on the Offeror, the Dealer Managers or the Exchange and Tender Agent;
- (b) it is assuming all the risks inherent in participating in the Offers, and has undertaken all the appropriate analysis of the implications of the Offers, without reliance on the Offeror, the Dealer Managers or the Exchange and Tender Agent;
- (c) it accepts the terms, conditions, risks (including the Offering Circular Risk Factors), the Conditions of the New Securities (in the case of the Exchange Offers) and other considerations of the Offers, and the Offer and Distribution Restrictions, all as described in this Offer Memorandum (including the Preliminary Offering Circular and all information incorporated by reference therein);
- (d) the Existing Securities offered for exchange or tendered for purchase are, as at date the relevant Exchange Instruction or Tender Instruction, as applicable, is submitted, and will continue to be, held by it through the relevant Clearing System until the earlier of (i) the time of settlement on the Settlement Date and (ii) the date of any termination of the relevant Offer (including, where such Existing Securities are not accepted by the Offeror for exchange or purchase (as the case may be), the time of such announcement on the Results Announcement Date) or the date on which such offer to exchange or, as the case may be, tender is validly withdrawn (in the limited circumstances in which such withdrawal is permitted), in each case in accordance with the terms of the Offers;
- (e) the Existing Securities offered for exchange or tendered for purchase have been blocked in the securities account to which such Existing Securities are credited in the relevant Clearing System with effect from, and including, the date on which the electronic submission was received by the relevant Clearing System

until the earlier of (i) the time of settlement on the Settlement Date and (ii) the date of any termination of the relevant Offer (including, where such Existing Securities are not accepted by the Offeror for exchange or purchase (as the case may be), the time of such announcement on the Results Announcement Date) or the date on which such offer to exchange or, as the case may be, tender is validly withdrawn (in the limited circumstances in which such withdrawal is permitted), in each case in accordance with the terms of the Offers;

- (f) it has observed the laws of all relevant jurisdictions and its offer for exchange or tender for purchase of Existing Securities, as applicable, is made in compliance with any law and regulation of its jurisdiction of incorporation or residence; it has obtained all requisite governmental, exchange control or other required consents; complied with all requisite formalities; and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance in any jurisdiction and that it has not taken or omitted to take any action in breach of the terms of the Offers or which will or may result in the Offeror, the Dealer Managers, the Exchange and Tender Agent or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the relevant Offer;
- (g) it acknowledges that the New Securities are being offered and sold in transactions not involving a public offering in the United States within the meaning of the Securities Act, and that the New Securities have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States (terms used in this and the following paragraph that are defined in Regulation S under the Securities Act are used as defined in Regulation S);
- (h) either (i) (a) it is the beneficial owner of the Existing Securities being offered for exchange or tendered for purchase, as applicable, and (b) it is located and resident outside the United States and is participating in an Offer from outside the United States or (ii) (a) it is not located in the United States and is acting on behalf of the beneficial owner of the Existing Securities being offered for exchange or tendered for purchase, as applicable, on a non-discretionary basis and has been duly authorised to so act and (b) such beneficial owner has confirmed to it that it is located and resident outside the United States and is participating in an Offer from outside the United States;
- (i) it is not located or resident in the United Kingdom or, if it is located or resident in the United Kingdom, it is a person falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Promotion Order) or within Article 43(2) of the Financial Promotion Order, or to whom this Offer Memorandum and any other documents or materials relating to the Offer may otherwise lawfully be communicated in accordance with the Financial Promotion Order;
- (j) it is not located or resident in another member state of the EEA or, if it is resident or located in another member state of the EEA, it is a “qualified investor” as defined in Article 2(e) of Regulation (EU) 2017/1129;
- (k) it is not located in or a resident of Singapore or, if it is located in or a resident of Singapore, it is (A) an institutional investor under Section 274 of the SFA or (B) an accredited investor (as defined in Section 4A of the SFA);
- (l) it is not located in or a resident of Hong Kong or, if it is located in or a resident of Hong Kong, it is a “professional investor” as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made under that ordinance;
- (m) (i) in respect of a Securityholder or a Nominated Beneficial Owner intending to participate in any of the Offers, it is not located in or a resident of the Philippines, or if it is located in or a resident of the Philippines (1) it did not receive, directly or indirectly, any invitation or offer to participate in the Offers by such means, instrumentality or facility from or within the Philippines or located within the Philippines,

or otherwise through materials or documents mailed, transmitted, distributed or forwarded in or to the Philippines; (2) it is not participating in the Offers from the Philippines or is otherwise participating in the Offers under circumstances where the sale or offer for sale, tender for purchase, offer for exchange, and acceptance of the offer for sale, tender for purchase or offer for exchange, of the Existing Securities qualify as an exempt transaction under the SRC, the SRC Rules and other issuances of the Philippine SEC; (3) it is a “qualified buyer” pursuant to Section 10.1(l) of the SRC and Rules 10.1.3 and 10.1.11 of the SRC Rules; and (4) its participation in the Offers would be, at all times and in all respects, in compliance with the SRC, SRC Rules and other applicable laws and regulations; and

(ii) in respect of the New Securities, it acknowledges that the New Securities have not been and will not be registered under the SRC and may not be offered or sold within the Philippines, unless such offer or sale is made under circumstances which qualify as an exempt transaction under the SRC

- (n) it is not a Sanctions Restricted Person (as defined below);
- (o) it is not a person to whom it is unlawful to make an invitation pursuant to the Offers under applicable securities laws, it has not distributed or forwarded the Offer Memorandum or any other documents or materials relating to the Offers to any such person(s), and it has (before submitting, or arranging for the submission on its behalf of, as the case may be, the Exchange Instruction or Tender Instruction in respect of the Existing Securities it is offering for exchange or tendering for purchase, as applicable) complied with all laws and regulations applicable to it for the purposes of its participation in such Offers;
- (p) in the case of (i) Exchange Instructions, upon the terms and subject to the conditions of the relevant Exchange Offer, it offers for exchange in such Exchange Offer the nominal amount of Existing Securities of the relevant Series blocked in its account in the relevant Clearing System for such purpose and, subject to and effective upon such exchange by the Offeror, it renounces all right, title and interest in and to all such Existing Securities exchanged by or at the direction of the Offeror and waives and releases any rights or claims it may have against the Offeror with respect to any such Existing Securities and such Exchange Offer, or (ii) Tender Instructions, upon the terms and subject to the conditions of the relevant Tender Offer, it tenders for purchase in such Tender Offer the nominal amount of Existing Securities of the relevant Series blocked in its account in the relevant Clearing System for such purpose and, subject to and effective upon such purchase by the Offeror, it renounces all right, title and interest in and to all such Existing Securities purchased by or at the direction of the Offeror and waives and releases any rights or claims it may have against the Offeror with respect to any such Existing Securities and such Tender Offer;
- (q) it consents and agrees that it will not be entitled to distribution payments under the Existing Securities accepted for exchange or purchase, as applicable, by the Offeror for the period from (and including) the Settlement Date;
- (r) it agrees to ratify and confirm each and every act or thing that may be done or effected by the Offeror, any of its directors or any person nominated by the Offeror in the proper exercise of his or her powers and/or authority hereunder;
- (s) it agrees to do all such acts and things as shall be necessary and execute any additional documents deemed by the Offeror to be desirable, in each case to complete the transfer of the relevant Existing Securities to the Offeror or its nominee in exchange for the relevant Exchanged New Securities and/or the relevant cash payments, as applicable, and/or to perfect any of the authorities expressed to be given hereunder;
- (t) all authority conferred or agreed to be conferred pursuant to its acknowledgements, agreements, representations, warranties and undertakings, and all of its obligations shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives, and shall not be affected by, and shall survive, its death or incapacity;

- (u) no information has been provided to it by the Offeror, the Dealer Managers or the Exchange and Tender Agent or any of their respective directors, employees, affiliates or advisers with regard to the tax consequences for Securityholders of the exchange or purchase of Existing Securities by the Offeror pursuant to the Offers, and it acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in the Offers, and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Offeror, the Dealer Managers or the Exchange and Tender Agent or any of their respective directors, employees, affiliates or advisers, or any other person in respect of such taxes and payments;
- (v) it has full power and authority to offer for exchange or tender for purchase, as applicable, and transfer the Existing Securities so offered or tendered and, if such Existing Securities are accepted for exchange or for purchase by the Offeror, such Existing Securities will be transferred to, or to the order of, the Offeror with full title, free from all liens, charges and encumbrances, not subject to any adverse claim and together with all rights attached to such Existing Securities and it will, upon request, execute and deliver any additional documents and/or do such other things deemed by the Offeror to be necessary or desirable to evidence such power and authority;
- (w) it accepts that the Offeror is under no obligation to accept any Existing Securities offered for exchange or tendered for purchase pursuant to the Offers and accordingly any such offer for exchange or tender for purchase may be accepted or rejected by the Offeror in its absolute discretion and without need to furnish any reason or justification;
- (x) none of the Offeror, the Dealer Managers or the Exchange and Tender Agent has given it any information with respect to the Offers save as expressly set out in this Offer Memorandum nor has any of them made any recommendation to it as to whether it should offer for exchange or tender for purchase its Existing Securities pursuant to the Offers and it has made its own decision as to whether to offer any or all of its Existing Securities for exchange pursuant to the Exchange Offers or tender any or all of its Existing Securities for purchase pursuant to the Tender Offers based on its own legal, regulatory, tax, business, investment, financial or accounting advice as it has deemed necessary or appropriate to seek in order to make an informed decision with respect to its offering for exchange or, as the case may be, tendering for purchase of the Existing Securities, it is not relying on any communications (written or oral) made by any party involved in the Offer or any such party's affiliates as constituting a recommendation to tender Existing Securities in the Offers, and it is able to bear the economic risks (if it is a Securityholder) of participating in the Offers;
- (y) the information given by or on behalf of such Securityholder in the Exchange Instruction or, as the case may be, Tender Instruction is in all respects true, accurate and not misleading and will in all respects be true, accurate and not misleading at the time of the exchange or purchase, as applicable, of the Existing Securities on the Settlement Date;
- (z) it acknowledges that, if the Existing Securities are accepted by the Offeror for exchange or purchase, as applicable, in accordance with the terms of the Offers, the value date for delivery and receipt will be the Settlement Date;
- (aa) by blocking the relevant Existing Securities in the relevant Clearing System, it will be deemed to consent, in the case of a Direct Participant, to have such Clearing System provide details concerning its identity to the Exchange and Tender Agent (and for the Exchange and Tender Agent to provide such details to the Offeror and the Dealer Managers, and their respective legal advisers);
- (bb) if the Existing Securities offered for exchange or tendered for purchase, as applicable, are accepted by the Offeror, it acknowledges that (i) the applicable Purchase Price (in the case of a Tender Offer) and the relevant Accrued Distribution Amount (in the case of both an Exchange Offer and a Tender Offer) will

be paid in U.S. dollars, (ii) such cash amounts will be deposited by or on behalf of the Offeror with the Clearing Systems on the Settlement Date, (iii) on receipt of such cash amounts, the Clearing Systems will make payments promptly to the accounts in the Clearing Systems of the relevant Direct Participants, and (iv) such payment by the Offeror to such Clearing System and by such Clearing System will fully and finally satisfy the respective obligations of the Offeror and such Clearing System in respect of the exchange or, as the case may be, the purchase of such Existing Securities;

- (cc) the terms and conditions of the Offers will be deemed to be incorporated in, and form a part of, the relevant Exchange Instruction or Tender Instruction, as applicable, which must be read and construed accordingly, and that the information given by or on behalf of such Securityholder in the relevant Exchange Instruction or Tender Instruction, as applicable, is true and will be true in all respects at the time of the exchange or purchase of the relevant Existing Securities on the Settlement Date;
- (dd) the Offeror's acceptance of the offer for exchange or tender for purchase of Existing Securities, as applicable, pursuant to any of the procedures described in this Offer Memorandum will constitute a binding agreement between such Securityholder and the Offeror in accordance with the terms and subject to the conditions of the Offers; and
- (ee) the Offeror, the Dealer Managers and the Exchange and Tender Agent will rely on the truth and accuracy of the foregoing acknowledgments, agreements, representations, warranties and undertakings and such Securityholder shall indemnify the Offeror, the Dealer Managers and the Exchange and Tender Agent against all and any losses, costs, claims, liabilities, expenses, charges, actions or demands which any of them may incur or which may be made against any of them as a result of any breach of any of the terms of, or any of the agreements, representations, warranties and/or undertakings given in connection with, any Offer.

The representation, warranty and undertaking set out in paragraph (n) above shall, other than when such representation, warranty and undertaking is made by a Securityholder (and the Direct Participant submitting the relevant Exchange Instruction or Tender Instruction, as applicable, on such Securityholder's behalf) at the time of submission of the relevant Exchange Instruction or Tender Instruction, as applicable, not be sought by or given to a Dealer Manager if and to the extent that it is or would be a breach by such Dealer Manager of any provision of Council Regulation (EC) No 2271/1996 (including as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018) (the “**Blocking Regulations**”) and/or any associated and applicable national law, instrument or regulation related thereto.

In this Offer Memorandum:

“**Sanctions**” means any sanctions administered by any Sanctions Authority.

“**Sanctions Authority**” means each of:

- (a) the Security Council of the United Nations;
- (b) the respective governmental institutions and agencies of the United States, the United Kingdom, the European Union or a member state of the European Union including, without limitation, the Office of Foreign Assets Control of the US Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury, or
- (c) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions.

“**Sanctions Restricted Person**” means an individual or entity (a “**Person**”): that is organised or resident in a country which is the target of comprehensive sanctions administered or enforced by any Sanctions Authority; that

is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current “Specially Designated Nationals and Blocked Persons” list (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/sdnlist.pdf>) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/fse/fselist.pdf>) or (iii) the most current “Consolidated list of persons, groups and entities subject to EU financial sanctions”; or that is otherwise the subject or target of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of their inclusion in: (i) the most current “Sectoral Sanctions Identifications” list (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf>) (the “**SSI List**”), (ii) Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 EUROPE-LEGAL-260604988/17 169634-0004 9 (the “**EU Annexes**”), or (iii) any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes to the extent this transaction would not result in a violation of any Sanctions due to such inclusion.

By submitting an Exchange Instruction or a Tender Instruction to the relevant Clearing System, a Securityholder or its Nominated Beneficial Owner (if any) acknowledges that all authority conferred or agreed to be conferred pursuant to these representations, warranties and undertakings and every obligation of such Securityholder and the offers for exchange or tenders for purchase, as applicable, given by such Securityholder or its Nominated Beneficial Owner (if any) shall be binding (to the extent applicable in law) upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of such Securityholder or its Nominated Beneficial Owner (if any) and shall not be affected by, and shall survive, the death or incapacity of such Securityholder or its Nominated Beneficial Owner (if any).

The receipt of an Exchange Instruction or a Tender Instruction by the relevant Clearing System will constitute instructions to debit the securities account of the relevant Direct Participant to which such Existing Securities are credited in the relevant Clearing System on the Settlement Date in respect of all of the Existing Securities that the relevant Securityholder has validly offered for exchange or tendered for purchase pursuant to the relevant Offer, upon receipt by such Clearing System of an instruction from the Exchange and Tender Agent for such Existing Securities to be transferred to the specified account of the Offeror or its agent on its behalf and against (i) in the case of an Exchange Offer, credit of the relevant Exchanged New Securities and payment of the relevant Accrued Distribution Amount by (or on behalf of) the Offeror or (ii) in the case of a Tender Offer, payment of the relevant Purchase Price and Accrued Distribution Amount by (or on behalf of) the Offeror, subject to the automatic withdrawal of those instructions on the date of any termination of the relevant Offer (including where such Existing Securities are not accepted for exchange or purchase (in whole or in part) by the Offeror) or on the valid revocation of such Exchange Instruction or Tender Instruction, in the limited circumstances in which such revocation is permitted as described in “*Amendment and Termination - Revocation Rights*”, and subject to acceptance of the relevant Offer by the Offeror and all other conditions of the relevant Offer.

## **General**

### **Separate Exchange Instructions and Tender Instructions**

The Exchange Offers and the Tender Offers are alternative options available to Securityholders, and Securityholders who have submitted an Exchange Instruction or a Tender Instruction may not also submit a Tender Instruction or Exchange Instruction, as applicable, in respect of the same Existing Securities, without first validly revoking their original instruction. To illustrate, if a Securityholder holds US\$400,000 in aggregate principal amount of Existing Securities of a Series, he or she may submit a Tender Instruction in respect of US\$200,000 in aggregate principal amount of such Existing Securities and may submit an Exchange Instruction for the remaining US\$200,000 in aggregate principal amount of such Existing Securities. Such Securityholder may not, on the other hand, submit a Tender Instruction in respect of the portion of Existing Securities covered by the Exchange Instruction, and vice versa, without first validly revoking their original instruction.

In addition, a separate Exchange Instruction or Tender Instruction must be completed on behalf of each beneficial owner and in respect of each Series.

### ***Irrevocability***

The submission of a valid Exchange Instructions or Tender Instruction in accordance with the procedures set out in this section “*Procedures for Participating in the Offers*” will be irrevocable (except in the limited circumstances described in “*Amendment and Termination - Revocation Rights*”).

### ***Irregularities***

All questions as to the validity, form, eligibility and valid revocation (including times of receipt) of any Exchange Instruction or Tender Instruction will be determined by the Offeror in its sole discretion, which determination shall be final and binding.

The Offeror reserves the absolute right to reject any and all Exchange Instructions, Tender Instructions or revocation instructions not in proper form or for which any corresponding agreement by the Offeror to accept would, in the opinion of the Offeror and its legal advisers, be unlawful. The Offeror also reserves the absolute right to waive any defects, irregularities or delay in the submission of any and all Exchange Instructions, Tender Instructions or revocation instructions. The Offeror also reserves the absolute right to waive any such defect, irregularity or delay in respect of a particular offer of Existing Securities for exchange and/or particular tender of Existing Securities for purchase, whether or not the Offeror elects to waive similar defects, irregularities or any delay in respect of any other offers of Existing Securities for exchange and/or any other tenders of Existing Securities for purchase.

Any defect, irregularity or delay must be cured within such time as the Offeror determines, unless waived by it. Exchange Instructions and Tender Instructions will be deemed not to have been made until such defects, irregularities or delays have been cured or waived. None of the Offeror, the Dealer Managers or the Exchange and Tender Agent shall be under any duty to give notice to a Securityholder of any defects, irregularities or delays in any Exchange Instruction, Tender Instruction or revocation instruction nor shall any of them incur any liability for failure to give such notice.

**None of the Offeror, the Dealer Managers, the Exchange and Tender Agent, nor any of their respective directors, employees, affiliates or advisers, accepts any responsibility for failure of delivery of any Exchange Instruction, Tender Instruction or other notice or communication. The Offeror’s determination in respect of any Exchange Instruction, Tender Instruction or other notice or communication shall be final and binding.**

## AMENDMENT AND TERMINATION

### Extension, Withdrawal, Termination, Amendment or Waiver

Subject to applicable laws, the Offeror expressly reserves the right, in its sole discretion, and regardless of whether any events preventing satisfaction of the conditions to the Offers shall have occurred or shall have been determined by the Offeror to have occurred, to:

- (i) extend the period during which any or all of the Offers are open;
- (ii) re-open or amend any or all of the Offers in any respect including, but not limited to, modifying the Exchange Price and/or Purchase Price, the Priority Level, Minimum New Issue Initial Distribution Rate and/or the New Issue Condition applicable to that Offer;
- (iii) amend the timing of any or all of the Offers, including delaying the Expiration Deadline, the Minimum New Issue Initial Distribution Rate Fixing Date, the Pricing Date and/or the Settlement Date and/or delaying the acceptance of Exchange Instructions or Tender Instructions, or exchange or purchase of Existing Securities validly offered for exchange or purchase in such Offer, until satisfaction or waiver of the conditions to such Offer, even if such Offer has expired; and
- (iv) withdraw or terminate any or all of the Offers prior to acceptance for exchange or purchase by the Offeror of the Existing Securities in the relevant Offer.

The Offeror also reserves the right at any time to waive any or all of the conditions of the Offers as set out in this Offer Memorandum.

The Offeror will ensure Securityholders are notified of any such extension, re-opening, amendment or termination as soon as is reasonably practicable after the relevant decision is made. To the extent a decision is made to waive any condition of any Offer generally (as opposed to in respect of certain offers of Existing Securities for exchange or tenders of Existing Securities for purchase only), such decision will also be announced as soon as is reasonably practicable after it is made. See “– *Announcements*”.

For the avoidance of doubt, any such extension, re-opening, amendment, withdrawal or termination in respect of any or some but not all of the Offers does not affect the other Offers.

### Revocation Rights

If, in respect of any Offer, the Offeror amends such Offer in any way (including by way of the making of any announcement, or the issue of any supplement or other form of update to this Offer Memorandum or the Preliminary Offering Circular, in which any material development is disclosed which announcement, supplement or other form of update is made or published before any acceptance by the Offeror of that Offer) that, in the opinion of the Offeror (in consultation with the Dealer Managers), is materially prejudicial to the interests of Securityholders that have already submitted Exchange Instructions or Tender Instructions in such Offer before the announcement of such amendment (which announcement shall include a statement that in the opinion of the Offeror such amendment is materially prejudicial to the interests of such Securityholders), then such Exchange Instructions or Tender Instructions may be revoked at any time from the date and time of the announcement or amendment until 4:00 pm (London time) on the second Business Day following such announcement (subject to the earlier deadlines required by the Clearing Systems and any intermediary through which Securityholders hold their Existing Securities).

For the avoidance of doubt, any extension or re-opening of any Offer (including any amendment in relation to the Expiration Deadline, the Minimum New Issue Initial Distribution Rate Fixing Date, the Pricing Date and/or Settlement Date) in accordance with the terms of such Offer as described in this section “*Amendment and Termination*” shall not be considered materially prejudicial to the interests of Securityholders that have submitted

Exchange Instructions or Tender Instructions (provided that the settlement of such Offer as so extended or re-opened will be completed by the Offeror by no later than the day falling 20 Business Days after the originally scheduled Settlement Date).

Securityholders wishing to exercise any right of revocation as set out above should do so in accordance with the procedures set out in the section “*Procedures for Participating in the Offers*”. Beneficial owners of Existing Securities that are held through an intermediary are advised to check with such entity when it needs to receive instructions to revoke an Exchange Instruction or a Tender Instruction in order to meet the above deadline. For the avoidance of doubt, any Securityholder who does not exercise any such right of revocation in the circumstances and in the manner specified above, shall be deemed to have waived such right of revocation and its original Exchange Instruction or Tender Instruction will remain effective.

## **Announcements**

Any extension, withdrawal, termination, re-opening or amendment of the Offers will be followed as promptly as practicable by announcement thereof, such announcement in the case of an extension to be issued as soon as practicable.

Unless stated otherwise, announcements will be made by the Offeror (i) by the delivery of notices to the Clearing Systems for communication to Direct Participants, (ii) by publication on the website of the SGX-ST, (iii) by publication on the Offer Website and (iv) as otherwise required under relevant laws or regulations.

Copies of all such announcements, press releases and notices can also be obtained from the Exchange and Tender Agent, the contact details for which are set out on page 50 of this Offer Memorandum. Significant delays may be experienced where notices are delivered to the Clearing Systems and Securityholders are urged to contact the Exchange and Tender Agent for the relevant announcements during the course of the Offers. In addition, Securityholders may contact the Dealer Managers for information using the contact details on page 50 of this Offer Memorandum. All documentation relating to the Offers and any updates will be available from the Exchange and Tender Agent and via the offer website: <https://clients.dfkingltd.com/smgp/>.

## **TAX CONSEQUENCES**

In view of the number of different jurisdictions where tax laws may apply to a Securityholder, save for the information set out under the heading “Taxation” in the Preliminary Offering Circular (which describes certain tax consequences which may apply to holders of the New Securities), this Offer Memorandum does not discuss the tax consequences for Securityholders arising from the exchange or purchase, as applicable, of the Existing Securities by the Offeror pursuant to the Offers. Securityholders are urged to consult their own professional advisers regarding these possible tax consequences under the laws of the jurisdictions that apply to them or to the exchange or purchase, as applicable, of their Existing Securities and the receipt pursuant to the Offers of (in the case of the Exchange Offers) the Exchanged New Securities and the relevant Accrued Distribution Amount and (in the case of the Tender Offers) the applicable Purchase Price and the relevant Accrued Distribution Amount. Securityholders are liable for their own taxes and have no recourse to the Offeror, the Dealer Managers or the Exchange and Tender Agent with respect to taxes arising in connection with the Offers.

## **DEALER MANAGERS AND EXCHANGE AND TENDER AGENT**

### ***Dealer Managers***

Australia and New Zealand Banking Group Limited, DBS Bank Ltd., Mizuho Securities Asia Limited and Standard Chartered Bank are acting as the Dealer Managers for the Offers.

The Offeror has agreed to pay the Dealer Managers a customary fee for its services in connection with the Offers and has also agreed to reimburse the Dealer Managers for certain expenses relating to the Offers. The Offeror has also agreed to indemnify the Dealer Managers against certain liabilities. The Dealer Managers and their respective affiliates have provided in the past investment banking and financial advisory services to the Offeror and its affiliates for which the Dealer Managers and their respective affiliates have received customary fees.

The Dealer Managers and their respective affiliates are full service financial institutions engaged in various activities, including securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Dealer Managers, in the ordinary course of business, makes markets in debt securities of the Offeror, including the Existing Securities, for its own account and for the accounts of their customers. As a result, from time to time, the Dealer Managers may have holdings in, or may from time to time provide advice or other investment services in relation to, or engage in transactions involving, the Existing Securities.

During the Offers, the Dealer Managers and their respective affiliates may enter into transactions relating to the Existing Securities in their ordinary course of business. Accordingly, the Dealer Managers may hold a long or short position in the Existing Securities or other securities of the Offeror or its affiliates, or otherwise hedge their credit exposure to the Offeror or its affiliates consistent with their respective customary risk management policies. The Dealer Managers and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or financial instruments and may recommend to clients that they acquire, long or short positions in such securities and instruments.

The Dealer Managers may (i) submit Exchange Instructions and Tender Instructions for their own accounts and (ii) submit Exchange Instructions and Tender Instructions (subject to the Offer and Distribution Restrictions) on behalf of Securityholders. No such submission or non-submission by the Dealer Managers should be taken by any Securityholder or any other person as any recommendation or otherwise by the Dealer Managers as to the merits of participating or not participating in the Offers.

No Dealer Manager is obligated nor is under a duty to make a market in the Existing Securities.

If a jurisdiction requires that the Offers be made by a licensed broker or dealer and the Dealer Managers or any of their respective affiliates is such a licensed broker or dealer in that jurisdiction, the Offers shall be deemed to be made by such Dealer Manager or affiliate, as the case may be, on behalf of the Offeror in such jurisdiction.

### ***Exchange and Tender Agent***

The Offeror has retained D.F. King Ltd. to act as the Exchange and Tender Agent for the Offers. The Exchange and Tender Agent will assist Securityholders that request assistance in connection with the Offers. The Offeror has agreed to pay the Exchange and Tender Agent a customary fee for its services in connection with the Offers and has also agreed to reimburse the Exchange and Tender Agent for certain expenses relating to the Offers.

The Exchange and Tender Agent is the agent of the Offeror and owes no duty to any Securityholders.

### ***General***

The Dealer Managers and the Exchange and Tender Agent, and their respective affiliates may contact Securityholders regarding the Offers and may request brokerage houses, custodians, nominees, fiduciaries and others to forward this Offer Memorandum and related materials to beneficial owners of the Existing Securities.

Neither the Dealer Managers, the Exchange and Tender Agent, nor any of their respective directors, employees or affiliates assume any responsibility for the accuracy or completeness of the information concerning the Offers, the Offeror or any of its affiliates contained in this Offer Memorandum or for any failure by the Offeror to disclose events that may have occurred and may affect the significance or accuracy of such information. The Dealer Managers are not acting as agent of the Offeror in connection with the Offers and have no duty to any Securityholder when acting in such capacity as Dealer Managers.

None of the Offeror, the Dealer Managers, or the Exchange and Tender Agent, nor any of their respective directors, employees or affiliates makes any representation or recommendation whatsoever regarding the Offers or any recommendation as to whether Securityholders should offer any or all of their Existing Securities for exchange pursuant to the Exchange Offers or tender any or all of their Existing Securities for purchase pursuant to the Tender Offers or otherwise participate in the Offers.

Any questions or requests for assistance or information concerning the Offers may be directed to the Dealer Managers at their address, telephone number or email address set forth on the back cover of this Offer Memorandum. Any questions or requests for assistance in connection with the delivery of the Exchange Instruction and/or the Tender Instruction or requests for additional copies of this Offer Memorandum or any related documents may be directed to the Tender and Exchange Agent at the address and telephone numbers set forth on the back cover of this Tender Offer Memorandum.

## CONCURRENT TRANSACTIONS

### Overview of Additional New Securities Issuance

Pursuant to the Additional New Securities Issuance, the Offeror intends to conduct a separate concurrent offering to issue and sell U.S.\$-denominated Senior Perpetual Capital Securities with the same terms and conditions as, and are fungible with, the Exchanged New Securities. The Additional New Securities Issuance remains at the sole discretion of the Offeror. The Additional New Securities (if any) will be subscribed for by the Dealer Managers, in their capacity as joint lead managers (the “**Joint Lead Managers**”).

The Additional New Securities Issuance is not part of the Offers and are conducted pursuant to a separate offering circular. See “*Annex 2 - Preliminary Offering Circular.*”

**No offer of, or solicitation to buy or otherwise acquire, the Additional New Securities to be issued pursuant to the Additional New Securities Issuance is being made pursuant to this Offer Memorandum. Any investment decision to purchase any the new notes to be sold in the New Notes Issuance should be made solely on the basis of the information in the preliminary offering memorandum that is contained in Annex 2 hereto.**

## ANNEX 1 - COMPARISON BETWEEN CERTAIN PROVISIONS OF THE EXISTING SECURITIES AND THE NEW SECURITIES

There are a number of differences between the Existing Securities and the New Securities. Securityholders should review the Preliminary Offering Circular and the Conditions of the New Securities in their entirety before making a decision whether to offer Existing Securities for exchange and consider carefully all such differences. The Conditions of the New Securities are set out in the Preliminary Offering Circular.

For Securityholders' convenience, certain key differences between the Existing Securities and the New Securities are set out in the table below. The information contained in this table is a summary only and should not be considered a complete description of the particular provision summarised. The summaries below are qualified by reference to (i) the Conditions of the Existing Securities, (ii) the Conditions of the New Securities and (iii) the Preliminary Offering Circular.

The pricing terms (including, but not limited to, the initial rate of distribution and the initial credit spread) among the Existing Securities and the New Securities would also differ, and the pricing terms of the New Securities will be determined on the Pricing Date and announced by the Offeror as soon as reasonably practicable on or after the Pricing Date.

	Relevant extracts from the Conditions of the Existing Securities		Relevant extracts from the Conditions of the New Securities
<b>Condition 4.4</b> <b><i>(Increase in Rate of Distribution)</i></b>	Following the earlier to occur of:	(a)	Following the earlier to occur of:
	<p>(a) the date which is the 61st day, or if such day is not a Business Day the first Business Day thereafter, following a Change of Control Event; and</p> <p>(b) the date on which a Reference Indebtedness Default Event occurs,</p> <p>and the Issuer does not elect to redeem the Securities pursuant to Condition 5.4, the Rate of Distribution will increase by 2.50% per annum with effect from the next Distribution Payment Date (or, if the relevant event occurs on or after the date that is five Business Days prior to the next Distribution Payment Date, the next following Distribution Payment Date). For the avoidance of doubt, an increase (if any) in the Rate of Distribution pursuant to this Condition 4.4 shall not occur more than once.</p> <p>A <b>Change of Control Event</b> means Permitted Holders ceasing to, whether directly or indirectly, have control in respect of more than 50% of the outstanding Voting Stock of the Issuer.</p>		<p>(i) the date which is the 61st day, or if such day is not a Business Day the first Business Day thereafter, following a Change of Control Event; and</p> <p>(ii) the date on which a Reference Indebtedness Default Event occurs,</p> <p>and the Issuer does not elect to redeem the Securities pursuant to Condition 5.4, the Rate of Distribution will increase by 2.50% per annum with effect from the next Distribution Payment Date (or, if the relevant event occurs on or after the date that is five Business Days prior to the next Distribution Payment Date, the next following Distribution Payment Date). For the avoidance of doubt, an increase (if any) in the Rate of Distribution pursuant to this Condition 4.4(a) shall not occur more than once.</p>
		(b)	If, following an increase in the Rate of Distribution upon the occurrence of a Change of Control Event or Reference Indebtedness

**Permitted Holders** means any or all of the following: (a) San Miguel Corporation, (b) San Miguel Corporation Retirement Plan or any similar or successor employee retirement plan of San Miguel Corporation, and (c) any Person the Voting Stock of which at least a majority is beneficially owned, directly or indirectly, by a person specified in subclauses (a) and (b) above.

**Reference Indebtedness Default Event** means an event of default occurs pursuant to Section 9.1(b) (*Events of Default*) of the trust agreement in respect of the Issuer's outstanding P3,609,020,000 6.625% 10-year Series F Bonds due 2027 (ISIN: PHY806B2AJ53) (the **Initial Reference Notes**) or any debt security issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease or discharge the Initial Reference Notes prior to their maturity (the **Refinancing Securities**), as a result of the Issuer's default in, non-compliance with or non-performance of the Initial Reference Notes or of the Refinancing Securities, as the case may be, as such Initial Reference Notes or Refinancing Securities are amended from time to time in accordance with the terms and conditions of the Initial Reference Notes or of the Refinancing Securities, as the case may be.

Default Event pursuant to Condition 4.4(a), such Change of Control Event or Reference Indebtedness Default Event is cured, remedied, no longer applicable or no longer continuing, then upon written notice of such facts being given to the Securityholders (in accordance with Condition 12.1), the Trustee and the Agents, the Rate of Distribution will decrease by 2.50% per annum with effect from the next Distribution Payment Date immediately following the date of the notification referred to in this Condition 4.4(b), provided that the maximum aggregate decrease in the Rate of Distribution pursuant to this Condition 4.4(b) shall be 2.50% per annum. The Trustee and the Agents shall be entitled to rely on and accept, without liability to the Securityholders and without further investigation or enquiry, such notice, in which event such notice shall be conclusive and binding on the Securityholders.

For the purposes of these Conditions:

A “**Change of Control Event**” means Permitted Holders ceasing to, whether directly or indirectly, have control in respect of more than 50% of the outstanding Voting Stock of the Issuer.

“**Permitted Holders**” means any or all of the following: (a) San Miguel Corporation, (b) San Miguel Corporation Retirement Plan or any similar or successor employee retirement plan of San Miguel Corporation, and (c) any Person the Voting Stock of which at least a majority is beneficially owned, directly or indirectly, by a person specified in subclauses (a) and (b) above.

“**Reference Indebtedness Default Event**” means an event of default occurs pursuant to Section 9.1(b) (*Events of Default*) of the trust agreement in respect of the Issuer's outstanding ₱10,000,000,000 8.0288% 10-year Series M Bonds due July 2032 listed on the Philippine Dealing & Exchange Corp. (the “**Initial Reference Notes**”) or any debt security issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay,

defease or discharge the Initial Reference Notes prior to their maturity (the “**Refinancing Securities**”), as a result of the Issuer’s default in, non-compliance with or non-performance of the Initial Reference Notes or of the Refinancing Securities, as the case may be, as such Initial Reference Notes or Refinancing Securities are amended from time to time in accordance with the terms and conditions of the Initial Reference Notes or of the Refinancing Securities, as the case may be.

**Condition 5.2**  
**(Redemption at the option of the Issuer)**

Subject to applicable law, the Issuer may redeem the Securities (in whole but not in part) on:

- (a) the Step Up Date; or
- (b) any Distribution Payment Date falling after the Step Up Date,

in each case, at the Redemption Price, on the giving of not less than 30 and not more than 60 calendar days’ irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1.

Subject to applicable law, the Issuer may redeem the Securities (in whole but not in part) on:

- (a) any Business Day on or after [●] (being the date that falls three months prior to the Step Up Date (the “**Optional Call Date**”);
- (b) the Step Up Date; or
- (c) any Distribution Payment Date falling after the Step Up Date,

in each case, at the Redemption Price. The Issuer shall give not less than 30 and not more than 60 calendar days’ irrevocable notice of redemption prior to the relevant Optional Call Date, Step Up Date or Distribution Payment Date falling after the Step Up Date to the Securityholders in accordance with Condition 12.1.

**Definition of “Gross-up Event” at Condition 5.3 (Early redemption due to a Gross-up Event)**

**Gross-up Event** means that as a result of any change in, or amendment to, the laws or regulations or rulings promulgated thereunder of the Relevant Jurisdiction, or any change in or amendment to any official interpretation or application of those laws or regulations or rulings promulgated thereunder, which change or amendment becomes effective on or after [pricing date of relevant Existing Securities], the Issuer has or will become obliged to pay Additional Amounts; provided that the payment obligation cannot be avoided by the Issuer taking reasonable measures available to it; provided further that where any Additional Amounts due in accordance with Condition 7 are in consequence of any change in the laws or regulations or rulings

**“Gross-up Event”** means that as a result of any change in, or amendment to, the laws or regulations or rulings promulgated thereunder of the Relevant Jurisdiction, or any change in or amendment to any official interpretation or application of those laws or regulations or rulings promulgated thereunder, which change or amendment becomes effective on or after [●], the Issuer has or will become obliged to pay Additional Amounts at a rate greater than the applicable rate of withholding or deduction on [●] 2024; *provided* that the payment obligation cannot be avoided by the Issuer taking reasonable measures available to it.

promulgated thereunder of the Relevant Jurisdiction, or any change in or amendment to any official interpretation or application of those laws or regulations or rulings promulgated thereunder after [pricing date of relevant Existing Securities], a Gross-Up Event shall have occurred only in the event that the rate of withholding or deduction required by such law, regulation or rulings promulgated thereunder, or such official interpretation or application thereof, is in excess of 30.0%.

Condition 5.4(a)  
*(Early redemption due to a Change of Control Event, Reference Indebtedness Default Event, or Accounting Event)*

If a Change of Control Event occurs, the Issuer may redeem the Securities (in whole but not in part) (i) at any time prior to but excluding the Step Up Date at the Special Redemption Price or (ii) on or at any time after the Step Up Date at the Redemption Price, in each case on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1.

If a Change of Control Event occurs, the Issuer may redeem the Securities (in whole but not in part) (i) at any time prior to but excluding the date that falls three months prior to the Step Up Date at the Special Redemption Price or (ii) on or at any time after the date that falls three months prior to the Step Up Date at the Redemption Price, in each case on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1.

Condition 5.4(c)  
*(Early redemption due to a Change of Control Event, Reference Indebtedness)*

If an Accounting Event occurs and is continuing, the Issuer may redeem the Securities (in whole but not in part) (i) at any time prior to but excluding the Step Up Date at the Special Redemption Price or (ii) on or at any time after the Step Up Date at the Redemption Price, in each case on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1.

If an Accounting Event occurs and is continuing, the Issuer may redeem the Securities (in whole but not in part) at any time at the Redemption Price on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1.

Condition 5.6  
*(Redemption of Securities in the case of minimal outstanding amounts)*

In the event that the Issuer and/or any of its Subsidiaries has, individually or in aggregate, purchased (and not resold) or redeemed Securities equal to or in excess of 75% of the aggregate Principal Amount of the Securities issued on the Issue Date, the Issuer may redeem the remaining Securities (in whole but not in part):

In the event that the Issuer and/or any of its Subsidiaries has, individually or in aggregate, purchased (and not resold) or redeemed Securities equal to or in excess of 75% of the aggregate Principal Amount of the Securities issued on the Issue Date, the Issuer may redeem the remaining Securities (in whole but not in part) at any time at the Redemption Price on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the

- Securityholders in accordance with Condition 12.1.
- (a) at any time prior to the Step Up Date, at the Special Redemption Price; or
  - (b) on or at any time after the Step Up Date, at the Redemption Price,
- on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1.

## **ANNEX 2 - PRELIMINARY OFFERING CIRCULAR**

## IMPORTANT NOTICE

### NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

**Important: You must read the following before continuing.** The following applies to the preliminary Offering Circular following this page (the “**Offering Circular**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN A FINAL OFFERING CIRCULAR THAT WILL BE DISTRIBUTED TO YOU ON OR PRIOR TO THE CLOSING DATE AND NOT ON THE BASIS OF THE ATTACHED OFFERING CIRCULAR. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

**Confirmation of the Representation:** In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. This Offering Circular is being sent at your request and, by accepting the electronic mail and accessing this Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Circular to any other person.

The materials relating to any offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that such offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in electronic format. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Issuer, the Joint Lead Managers (each as defined in the Offering Circular) nor any person who controls the Issuer, a Joint Lead Manager or any director, officer, employee or agent of any of the Issuer, the Joint Lead Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CONFIDENTIAL



**SAN MIGUEL GLOBAL POWER HOLDINGS CORP.**  
(formerly SMC Global Power Holdings Corp.)  
(incorporated with limited liability in the Republic of the Philippines)

**U.S.\$[ ● ] Senior Perpetual Capital Securities**

Issue Price: [ ● ]%

The U.S.\$[ ● ] senior perpetual capital securities (the “Securities”) are issued by San Miguel Global Power Holdings Corp. (“SMGP”, the “Issuer” or the “Company”), consisting of (i) U.S.\$[ ● ] in aggregate principal amount of Securities issued in exchange for Existing Securities (as defined herein) issued by the Issuer pursuant to the Concurrent Exchange Offers (as defined herein); and (ii) U.S.\$[ ● ] in aggregate principal amount of additional Securities (“Additional New Securities”).

The Securities will be issued under a trust deed dated on or about [ ● ], 2024 (the “Trust Deed”) by and between the Company and Trustee (as defined herein).

The Securities confer a right to receive distributions (each, a “Distribution”) at the applicable rate described below for the period from and including [ ● ] or from and including the most recent Distribution Payment Date (as defined below) to, but excluding, the next Distribution Payment Date or any redemption date. Subject to Condition 4.5 (*Optional Deferral of Distributions*) of the terms and conditions of the Securities (the “Conditions”), Distributions are payable semi-annually in arrear on the Distribution Payment Dates in each year. “Distribution Payment Dates” are defined as [ ● ] and [ ● ] of each year, commencing on [ ● ]. Unless previously redeemed in accordance with the Conditions and subject to Condition 4.4 (*Increase in Rate of Distribution*), Distributions (i) from and including [ ● ] to, but excluding, [ ● ] (the “Step Up Date”) shall accrue on the outstanding principal amount of the Securities at [ ● ]% per annum (the “Initial Rate of Distribution”) and (ii) from and including each Reset Date (as defined in the Conditions) (including the Step Up Date) to, but excluding, the immediately following Reset Date, shall accrue on the outstanding principal amount of the Securities at the relevant Reset Rate of Distribution (as defined in the Conditions).

The Issuer may, in its sole and absolute discretion, on any day which is not less than five Business Days (as defined in the Conditions) prior to any Distribution Payment Date, resolve to defer payment of any or all of the Distribution which would otherwise be payable on that Distribution Payment Date unless, during the six months ending on that scheduled Distribution Payment Date (i) a discretionary dividend, distribution, interest or other payment has been paid or declared on or in respect of any Junior Securities or (except on a *pro rata* basis) Parity Securities (each as defined in the Conditions) of the Issuer, other than a dividend, distribution or other payment in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Issuer or (ii) at the discretion of the Issuer, any Junior Securities or (except on a *pro rata* basis) Parity Securities have been redeemed, repurchased or otherwise acquired by the Issuer or any of its subsidiaries, other than a redemption, repurchase or other acquisition in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Issuer. Any such deferred Distribution will constitute “Arrears of Distribution” and will not be due and payable until the relevant Payment Reference Date (as defined in the Conditions). Distributions will accrue on each Arrears of Distribution for so long as such Arrears of Distribution remains outstanding at the same Rate of Distribution (as defined in the Conditions) as the Principal Amount of the Securities bears at such time and will be added to such Arrears of Distribution (and thereafter bear Distributions accordingly) on each Distribution Payment Date.

The Securities are undated securities in respect of which there is no fixed redemption date. Subject to applicable law, the Issuer may redeem the Securities (in whole but not in part) on (a) any Business Day on or after [ ● ] (being the date that falls three months prior to the Step Up Date) (the “Optional Call Date”); (b) the Step Up Date; or (iii) any subsequent Distribution Payment Date falling after the Step Up Date, in each case, at the Redemption Price (as defined in the Conditions). The Issuer shall give not less than 30 and not more than 60 calendar days’ irrevocable notice of redemption prior to the relevant Optional Call Date, Step Up Date or Distribution Payment Date falling after the Step Up Date to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*). The Securities may also be redeemed (in whole but not in part) at the option of the Issuer at the Redemption Price upon the occurrence of certain changes in Philippine tax law requiring the payment of Additional Amounts (as defined in the Conditions). In addition, the Securities may be redeemed (in whole but not in part) at the option of the Issuer (A) upon the occurrence of a Change of Control Event (as defined in the Conditions) (i) at any time prior to (but excluding) the date that falls three months prior to the Step Up Date at the Special Redemption Price (as defined in the Conditions) or (ii) on or at any time after the date that falls three months prior to the Step Up Date at the Redemption Price, (B) upon the occurrence and continuation of a Reference Indebtedness Default Event (as defined in the Conditions) at any time at the Redemption Price, (C) upon the occurrence and continuation of an Accounting Event (as defined in the Conditions) at any time at the Redemption Price or (D) in the event that the aggregate principal amount of the Securities originally issued that remains outstanding is equal to or less than 25% at any time at the Redemption Price, in each case on the giving of not less than 30 and not more than 60 calendar days’ irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*).

Investing in the Securities involves certain risks. See “Risk Factors” beginning on page 22.

**NONE OF THE OFFERING CIRCULAR OR ANY RELATED DOCUMENT HAS BEEN REVIEWED BY THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION (THE “PHILIPPINE SEC”), AND NEITHER THE OFFERS NOR THE SECURITIES BEING REFERRED TO HEREIN, HAVE BEEN AND WILL BE REGISTERED WITH THE PHILIPPINE SEC UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES AND ITS IMPLEMENTING RULES AND REGULATIONS (THE “PHILIPPINE SRC”). ANY OFFER OR SALE OF THE SECURITIES WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE PHILIPPINE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE PHILIPPINE SRC.**

The Securities are being offered only outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”). The Securities have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. Unless they are so registered, the Securities may be offered only in transactions that are exempt from or not subject to registration under the Securities Act or the securities laws of any other jurisdiction. For further details, see “Subscription and Sale.”

Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Securities on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Securities to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Securities or SMGP or its subsidiaries. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their advisers.

The Securities will be evidenced by a global certificate (the “Global Certificate”) in registered form, which will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set out herein, definitive certificates for the Securities will not be issued in exchange for beneficial interests in the Global Certificate. See “The Global Certificate.” It is expected that delivery of the Global Certificate will be made on or about [ ● ], 2024.

Joint Lead Managers  
(in alphabetical order)

ANZ

DBS Bank Ltd.

Mizuho

Standard Chartered Bank

## TABLE OF CONTENTS

	Page
SUMMARY .....	1
SUMMARY FINANCIAL INFORMATION AND OTHER DATA .....	8
SUMMARY OF THE OFFERING .....	13
RISK FACTORS .....	22
TERMS AND CONDITIONS OF THE SECURITIES .....	49
THE GLOBAL CERTIFICATE .....	67
EXCHANGE RATES .....	69
USE OF PROCEEDS .....	70
CAPITALIZATION .....	71
SELECTED FINANCIAL INFORMATION AND OTHER DATA .....	72
MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS.....	78
INDUSTRY OVERVIEW .....	84
BUSINESS.....	110
REGULATION AND ENVIRONMENTAL MATTERS.....	163
MANAGEMENT.....	191
PRINCIPAL SHAREHOLDER .....	196
RELATED PARTY TRANSACTIONS.....	197
TAXATION .....	198
CLEARANCE AND SETTLEMENT OF THE SECURITIES.....	203
SUBSCRIPTION AND SALE .....	205
LEGAL MATTERS.....	211
INDEPENDENT AUDITORS.....	212
GLOSSARY OF SELECTED TERMS .....	213
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS.....	F-1

In this Offering Circular, references to “SMGP”, the “Company”, the “Issuer”, “we”, “us” and “our” are to San Miguel Global Power Holdings Corp. or San Miguel Global Power Holdings Corp. and its subsidiaries, as the context requires. For avoidance of doubt, references to the Company as the independent power producer administrator (“IPPA”) are references to the relevant consolidated subsidiary of the Company which executed the relevant IPPA Agreement for the administration of each of the Sual Power Plant and San Roque Power Plant (collectively, the “IPPA Power Plants”) and references to the administration by, or ownership of, the Company of any other power plant or power generation facility in this Offering Circular should be understood to refer to the administration or ownership of such plant or facility by the relevant consolidated subsidiary of the Company. References to the “combined installed capacity” in this Offering Circular are to the aggregate of the installed generation capacity of (i) the IPPA Power Plants administered by the Company as the IPPA, (ii) the Limay Greenfield Power Plant, (iii) the Davao Greenfield Power Plant, (iv) the Mariveles Greenfield Power Plant; (v) the Ilijan Power Plant; (vi) the Masinloc Power Plant, (vii) the Masinloc battery energy storage system (the “Masinloc BESS”) and (viii) the Angat Hydroelectric Power Plant (“AHEPP”), in which the Company has a 60.0% ownership interest. References to the “ERC Resolution on Grid Market Share Limitation” are to ERC Resolution No. 02, Series of 2024 dated March 12, 2024 (*A Resolution Setting the Installed Generating Capacity and Market Share Limitation per Grid and National Grid for 2024*) and references to the total installed generating capacity based on the ERC Resolution on Grid Market Share Limitation refer to the reported total installed generating capacity in such resolution.

The term “Joint Lead Managers” refers to Australia and New Zealand Banking Group Limited, DBS Bank Ltd., Mizuho Securities Asia Limited and Standard Chartered Bank. All references in this Offering Circular to the “Philippines” are to the Republic of the Philippines. Certain acronyms, technical terms and other abbreviations used are defined in the “Glossary of Selected Terms” of this Offering Circular.

In this Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

**Prospective investors should rely only on the information contained in this Offering Circular. The Issuer and the Joint Lead Managers have not authorized anyone to provide prospective investors with information that is different. The information in this document may only be accurate on the date of this Offering Circular. Nothing in this Offering Circular should be relied upon as a promise or representation as to future results or events, and neither the delivery of this Offering Circular nor any offering or sale of the Securities shall under any circumstances imply that there has been no change in the affairs of the Issuer or that the information herein is correct as of any date subsequent to the date hereof.**

This Offering Circular is being furnished by the Issuer in connection with an offering exempt from the registration requirements under the U.S. Securities Act of 1933, as amended (the “Securities Act”) solely for the purpose of enabling a prospective investor to consider whether to purchase the Securities. The information contained herein has been provided by the Issuer and other sources identified herein.

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

None of the Joint Lead Managers, DB Trustees (Hong Kong) Limited (the “Trustee”) or the Agents (as defined in the terms and conditions of the Securities, the “Conditions”) or any director, officer, employee or agent of any of the Joint Lead Managers, the Trustee or the Agents or affiliate of any such person has independently verified the information contained herein. No representation or warranty, express or implied, is made by the Joint Lead Managers, the Trustee or the Agents or any director, officer, employee or agent of any of the Joint Lead Managers, the Trustee or the Agents or affiliate of any such person as to the accuracy or completeness of such information, and nothing contained herein is, or may be relied upon as, a promise or representation by the Joint Lead Managers, the Trustee or the Agents or any director, officer, employee or agent of any of the Joint Lead Managers, the Trustee or the Agents or affiliate of any such person as to the past or the future. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any director, officer, employee or agent of any of the Joint Lead Managers, the Trustee or the Agents or affiliate of any such person accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Issuer, or for any other statement made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or any director, officer, employee or agent of any of the Joint Lead Managers, the Trustee or the Agents or affiliate of any such person or on any of their behalf in connection with the Issuer or in connection with the offering of the Securities. The Joint Lead Managers, the Trustee and the Agents and each director, officer, employee or agent of

any of the Joint Lead Managers, the Trustee or the Agents or affiliate of any such person accordingly disclaim all and any liability whether arising in tort or contract or otherwise that any of them might otherwise have in respect of this Offering Circular or any such statement.

The distribution of this Offering Circular and the offering and sale of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes must inform themselves about and observe any such restrictions. There are restrictions on the distribution of this Offering Circular and the offer and sale of the Securities in certain jurisdictions, including the United States, the United Kingdom (the “UK”), Singapore, Hong Kong, Japan, the European Economic Area (the “EEA”) and the Philippines. This Offering Circular does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in any circumstance in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

Each person investing in the Securities shall be deemed to acknowledge that:

- it has been afforded an opportunity to request from the Issuer and to review, and has received, all additional information considered by such person to be necessary to verify the accuracy of, or to supplement, the information contained herein;
- it has had the opportunity to review all of the documents described herein;
- it has not relied on the Joint Lead Managers, the Trustee, the Agents or any person affiliated with the Joint Lead Managers, the Trustee or the Agents in connection with its investigation of the accuracy of the information contained in the Offering Circular or its investment decision; and
- no person has been authorized to give any information or to make any representation concerning the Securities other than those contained in this Offering Circular and, if given or made, such other information or representation should not be relied upon as having been authorized by the Issuer, the Joint Lead Managers, the Trustee or the Agents or any director, officer, employee or agent of any of the Issuer, the Joint Lead Managers, the Trustee or the Agents or affiliate of any such person.

Prospective investors should not construe the contents of this Offering Circular as investment, legal or tax advice and should consult with their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of receiving the Securities.

In making an investment decision, prospective investors must rely on their own examination of the Issuer and the terms of the Securities, including, without limitation, the merits and risks involved. None of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any director, officer, employee or agent of any of the Issuer, the Joint Lead Managers, the Trustee or the Agents or affiliate of any such person is making any representation to any prospective investor regarding the legality of an investment in the Securities by such investor under any legal investment or similar laws or regulations. The offering of the Securities is being made on the basis of this Offering Circular. Any decision to invest in the Securities must be based on the information contained in this Offering Circular. Each purchaser of the Securities must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Securities or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Securities under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any director, officer, employee or agent of any of the Issuer, the Joint Lead Managers, the Trustee or the Agents or affiliate of any such person shall have any responsibility therefor.

Each person receiving this Offering Circular is advised to read and understand the contents of this Offering Circular before investing in the Securities. If in doubt, such person should consult his or her advisors. This Offering Circular has been prepared on the basis that all offers of the Securities will be made pursuant to an exemption under Regulation (EU) 2017/1129 (as amended) and under such regulation as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, from the requirement to produce a prospectus for offers of the Securities. Accordingly, any person making or intending to make any offer within the EEA or the UK of the Securities which are the subject of the placement contemplated in this Offering Circular should only do so in circumstances in which no obligation arises for the Issuer or any of the Joint Lead Managers or any director, officer, employee or agent of any of the Issuer or the Joint Lead Managers or affiliate of any such person to produce a prospectus for the offer. Neither the Issuer nor the Joint Lead Managers have authorized, nor do they authorize the making of any offer of the Securities through any financial intermediary, other than offers

made by the Joint Lead Managers which constitute the final placement of the Securities contemplated in this Offering Circular.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The Issuer reserves the right to withdraw this offering of the Securities at any time. The Issuer and the Joint Lead Managers also reserve the right to reject any offer to purchase the Securities in whole or in part for any reason and to allocate to any prospective investor less than the full amount of Securities sought by such investor. This Offering Circular does not constitute an offer to sell, or a solicitation of an offer to buy, any Securities offered hereby in any circumstances in which such offer is unlawful.

The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other United States, Philippine or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Securities or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense in the United States and in the Philippines.

The Securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and other applicable state, Philippine or other securities laws pursuant to registration thereunder or exemption therefrom. See “*Subscription and Sale*.” Prospective investors should thus be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Investors agree to the foregoing by accepting delivery of this Offering Circular.

## **IMPORTANT NOTICE TO PROSPECTIVE INVESTORS**

Prospective investors should be aware that certain intermediaries in the context of this offering of the Additional New Securities, including certain Joint Lead Managers are “capital market intermediaries” (“**CMI**s”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**HK SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“**OC**s”) for this offering and are subject to additional requirements under the HK SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the HK SFC Code as having an association (Association) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Additional New Securities and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation

to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order, prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMI's). If a prospective investor is an asset management arm affiliated with any relevant Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Joint Lead Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMI's in accordance with the HK SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Joint Lead Manager, such that its order may be considered to be a "proprietary order" (pursuant to the HK SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMI's (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Joint Lead Manager and/or any other third parties as may be required by the HK SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the HK SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the HK SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

## **FORWARD-LOOKING STATEMENTS**

This Offering Circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause the actual results, performance or achievements of SMGP to be materially different from any future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of SMGP and the environment in which SMGP will operate in the future. Important factors that may cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the ability of SMGP to successfully implement its strategies;
- the historic and ongoing impact of the COVID-19 pandemic on the operations, financial condition, and cash flows of SMGP's power generation facilities and other businesses;
- the ability of SMGP to anticipate and respond to market trends;
- changes in availability and prices of fuel used in the power plants of SMGP;
- unexpected shutdowns of (i) the IPPA Power Plants for which SMGP acts as the IPPA and (ii) the Masinloc Power Plant, the Davao Greenfield Power Plant, the Limay Greenfield Power Plant and the AHEPP;

- adverse weather patterns and natural disasters;
- the ability of SMGP to successfully manage its growth;
- the ability of SMGP to successfully implement and manage its power portfolio;
- the condition of and changes in, the Philippine, Asian or global economies;
- any political instability in the Philippines;
- the ability of SMGP to secure additional financing;
- changes in interest rates, inflation rates and the value of the Peso against the U.S. dollar and other currencies;
- price volatility in the wholesale energy spot market;
- other risks relating to the Philippines, including changes in laws, rules and regulations, including tax laws and licensing requirements;
- changes in power supply and demand dynamics in the Philippines;
- competition in the Philippine power industry; and
- risks relating to the Additional New Securities.

Additional factors that could cause the actual results, performance or achievements of SMGP to differ materially from forward-looking statements include, but are not limited to, those disclosed under “*Risk Factors*” and elsewhere in this Offering Circular. These forward-looking statements speak only as of the date of this Offering Circular. SMGP, the Joint Lead Managers, the Trustee and the Agents expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect events or circumstances, or to reflect any change in the expectations of SMGP with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based or to reflect that SMGP became aware of any such events or circumstances, that occur after the date of this Offering Circular. The Issuer, the Joint Lead Managers, the Trustee and the Agents assume no obligation to update any of the forward-looking statements after the date of this Offering Circular to conform those statements to actual results, subject to compliance with all applicable laws.

This Offering Circular includes statements regarding the expectations and projections of the Company for future operating performance and business prospects. The words “believe,” “plan,” “expect,” “anticipate,” “estimate,” “project,” “intend,” “will,” “shall,” “should,” “may,” “could,” “would” and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular are forward-looking statements. Statements in the Offering Circular as to the opinions, beliefs and intentions of SMGP accurately reflect in all material respects the opinions, beliefs and intentions of its management as to such matters as of the date of this Offering Circular, although SMGP gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Offering Circular discloses, under the section “*Risk Factors*” and elsewhere, important factors that could cause actual results to differ materially from expectations of the Company. All subsequent written and oral forward-looking statements attributable to SMGP or persons acting on behalf of SMGP are expressly qualified in their entirety by the above cautionary statements.

Should one or more of such risks and uncertainties materialize, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated in the applicable forward-looking statements. Any forward-looking statement or information contained in this Offering Circular speaks only as of the date the statement was made.

All of the forward-looking statements of SMGP made herein and elsewhere are qualified in their entirety by the risk factors discussed in “*Risk Factors*” and “*Industry Overview*.” These risk factors and statements describe circumstances that could cause actual results to differ materially from those contained in any forward-looking statement in this Offering Circular.

## INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Offering Circular were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information are not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Joint Lead Managers, the Trustee nor the Agents makes any representation as to the accuracy or completeness of that information.

Information relating to or obtained from the Business Monitor, Department of Energy (“DOE”), Economist Intelligence Unit, Energy Regulatory Commission (“ERC”), Manila Electric Company (“Meralco”), National Grid Corporation of the Philippines (“NGCP”), National Power Corporation (“NPC”), Philippine Statistics Authority, Philippine Electricity Market Corporation (“PEMC”), Independent Electricity Market Operator of the Philippines Inc. (“IEMOP”), Power Sector Assets and Liabilities Management Corporation (“PSALM”), National Transmission Corporation (“TransCo”) and Wholesale Electricity Spot Market (“WESM”) set forth in this Offering Circular was obtained from publicly available sources that are believed to be reliable but such information has not been independently verified. Neither the Issuer nor the Joint Lead Managers makes any representation as to the accuracy of such information regarding the Business Monitor, DOE, Economist Intelligence Unit, ERC, Meralco, NGCP, NPC, the Philippine Statistics Authority, PEMC, PSALM, TransCo or WESM.

## STANDARDS FOR OPERATING STATISTICS

The power plant operating statistics and information included in this Offering Circular are based on the power plant operating data that have been provided by the independent power producer of the relevant power plant and grid system operators. SMGP believes these have been measured in accordance with internationally recognized power plant operation standards set by the American Society of Mechanical Engineers, Power Test Code, Institute of Electrical and Electronics Engineering, Energy Power Research Institute or equivalent internationally-accepted standards, as applicable. SMGP has not independently verified the power plant operating data provided by the independent power producers and grid system operators. Neither SMGP nor any of the Joint Lead Managers makes any representation as to the accuracy of such information provided by the independent power producers and grid system operators.

## PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial statements of SMGP are reported in Pesos and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards (“PFRS”) issued by the Financial Reporting Standards Council of the Philippines (“FRSC”). PFRS include statements named PFRS and Philippine Accounting Standards, and Philippine Interpretations from International Financial Reporting Interpretations Committee.

Unless otherwise stated, all financial information relating to SMGP contained herein is stated in accordance with PFRS.

Figures in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

References to “U.S.\$” and “U.S. dollars” in this Offering Circular are to United States dollars, the lawful currency of the United States of America, references to “₱”, “Philippine Peso” and “Peso” are to the lawful currency of the Philippines. The Issuer publishes its financial statements in Philippine Pesos. This Offering Circular contains translations of certain amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Philippine Peso amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Philippine Pesos to U.S. dollars have been made at a rate of U.S.\$1.00 = ₱58.61, being the closing rate on June 28, 2024 (the last day in June such rate was available) for the purchase of U.S. dollars with Philippine Pesos as provided by the Bankers’ Association of the Philippines (“BAP”). On August 22, 2024, the closing spot rate quoted on the BAP was U.S.\$1.00 = ₱56.33. See “Exchange Rates” for further information regarding the rates of exchange between the Philippine Peso and the U.S. dollar.

The financial information included in this Offering Circular has been derived from the consolidated financial statements of SMGP and its subsidiaries. Unless otherwise indicated, the description of the business activities of the Issuer in this Offering Circular is presented on a consolidated basis.

### **NON-PFRS FINANCIAL MEASURES**

This Offering Circular contains references to EBITDA. EBITDA is a supplemental measure of the performance and liquidity of the Company that is not required by, or presented in accordance with, PFRS. Further, EBITDA is not a measurement of the financial performance or liquidity of the Company under PFRS and should not be considered as an alternative to net income, gross revenues or any other performance measure derived in accordance with PFRS or as an alternative to cash flow from operations or as a measure of the liquidity of the Company. The Company calculates EBITDA as (i) the sum of (a) net income (excluding items between any or all of the Company and its subsidiaries), and (b) income tax expense (benefit), finance cost (less interest income) and depreciation, less (ii) foreign exchange gain (loss) and gain on sale of investment, in each case excluding amounts attributable to ring-fenced subsidiaries. Consistent with the Company's financial covenants, EBITDA is calculated gross of aggregate fixed payments made to PSALM. The calculation of EBITDA by SMGP may be different from the calculations used by other companies, and, as a result, the EBITDA of SMGP may not be comparable to other similarly titled measures of other companies.

The Company believes that EBITDA facilitates operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures, tax positions and the age and book depreciation of tangible assets. The Company presents EBITDA because it believes it is frequently used by securities analysts and investors in the evaluation of companies in its industry.

### **ENFORCEABILITY OF CIVIL LIABILITIES**

SMGP is established in the Philippines and all or a substantial portion of its operating assets are located in the Philippines. Substantially all of its directors and senior management reside in the Philippines. The Company has been advised by its Philippine legal counsel, Picazo Buyco Tan Fider & Santos, that a final and conclusive judgment on the merits rendered against the Company and these persons by courts outside the Philippines obtained in an action predicated upon the civil liability provisions of laws other than Philippine laws would be recognized and enforced by the courts in the Philippines through an independent action filed to enforce such judgment, and without re-trial or re-examination of the issues, provided that the following conditions are satisfied, namely: (i) the court rendering such judgment had jurisdiction in accordance with its jurisdictional rules, (ii) such persons had notice of the proceedings, (iii) such judgment was not obtained by collusion or fraud or based on a clear mistake of law or fact, and (iv) such judgment was not contrary to public policy, public order, law, morals or good customs in the Philippines.

## SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information and the consolidated financial statements of SMGP that appear elsewhere in this Offering Circular. The meaning of terms not defined in this summary can be found elsewhere in this Offering Circular.

## OVERVIEW

SMGP, together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 5,207 MW of combined capacity as of June 30, 2024. 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 June 30, 2024. 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 retail electricity services, invested in distribution services and has various power projects in the pipeline.

The following table sets forth selected data in respect of the Company’s primary operating power generation assets and interests as of the date of this Offering Circular.

	IPPA Plants		Greenfield Plants			JV Plant	IPP Plants	
	Sual	San Roque	Davao	Limay	Mariveles	Angat	Ilijan	Masinloc and Masinloc BESS
Type.....	Coal	Hydro	Coal	Coal	Coal	Hydro	Natural Gas	Coal and Battery
Commercial Operations Date .....	1999	2003	2017 (150 MW); 2018 (150 MW)	2017 (300 MW); 2018 (150 MW); 2019 (150 MW)	2024 (150 MW) <sup>(5)</sup>	1967 (112 MW); 1968 (100 MW); 1978 (6 MW)	2002	1998 (660 MW); 2018 (additional 28 MW) <sup>(6)</sup> ; 2018 and 2023 (10 MWh); 2020 (335 MW) <sup>(7)</sup>
Year of Acquisition	2009	2010	—	—	—	2014	2010	2018
Capacity (MW).....	1,000	345	300	600	600	218	1,200	1,035.75 <sup>(8)</sup>
Technology .....	Pulverized Coal	Storage Hydropower	Circulating Fluidized Bed	Circulating Fluidized Bed	Circulating Fluidized Bed	Storage Hydropower	Combined Cycle	Pulverized Coal <sup>(9)</sup> and Battery Energy Storage System
Emission Levels <sup>(1)</sup>								
NOx(ppm)	157.3	—	61.9	71.8	74.9 <sup>(13)</sup>	—	—	140.9
SOx (ppm)	285.7	—	163.4	67.9	310.8 <sup>(13)</sup>	—	—	355.8
PM (mg/Nm <sup>3</sup> ) .	15.5	—	12.8	4.6	10.8 <sup>(13)</sup>	—	—	85.4
Operator .....	TeaM Sual Corp.	SRPC	VPDSI <sup>(11)</sup>	LPDSI <sup>(12)</sup>	LPDSI	AHC	KEILCO	LPDSI
Offtakers <sup>(2)</sup> .....	Meralco, ECs, DUs, DCCs, RES, WESM	Inter-company <sup>(4)</sup> DU, WESM, RES	ECs, DCCs, WESM, RES	Meralco, ECs, DUs, CCs, WESM, RES	Meralco, WESM, Inter-company	Inter-company, <sup>(4)</sup> WESM	Meralco, WESM, Inter-company <sup>(4)</sup>	DUs, CCs, WESM, NGCP, RES
IPPA Expiry / Asset Transfer Date <sup>(3)</sup> .....	2024	2028	N/A	N/A	N/A	N/A	2022 <sup>(10)</sup>	N/A

Notes:

- (1) See “Business—Safety, Health and Environmental Regulation” for information on DENR emission standards. Emission levels for the Masinloc Power Plant exclude the Masinloc BESS. Emissions as of June 30, 2024.
- (2) DUs: Distribution Utilities; ECs: Electric Cooperatives; CCs: Contestable Customers; DCCs: Directly Connected Customers; RES: Retail Electricity Supplier.
- (3) Under the respective IPPA Agreements of SPI and SRHI, these subsidiaries of SMGP have the right to acquire the Sual Power Plant in October 2024 and the San Roque Power Plant in April 2028. See “Business—IPPA Framework.”
- (4) Within the SMGP group.
- (5) Mariveles Greenfield Power Plant Unit 1.
- (6) The retrofit of Masinloc Power Plant Unit 2 completed in 2018 and the retrofit of Masinloc Power Plant Unit 3 completed in 2023 resulted in an increase in capacities for each of the Units.
- (7) Masinloc Power Plant Unit 3.
- (8) Includes the capacity of Units 1, 2 and 3 of Masinloc Power Plant and Masinloc BESS.
- (9) Masinloc Power Plant Unit 3 utilizes supercritical boiler technology. Units 1 and 2 of the Masinloc Power Plant utilize pulverized technology.
- (10) In June 2022, the Ilijan Power Plant was turned over to SMGP pursuant to the terms of the IPPA Agreement between SPPC and PSALM.
- (11) VisMin Power Dynamics Services Inc. (“VPDSI”, formerly, Safetech Power Services Corp.)
- (12) Luzon Power Dynamics Services Inc. (“LPDSI”, formerly, Mantech Power Dynamics Services Corp.)
- (13) For the period April to June 2024.

SMGP 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 (collectively, the “SMC Group”). The Company believes that its relationship with San Miguel Corporation allows it to draw on the extensive business networks, local business knowledge, relationships and expertise of San Miguel Corporation and its key executive officers.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, SMGP sold 24,708 GWh, 25,057 GWh, 21,565 GWh, 9,947 GWh and 14,156 GWh of power pursuant to bilateral offtake agreements and 2,513 GWh, 2,345 GWh, 3,640 GWh, 738 GWh and 3,301 GWh of power through the WESM, respectively. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, SMGP purchased 2,520 GWh, 5,158 GWh, 2,519 GWh, 1,051 GWh and 1,413 GWh of power from the WESM, respectively.

For the year ended December 31, 2023, the total consolidated revenues, net income and EBITDA of SMGP was ₱169,590.2 million (U.S.\$2,893.5 million), ₱9,903.0 million (U.S.\$169.0 million) and ₱34,510.6 million (U.S.\$588.8 million), respectively.

For the six months ended June 30, 2024, the total consolidated revenue, net income and EBITDA of SMGP was ₱98,944.2 million (U.S.\$1,688.2 million), ₱7,438.2 million (U.S.\$126.9 million) and ₱22,195.8 million (U.S.\$378.7 million), respectively. As of June 30, 2024, SMGP had total consolidated assets of ₱801,201.4 million (U.S.\$13,670.0 million).

## IPPA Projects

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 IPP Administrator (“IPPA”) of the following plants: (1) Sual Power Inc. (“SPI”, formerly San Miguel Energy Corporation) became the IPPA for the Sual Power Plant, a coal-fired thermal power plant located in Sual, Pangasinan, in November 2009; (2) San Roque Hydropower, Inc. (“SRHI”, formerly Strategic Power Devt. Corp.) 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”); and (3) South Premiere Power Corp. (“SPPC”) 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 in accordance with the terms of the IPPA agreement.

An IPPA under the relevant IPPA agreement has the right to sell electricity generated by the power plants owned and operated by the relevant IPPs without having to bear any of the large upfront capital expenditures for power plant construction or maintenance. As an IPPA, each of SPI and SRHI also has the ability to manage both market and price risks by entering into bilateral contracts with offtakers while capturing potential upside from the sale of excess capacity through the 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 SMGP. SMGP also became a wholly-owned subsidiary of San Miguel Corporation. Since then, SMGP has controlled the 1,345 MW combined contracted capacity of the IPPA Power Plants through the IPPA Agreements as well as the 1,200 MW Ilijan Power Plant.

### **Greenfield, IPP and JV Power Projects**

Building on its experience as an IPPA since San Miguel Corporation's transfer of interests in SPI, SRHI and SPPC, SMGP embarked on the development of its own greenfield power projects. In 2013, SMGP 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. ("**MPI**", formerly San Miguel Consolidated Power Corporation), its wholly-owned subsidiary, and the 4 x 150 MW Limay Greenfield Power Plant which is owned by Limay Power Inc. ("**LPI**", formerly SMC Consolidated Power Corporation), 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.

SMGP also pursued strategic acquisitions to increase its energy portfolio. In November 2014, SMGP, 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 (the "**AHEPP**").

In March 2018, SMGP 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. ("**MPCL**", formerly Masinloc Power Partners Co. Ltd) and SMGP Kabankalan Power Co. Ltd. ("**SMGP Kabankalan**", formerly SMCGP Philippines Energy Storage Co. Ltd.) (SMCGP Masin and its subsidiaries are collectively referred to as the "**Masinloc Group**"). MPCL owns the 1 x 344 MW (Unit 1), 1 x 344 MW (Unit 2) coal-fired power plant and 1 x 335 MW (Unit 3) expansion project (together, comprising the "**Masinloc Power Plant**"), and the 10 MWh battery energy storage system project (the "**Masinloc BESS**"), all located in Masinloc, Zambales while SMGP Kabankalan holds the 30 MWh battery energy storage system facility in Kabankalan, Negros Occidental (the "**Kabankalan BESS**"). On September 19, 2018, Prime Electric Generation Corporation ("**PEGC**"), and Oceantech Power Generation Corporation ("**OPGC**"), both wholly-owned subsidiaries of SMGP, purchased the entire partnership interests in SMGP Kabankalan from subsidiaries of SMCGP Masin. SMGP was admitted as an additional limited partner of SMCGP Masinloc Partners Co. Ltd. in 2019 (a limited partnership under the Masinloc Group) and of MPCL in June 2020. In 2022, SMGP 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 SMGP following the approval of SMCGP Masin's petition for withdrawal of its license to operate by the Philippine SEC in August 2022. The capacity of Phase 1 of Kabankalan BESS (20 MWh) is contracted under an ancillary service procurement agreement ("**ASPA**") with the NGCP with a term of five years which commenced in January 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, SMGP now effectively owns 100% of Alpha Water through its subsidiaries PEGC and MPCL. Alpha Water is the owner of the land on which the Masinloc Power Plant and Masinloc BESS in Zambales Province are located.

On June 2, 2022, SMGP 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.

SMGP, through its subsidiaries SPI, SRHI, SPPC, AHC, LPI, MPI and MPCL, sells power through offtake agreements directly to customers, including Meralco and other distribution utilities, electric cooperatives and

industrial customers, or through the WESM. The majority of the consolidated sales of SMGP 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.

### **Retail and Distribution**

SMGP has also expanded its sale of power to a broader range of customers, including retail customers. In particular, certain of the Company's subsidiaries were issued retail electricity supplier ("**RES**") licenses, allowing it to enter into contracts with contestable customers and expand its customer base. See "*Business—Retail Services—Retail Electric Supply*."

In addition, SMGP has invested in distribution services through SMC Power Generation Corp. ("**SPGC**"), which acquired 35% equity stake in Olongapo Electric Distribution Company, Inc. ("**OEDC**") in April 2013.

### **Expansion Projects**

#### ***Power Plant Portfolio***

SMGP, through its subsidiary Mariveles Power Generation Corporation ("**MPGC**"), is constructing a 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities in Mariveles, Bataan (the "**Mariveles Greenfield Power Plant**") using high efficiency low emission technologies ("**HELE Technologies**") with an installed capacity of 600 MW and net load of 528 MW and, we believe, approximately 36% to 37% in thermal efficiency. Unit 1 commenced commercial operations on March 28, 2024, while Unit 2, 3 and 4 are undergoing testing and commissioning and are expected to commence commercial operations in 2024. As of June 2024, overall project completion is 99.9% with equity-backed capital expenditures of ₱34.4 billion.

The Company, through MPCL, intends to further expand the Masinloc Power Plant by constructing of additional units utilizing supercritical pulverized coal technology (Units 4 and 5) with a planned gross installed capacity of 350 MW each (with a Pmin of 2 x 87.5 MW), a net load of 630 MW and, we believe, approximately 42% in thermal efficiency. 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 and 2026. As of June 2024, overall project completion of Unit 4 and Unit 5 are 41% and 9%, respectively, with equity-backed capital expenditures of ₱15.6 billion.

In addition and as part of the Company's diversification of its power portfolio away from traditional coal technologies, the Company, through its subsidiary, EERI, is constructing the 1,320 MW (with a Pmin of 3 x 195 MW) combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas ("**BCC Power Plant**") with a net load of 1,275 MW and, we believe, approximately 60% in thermal efficiency. The BCC Power Plant will utilize regasified liquefied natural gas ("**LNG**"). The EPC contract with Black & Veatch and other local contractors 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. As of June 2024, overall project completion is 95.3% with equity-backed capital expenditures of ₱36.4 billion.

The Company has executed a TUA for the use of the LNG terminal in Ilijan (the "**Batangas LNG Terminal**") for its LNG power plants in Batangas and has commenced retrofitting activities for the Ilijan Power Plant to improve efficiency and reliability after it was turned over to SPPC in June 2022 pursuant to the Ilijan PPA.

The Company also intends to construct and develop small-scale LNG units in strategic locations in Mindanao consisting of 50 MW to 100 MW, to boost rural electrification. The Company is evaluating the timing on progressing the project depending on market conditions, the general state of the Philippine economy and demand, among others.

#### ***Solar Power Project Portfolio***

In line with the Company's decision to significantly reduce its carbon footprint and transition to cleaner sources of energy, SMGP, through its wholly-owned subsidiary, SMC Global Light and Power Corp. ("**SGLPC**"), is developing a portfolio of solar power projects together with potential partners. The first phase of the solar power projects has an aggregate initial capacity of 1,300 MWp across various sites in Luzon including in the provinces of Bataan, Bulacan and Isabela by 2028. The second phase of the planned solar projects is expected to have an

aggregate initial capacity of 1,100 MWp by 2039 across Pagbilao, Bohol, and various locations in Mindanao, including Davao. We target the completion of these solar power projects between 2028 and 2039. The proposed solar projects will be situated in areas with moderate to high photovoltaic potential using N-type solar panels supplied by Trina Solar Co. Ltd and LONGi Green Energy Technology Co. Ltd., with inverters from ABB / Sungrow Renewable Energy Investment Pte. Ltd. In February 2022, SGLPC entered into Solar Energy Operating Contracts (130.005 MWdc) for a solar project located in Bataan (the **“Bataan Solar Project”**) and thereafter, obtained a Certificate of Registration from the DOE as a renewable energy (**“RE”**) developer for the Bataan Solar Project. The lease agreement for the property in Bataan where the solar project will be located has been executed and as of the date of this Offering Circular, the Bataan Solar Project already secured its system impact studies and facilities studies approval from the NGCP. The generation output of the proposed solar power projects is intended to be offered to various contestable customers.

The Company continues to participate in the Government-mandated competitive selection processes (**“CSP”**) for power supply agreements (**“PSAs”**) with distribution utilities (**“DUs”**), and negotiate for retail supply contracts (**“RSCs”**) with contestable customers for these expansion plans.

On June 28, 2024, SGLPC signed an investment and shareholders agreement with Citicore Renewable Energy Corporation for the 150 MW solar power plant to be constructed in Barangay Lucanin, Mariveles, Province of Bataan, that is expected to be completed in 2025. The solar power plant shall be located in a property with an area of approximately 158 hectares owned by an SMGP affiliate. Upon commencement of operations, all capacity to be generated by the solar power plant shall be supplied to SMGP or any of its affiliates under long-term energy supply contracts.

In line with SMGP’s commitment to the diversification of its power generation portfolio through the development of solar-based power projects, SMGP will handle pre-development activities and land acquisition and will lease the sites to third-party owner of plants. SMGP entities will also be offtakers for a minimum fixed period of 20 years.

### ***BESS Portfolio***

The Company, through its subsidiaries SMGP BESS Power Inc. (**“SMGP BESS”**, formerly Universal Power Solutions Inc.), MPCL and SMGP Kabankalan, is undertaking the expansion of its portfolio of BESS projects by ~1,000 MWh. Of these ~1,000 MWh BESS projects, 630 MWh across 18 sites attained substantial completion as of June 2024, including the 30 MWh Kabankalan (Phase 1 and 2) and 20 MWh Masinloc (Phase 2). Three BESS facilities with a combined capacity of 120 MWh located in the provinces of Tarlac, Leyte and Misamis Oriental commenced operations in March 2024 while a total of 30 MWh across two sites are expected to be substantially completed in 2024. One of the BESS projects was inaugurated on March 31, 2023, in Limay, Bataan. We have entered into EPC contracts with ATE Energy and we target to complete our 320 MWh BESS project in Mariveles between 2024 and 2025.

## **RECENT DEVELOPMENTS**

### **Concurrent Exchange and Tender Offers**

SMGP is concurrently making separate invitations to eligible holders of its outstanding Senior Perpetual Capital Securities issued on 5 November 2019 with an initial distribution rate of 5.95% (the **“5.95% Securities”**) and Senior Perpetual Capital Securities issued on 21 October 2020 with an initial distribute rate of 7.00% (the **“7.00% Securities”**) and together with the 5.95% Securities, the **“Existing Securities”**) to exchange their Existing Securities for U.S.\$-denominated Senior Perpetual Capital Securities (the **“Exchanged New Securities”**) to be issued by SMGP (the **“Concurrent Exchange Offers”**) and to tender their Existing Securities for cash up to a maximum acceptance amount (the **“Concurrent Tender Offers”**), and together with the Concurrent Exchange Offers, the **“Concurrent Exchange and Tender Offers”**).

The Concurrent Exchange and Tender Offers are being made available on the terms and subject to the conditions in an offer memorandum dated August 27, 2024 (the **“Offer Memorandum”**), including a financing condition which provides that the Concurrent Exchange and Tender Offers are subject to the successful settlement and completion of this offering.

The Concurrent Exchange and Tender Offers will expire on September 4, 2024, unless extended, re-opened, amended or terminated in the sole discretion of the Company. Settlement of the Concurrent Exchange and Tender Offer is expected to occur on or around September 12, 2024.

### **Chromite Agreements**

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 (MGen and Aboitiz Power shareholdings at 60% and 40% each, respectively), Chromite Gas Holdings, Inc. (“**Chromite Gas**”) entered into binding agreements with SMGP and its relevant subsidiaries (the “**Chromite Agreements**”) for Chromite Gas to jointly invest in and acquire a 67% equity interest in each of the following SMGP gas-fired power plants and assets: (i) the operating Ilijan Power Plant owned by SPPC, (ii) the adjacent BCC Power Plant currently under construction owned by Excellent Energy Resources, Inc. (“**EERI**”), and (iii) land owned by Ilijan Primeline Industrial Estate, Inc. where the BCC Power Plant, the Batangas LNG Terminal and their respective related facilities are located.

On the same day, SMGP entered into a share purchase agreement with Eurodite Universal Power Incorporated for the purchase of approximately 33% of the outstanding common shares of Linseed Field Corporation, the owner of the Batangas LNG Terminal (under construction with skeletal operations to service the Ilijan Power Plant), which will process LNG for SPPC and once the BCC Power Plant is completed, for EERI.

The transactions are subject to customary closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission. On May 17, 2024, Top Frontier Investment Holdings, Inc., the ultimate parent company of SMGP, filed with the Philippine Competition Commission the relevant notification forms in relation to the joint investment by SMGP and Chromite Gas.

### **Financing Transactions**

On July 17, 2024, SMGP executed a ₱10,000 million term loan facility agreement with a local bank, which was fully drawn on July 19, 2024. The proceeds from this 5-year facility were used for refinancing purposes.

### **Other Recent Developments**

In the most recent CSP conducted by Meralco for renewable energy contract capacity on July 17, 2024, SRHI emerged as the winning bidder for a 340 MW power supply contract for a period of 10 years commencing on February 26, 2025.

### **STRENGTHS**

- Industry leader with a strong growth platform.
- Well-positioned to capture future demand growth.
- Stable and predictable cash flows.
- Control over baseload and versatile capacities.
- Established relationships with world class partners and major participants in the Philippine power industry.
- A member of the San Miguel Corporation group of companies.
- Experienced and highly competent management team.
- Strong commitment to stringent environmental policies and pollution controls.

### **STRATEGIES**

- Optimize the installed capacity of its power portfolio and strategically contract capacity to enhance margins.
- Well-positioned as a leading baseload power generator utilizing clean power technologies.
- To be a leading player in the ancillary reserve market and renewable energy initiatives through strategic establishment of battery energy storage systems across the Philippines.

- Continue to grow its power portfolio through the development of greenfield power projects, acquisition of power generation capacity in line with regulatory and infrastructure developments, and development of renewable energy projects.
- Vertically integrate complementary businesses in order to diversify its energy portfolio.
- Continue to pursue and develop measures to reduce emissions and operate power plants within and below applicable environmental compliance standards.
- Leverage operational synergies with San Miguel Corporation group of companies.

#### **CORPORATE INFORMATION**

SMGP is incorporated under the laws of the Philippines. The registered office and principal place of business of SMGP is located at 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila, Philippines. The telephone number of SMGP is +632 8702-4579.

The investor relations officer of SMGP is Chesca B. Tenorio, who can be reached at [smcinvestorrelations@sanmiguel.com.ph](mailto:smcinvestorrelations@sanmiguel.com.ph).

## SUMMARY FINANCIAL INFORMATION AND OTHER DATA

*The summary historical consolidated statement of financial position data as of December 31, 2021, December 31, 2022 and December 31, 2023, and summary historical consolidated statement of income and cash flow data for the years ended December 31, 2021, December 31, 2022 and December 31, 2023 set forth below, have been derived from, and should be read in conjunction with, the audited consolidated financial statements of SMGP, including the notes thereto, included elsewhere in this Offering Circular. The summary historical consolidated statement of financial position data as of June 30, 2024 and summary historical consolidated statement of income and cash flow data for the six months ended June 30, 2023 and June 30, 2024, respectively set forth below, have been derived from, and should be read in conjunction with, the unaudited interim condensed consolidated financial statements of SMGP, including the notes thereto, included elsewhere in this Offering Circular.*

*The consolidated financial statements of SMGP as of and for the years ended December 31, 2021, 2022 and 2023 were audited by KPMG. The condensed consolidated interim financial statements of SMGP as of June 30, 2024 and for the six months ended June 30, 2023 and 2024 were reviewed by KPMG.*

*Unless otherwise stated, SMGP has presented its consolidated financial results under PFRS.*

*Potential investors should read the following data together with the more detailed information contained in “Management’s Discussion and Analysis of Results of Operations” and the consolidated financial statements and related notes included elsewhere in this Offering Circular. The following data is qualified in its entirety by reference to all of that information.*

*Translations from Philippine Pesos to U.S. dollars for the convenience of the reader have been made at the BAP closing rate on June 28, 2024 of ₱58.61 to U.S.\$1.00.*

# **CONSOLIDATED STATEMENT OF INCOME DATA**

	For the years ended December 31,				For the six months ended June 30,		
	2021	2022	2023		2023	2024	
	(Audited)				(Unaudited)		
	(in millions)						
	P	P	P	U.S.\$	P	P	U.S.\$
<b>Revenues</b> .....	133,710.2	221,388.8	169,590.2	2,893.5	84,770.0	98,944.2	1,688.2
<b>Costs and Expenses</b>							
Cost of power sold:							
Energy fees .....	17,762.4	10,452.1	1,640.7	28.0	635.8	547.6	9.3
Coal, fuel oil and other consumables .....	39,108.9	114,857.8	86,906.4	1,482.8	44,493.3	47,701.5	813.9
Power purchases .....	20,557.3	57,089.3	25,249.7	430.8	13,789.3	14,922.0	254.6
Depreciation and amortization..	10,795.0	11,241.8	11,664.3	199.0	5,570.9	6,187.6	105.6
Plant operations and maintenance, and other fees .....	3,937.7	4,730.0	5,530.6	94.4	2,512.1	3,109.7	53.1
<b>Selling and administrative expenses</b> .....	4,915.3	5,740.0	6,166.5	105.2	3,017.6	3,487.7	59.5
	97,076.6	204,111.0	137,158.2	2,340.2	70,019.0	75,956.1	1,296.0
Other operating income	207.0	11,607.7	94.0	1.6	—	—	—
<b>Income from operations</b> .....	36,840.6	28,885.6	32,526.0	555.0	70,019.0	75,956.1	1,296.0
<b>Interest income</b> .....	617.1	1,211.4	749.3	12.8	717.7	435.7	7.4
<b>Equity in net losses of associates and joint ventures — net</b> ....	(117.3)	(400.1)	(272.1)	(4.6)	(4.8)	180.8	3.1
<b>Interest expense and other financing charges</b> .....	(18,269.2)	(18,287.7)	(18,478.1)	(315.3)	(8,538.1)	(9,924.1)	(169.3)
<b>Other income (charges) — net</b> .....	(1,192.6)	(7,240.8)	538.0	9.2	1,847.1	(3,776.0)	(64.4)
<b>Income before income tax</b> .....	17,878.5	4,168.4	15,063.2	257.0	8,772.9	9,904.6	169.0
<b>Income tax expense (benefit) — net</b> .....	1,900.2	1,034.8	5,160.2	88.0	2,863.6	2,466.3	42.1
<b>Net income</b> .....	15,978.3	3,133.6	9,903.0	169.0	5,909.3	7,438.2	126.9
Attributable to:							
Equity holders of the Parent Company .....	16,058.1	3,162.5	9,905.4	169.0	5,896.3	7,423.3	126.7
Non-controlling interest .....	(79.8)	(28.9)	(2.4)	(0.0)	13.0	14.9	0.3
	15,978.3	3,133.6	9,903.0	169.0	5,909.3	7,438.2	126.9
Earnings per common share attributable to equity holders of the Parent Company (Basic/Diluted) .....	<u>P0.88</u>	<u>(P11.73)</u>	<u>(P7.06)</u>	<u>(U.S.\$0.1)</u>	<u>(P3.52)</u>	<u>(P1.78)</u>	<u>(U.S.\$0.0)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	As of December 31,				As of June 30,	
	2021	2022	2023		2024	
	(Audited)				(Unaudited)	
	(in millions)					
	₱	₱	₱	U.S.\$	₱	U.S.\$
ASSETS						
Current Assets						
Cash and cash equivalents ...	67,690.2	22,726.2	31,659.4	540.2	18,216.8	310.8
Trade and other receivables — net .....	47,272.3	105,939.3	116,976.0	1,995.8	125,950.3	2,149.0
Inventories .....	10,017.8	16,822.2	16,841.4	287.3	12,955.5	221.0
Prepaid expenses and other current assets .....	31,489.9	43,292.9	48,521.6	827.9	49,084.4	837.5
Total Current Assets.....	156,470.2	188,780.6	213,998.4	3,651.2	206,206.9	3,518.3
Noncurrent Assets						
Investments and advances — net .....	10,838.8	7,854.6	10,953.0	186.9	13,049.0	222.6
Property, plant and equipment — net .....	211,858.5	304,412.5	339,225.0	5,787.8	364,248.0	6,214.8
Right-of-use assets — net....	157,159.7	106,609.8	104,975.3	1,791.1	102,530.1	1,749.4
Deferred exploration and development costs .....	719.4	—	—	—	—	—
Goodwill and other intangible assets — net...	72,943.1	71,764.6	71,712.1	1,223.5	71,662.5	1,222.7
Deferred tax assets.....	1,447.4	2,280.3	973.5	16.6	1,431.4	24.4
Other noncurrent assets.....	24,287.0	35,812.3	43,098.0	735.3	42,073.4	717.9
Total Noncurrent Assets....	479,254.0	528,734.1	570,936.9	9,741.3	594,994.4	10,151.8
	635,724.2	717,514.7	784,935.3	13,392.5	801,201.4	13,670.0
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable .....	1,530.0	21,000.0	13,736.0	234.4	28,736.0	490.3
Accounts payable and accrued expenses .....	56,055.2	84,447.2	97,632.9	1,665.8	119,260.8	2,034.8
Lease liabilities — current portion .....	21,677.0	19,185.4	17,645.6	301.1	9,644.2	164.5
Income tax payable .....	24.8	326.1	222.2	3.8	322.4	5.5
Current maturities of long- term debt — net of debt issue costs .....	30,185.4	63,721.7	54,124.6	923.5	46,954.8	801.1
Total Current Liabilities ...	109,472.4	188,680.4	183,361.3	3,128.5	204,918.2	3,496.3
Noncurrent Liabilities						
Long-term debt — net of current maturities and debt issue costs .....	192,736.0	208,430.9	204,644.8	3,491.6	201,883.3	3,444.5
Deferred tax liabilities .....	20,182.6	19,364.3	21,284.7	363.2	22,644.8	386.4
Lease liabilities — net of current portion .....	56,536.3	40,772.7	25,141.7	429.0	23,126.7	394.6
Other noncurrent liabilities ..	5,068.2	7,949.8	7,029.5	119.9	6,989.7	119.3
Total Noncurrent Liabilities .....	274,523.2	276,517.7	258,100.8	4,403.7	254,644.5	4,344.7
Total Liabilities .....	383,995.6	465,198.1	441,462.1	7,532.2	459,562.7	7,841.0
Equity						
Capital stock .....	1,062.5	1,250.0	2,823.6	48.2	2,823.6	48.2
Additional paid-in capital ....	2,490.0	2,490.0	48,081.8	820.4	48,081.8	820.5
Senior Perpetual Capital Securities .....	167,767.4	161,767.7	161,767.7	2,760.1	121,580.8	2,074.4

	As of December 31,				As of June 30,	
	2021	2022	2023		2024	
	(Audited)				(Unaudited)	
	(in millions)					
	P	P	P	U.S.\$	P	U.S.\$
Redeemable perpetual securities.....	32,751.6	51,934.1	102,546.8	1,749.6	146,027.6	2,491.5
Equity reserves.....	(1,536.3)	(1,559.0)	(3,019.2)	(51.5)	(7,845.0)	(133.9)
Retained earnings.....	48,247.9	35,526.2	30,367.3	518.1	30,049.9	512.7
	250,783.1	251,409.0	342,568.1	5,844.9	340,718.7	5,813.3
Non-controlling interest.....	945.5	907.5	905.1	15.4	920.0	15.7
<b>Total Equity.....</b>	<b>251,728.6</b>	<b>252,316.6</b>	<b>343,473.2</b>	<b>5,860.3</b>	<b>341,638.7</b>	<b>5,829.0</b>
	635,724.2	717,514.7	784,935.3	13,392.5	801,201.4	13,670.0

## CONSOLIDATED STATEMENT OF CASH FLOWS DATA

	For the years ended December 31,				For the six months ended June 30,		
	2021	2022	2023		2023	2024	
	(Audited)				(Unaudited)		
	P	P	P	(in millions) U.S.\$	P	P	U.S.\$
Net cash flows provided by operating activities .....	25,438.7	(22,858.1)	16,252.2	277.3	7,184.6	37,607.9	641.7
Net cash flows used in investing activities .....	(52,725.6)	(56,658.0)	(49,955.4)	(852.3)	(30,042.1)	(31,555.9)	(538.4)
Net cash flows provided by (used in) financing activities .....	(19,973.9)	33,796.8	42,301.7	721.7	21,486.5	(19,638.7)	(335.1)
Effect of exchange rate changes on cash and cash equivalents.....	4,233.2	755.4	334.7	5.7	59.7	144.1	2.5
Net increase (decrease) in cash and cash equivalents.....	(43,027.5)	(44,964.0)	8,933.2	152.4	(1,311.3)	(13,442.7)	(229.4)
Cash and cash equivalents at beginning of period .....	110,717.7	67,690.2	22,726.2	387.8	22,726.2	31,659.4	540.2
Cash and cash equivalents at end of period.....	67,690.2	22,726.2	31,659.4	540.2	21,415.0	18,216.8	310.8

## ADDITIONAL FINANCIAL AND OPERATING DATA

The tables below provide summary additional financial and operating data for the periods indicated:

	For the years ended December 31,				For the six months ended June 30,		
	2021	2022	2023		2023	2024	
	(in millions, unless indicated otherwise)						
	P	P	P	U.S.\$	P	P	U.S.\$
Net income .....	15,978.3	3,133.6	9,903.0	169.0	5,909.3	7,438.2	126.9
EBITDA <sup>(1)</sup> .....	33,541.8	34,494.3	34,510.6	588.8	17,417.6	22,195.8	378.7
Net debt <sup>(2)</sup> .....	184,000.9	293,872.2	225,585.3	3,848.9	261,043.4	222,181.7	3,790.8
Net debt to Consolidated total equity <sup>(3)</sup> .....	0.74	1.16	0.66	0.66	0.83	0.66	0.66
Interest coverage ratio <sup>(4)</sup> .....	2.50	2.62	2.54	2.54	2.54	2.80	2.80

Notes:

(1) Calculated as (a) net income (excluding items between any or all of the Company and its subsidiaries) plus (b) income tax expense (benefit), finance cost (less interest income) and depreciation less (c) foreign exchange gain (loss), in each case excluding amounts attributable to ring-fenced subsidiaries. EBITDA should not be viewed in isolation or as an alternative to financial measures calculated in accordance with PFRS. See "Presentation of Financial Information" and "Non-PFRS Financial Measures."

- (2) Net debt represents the consolidated debt of the Company and its subsidiaries — net of debt issue costs less cash and cash equivalents and including PSALM finance lease liabilities, in each case, excluding amounts attributable to ring-fenced subsidiaries' project finance debt. The ring-fenced subsidiaries are LPI, PVEI and SMGP BESS.
- (3) The Company maintains a Net debt to Consolidated total equity ratio of not more than 3.25x. The Net debt to Consolidated total equity ratio is computed by dividing Net debt over Consolidated total equity. Consolidated total equity is Equity as adjusted to exclude Retained earnings (deficit) of ring-fenced subsidiaries.
- (4) The Company maintains an Interest coverage ratio of not less than 2.25x. The Interest coverage ratio is computed by dividing the most recent four quarterly period consolidated EBITDA (excluding ring-fenced subsidiaries) over the most recent four quarterly period consolidated interest expense (excluding ring-fenced subsidiaries).

	For the years ended December 31,				For the six months ended June 30,		
	2021	2022	2023		2023	2024	
	(in millions, unless indicated otherwise)						
	₱	₱	₱	U.S.\$	₱	₱	U.S.\$
Electricity sold (GWh) .....	27,221.5	27,402.3	25,205.4	N/A	10,684.8	17,456.8	N/A
of which: bilateral							
offtake agreements..	24,708.7	25,057.3	21,565.1	N/A	9,947.2	14,155.6	N/A
of which: WESM sales.	2,512.8	2,345.0	3,640.3	N/A	737.6	3,301.2	N/A
Electricity bought on WESM (GWh) .....	2,520.4	5,158.0	2,519.2	N/A	1,051.0	1,413.4	N/A
Average realized/paid electricity prices (₱/MWh)							
For electricity sold under bilateral							
offtake agreements..	4,942.9	7,957.9	6,727.7	114.8	7,732.2	5,625.8	96.0
For electricity sold on WESM .....	4,465.6	8,081.2	6,599.8	112.6	10,087.8	5,807.6	99.1
For electricity purchased from WESM .....	6,660.9	8,879.1	6,273.3	107.0	6,889.3	6,792.4	115.9

## CALCULATION OF EBITDA

The following table presents a reconciliation of EBITDA<sup>(1)</sup> to net income for each of the periods indicated.

	For the years ended December 31,				For the six months ended June 30,		
	2021	2022	2023		2023	2024	
	(in millions)						
	₱	₱	₱	U.S.\$	₱	₱	U.S.\$
Net income <sup>(1)</sup> .....	9,046.8	573.6	6,804.7	116.1	5,048.4	4,181.2	71.3
Add:							
Income tax expense ...	1,775.9	772.3	4,507.8	76.9	2,758.9	1,923.8	32.8
Finance cost .....	13,774.1	15,769.1	15,513.6	264.7	7,239.7	7,264.7	123.9
Interest income .....	(582.7)	(1,173.8)	(631.7)	(10.8)	(671.0)	(321.8)	(5.5)
Depreciation .....	7,961.7	9,516.0	9,592.5	163.7	4,751.3	5,006.2	85.4
Less:							
Foreign exchange gains (loss) .....	(1,566.0)	(9,037.2)	1,276.3	(21.8)	1,709.7	(4,141.7)	(70.7)
Gain on Sale of Investment .....	—	—	—	—	—	—	—
EBITDA .....	33,541.8	34,494.3	34,510.6	588.8	17,417.6	22,195.8	378.7

Note:

- (1) Amounts exclude items attributable to ring-fenced subsidiaries. Subsidiaries with project debts were nominated as ring-fenced subsidiaries. If the amounts from the ring-fenced subsidiaries were to be included, the EBITDA would amount to ₱48,193.9 million, ₱42,315.7 million and ₱43,768.6 million (U.S.\$746.8 million) for the years ended December 31, 2021, December 31, 2022 and December 31, 2023, ₱20,822.3 million and ₱30,146.6 million (U.S.\$514.4 million) for the six months ended June 30, 2023 and June 30, 2024, and respectively.

## SUMMARY OF THE OFFERING

*The following is a brief summary of the offering. For a more complete description of the terms of the Securities, see “Terms and Conditions of the Securities.” Capitalized terms not otherwise defined herein shall have the meanings set forth under “Terms and Conditions of the Securities.”*

<b>Issuer</b> .....	San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.), a company incorporated with limited liability under the laws of the Republic of the Philippines.
<b>Securities Offered</b> .....	U.S.\$[ ● ] senior perpetual capital securities (the “ <b>Securities</b> ”) consisting of (i) U.S.\$[ ● ] in aggregate principal amount of Securities issued in exchange for Existing Securities (as defined herein) issued by the Issuer pursuant to the Exchange Offers (as defined herein); and (ii) U.S.\$[ ● ] in aggregate principal amount of additional Securities (“ <b>Additional New Securities</b> ”).
<b>Status of the Securities</b> .....	<p>The Securities constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will at all times rank <i>pari passu</i> without any preference among themselves and at least <i>pari passu</i> with all other outstanding, unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.</p> <p>The claims of the Securityholders, in respect of the Securities, including in respect of any claim to Arrears in Distribution, will, in the event of the Winding-Up of the Issuer (subject to and to the extent permitted by applicable law), rank at least <i>pari passu</i> with each other and with all other outstanding, unsecured and unsubordinated obligations of the Issuer.</p>
<b>No Set-off</b> .....	To the extent and in the manner permitted by applicable law, no Securityholder may exercise, claim or plead any right of set-off, counterclaim, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising from, the Securities and each Securityholder will, by virtue of his holding of any Security, be deemed to have waived all such rights of set-off, counterclaim, compensation or retention.
<b>Initial Rate of Distribution</b> .....	[ ● ]% per annum plus any increase pursuant to Condition 4.4 ( <i>Increase in Rate of Distribution</i> )
<b>Issue Price</b> .....	[ ● ]%.
<b>Form and Denomination</b> .....	The Securities are issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Distributions</b> .....	<p>Subject to Condition 4.4 (<i>Increase in Rate of Distribution</i>) and Condition 4.5 (<i>Optional Deferral of Distributions</i>), the Securities will confer a right to receive distributions (“<b>Distributions</b>”):</p> <ul style="list-style-type: none"> <li>(a) from the period commencing on (and including) the Issue Date to (but excluding) [ ● ] (the “<b>Step Up Date</b>”), at the Initial Rate of Distribution; and</li> <li>(b) from (and including) each Reset Date (including the Step Up Date) to (but excluding) the immediately following Reset Date, at the relevant Reset Rate of Distribution (determined by the Calculation Agent on the relevant Reset Determination</li> </ul>

Date and notified to the Holders, the Principal Paying Agent and the Registrar),

payable semi-annually in arrears on [ ● ] and [ ● ] of each year (each a “**Distribution Payment Date**”) commencing on [ ● ].

“**Reset Date**” means the Step Up Date and any subsequent date which is the fifth anniversary of any Reset Date.

**Increase in Rate of Distribution** .....(a) Following the earlier to occur of:

- (i) the date which is the 61<sup>st</sup> day, or if such day is not a Business Day the first Business Day thereafter, following a Change of Control Event; and
- (ii) the date on which a Reference Indebtedness Default Event occurs,

and the Issuer does not elect to redeem the Securities pursuant to Condition 5.4, the Rate of Distribution will increase by 2.50% per annum with effect from the next Distribution Payment Date (or, if the relevant event occurs on or after the date that is five Business Days prior to the next Distribution Payment Date, the next following Distribution Payment Date). For the avoidance of doubt, an increase (if any) in the Rate of Distribution pursuant to Condition 4.4(a) shall not occur more than once.

- (b) If, following an increase in the Rate of Distribution upon the occurrence of a Change of Control Event or Reference Indebtedness Default Event pursuant to Condition 4.4(a), such Change of Control Event or Reference Indebtedness Default Event is cured, remedied, no longer applicable or no longer continuing, then upon written notice of such facts being given to the Securityholders (in accordance with Condition 12.1), the Trustee and the Agents, the Rate of Distribution will decrease by 2.50% per annum with effect from the next Distribution Payment Date immediately following the date of the notification referred to in Condition 4.4(b), provided that the maximum aggregate decrease in the Rate of Distribution pursuant to Condition 4.4(b) shall be 2.50% per annum. The Trustee and the Agents shall be entitled to rely on and accept, without liability to the Securityholders and without further investigation or enquiry, such notice, in which event such notice shall be conclusive and binding on the Securityholders.

**Optional Deferral of Distributions**.....The Issuer may, in its sole and absolute discretion, on any day which is not less than five Business Days prior to any Distribution Payment Date, resolve to defer payment of any or all of the Distribution which would otherwise be payable on that Distribution Payment Date unless, during the six months ending on that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event has occurred (the “**Deferral Election Event**”). Any such deferred Distribution will constitute “**Arrears of Distribution**” and will not be due and payable until the relevant Payment Reference Date. Distributions will accrue on each Arrears of Distribution for so long as such Arrears of Distribution remains outstanding at the same Rate of Distribution as

the Principal Amount of the Securities bears at such time and will be added to such Arrears of Distribution (and thereafter bear Distributions accordingly) on each Distribution Payment Date.

The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distributions may be deferred pursuant to the provisions of Condition 4.5(a).

The Issuer will notify the Securityholders (in accordance with Condition 12.1 (*Notices to Securityholders*)), the Trustee and the Principal Paying Agent of any deferral of Distribution not less than five Business Days prior to the relevant Distribution Payment Date (the “**Deferral Election Notice**”). Deferral of a Distribution pursuant to Condition 4.5(a) (*Optional Deferral of Distributions*) will not constitute a default by the Issuer or any other breach of its obligations under the Securities or the Trust Deed or for any other purpose.

“**Compulsory Distribution Payment Event**” means (a) a discretionary dividend, distribution, interest or other payment has been paid or declared on or in respect of any Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer, other than a dividend, distribution or other payment in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Issuer; or (b) at the discretion of the Issuer, any Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer have been redeemed, repurchased or otherwise acquired by the Issuer or any of its Subsidiaries.

**Restrictions in the case of Deferral** .....If on any Distribution Payment Date, payment of all Distributions scheduled to be made on such date is not made in full by reason of the Issuer deferring such Distributions in accordance with the terms of the Securities, the Issuer shall not, and shall procure that none of its Subsidiaries will:

- (a) declare or pay any discretionary dividends, distributions or make any other discretionary payment on, and will procure that no discretionary dividend, distribution or other payment is made on any class of Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer, other than a dividend, distribution or other payment in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Issuer; or
- (b) redeem, reduce, cancel, buy-back or acquire for any consideration (b) any of the Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer, other than a redemption, reduction, cancellation, buy-back or acquisition in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Issuer,

unless and until (i) the Issuer has satisfied in full all outstanding Arrears of Distribution; or (ii) the Issuer is permitted to do so with the consent of the Securityholders of at least a majority in aggregate principal amount of the Securities then outstanding. For the avoidance of doubt, nothing in Condition 4.6 (*Restrictions in the case of Deferral*) shall restrict the ability of any Subsidiary of the Issuer to declare and

pay dividends, advance loans or otherwise make payments to the Issuer.

**Payments of Arrears of Distribution** .....The Issuer may elect to pay Arrears of Distribution (in whole or in part) at any time on the giving of at least five Business Days' prior notice to Securityholders (in accordance with Condition 12.1 (*Notices to Securityholders*)), the Trustee and the Principal Paying Agent. If Arrears of Distribution have not been paid in full earlier, all outstanding Arrears of Distribution will become due and payable, and the Issuer must pay such outstanding Arrears of Distribution (including any amount of Distribution accrued thereon in accordance with Condition 4.5(a)), on the relevant Payment Reference Date (in accordance with Condition 6). Any partial payment of outstanding Arrears of Distribution by the Issuer shall be made on a *pro rata* basis between the Securityholders.

**"Payment Reference Date"** means the date which is the earliest of:

- (a) the date on which the Securities are redeemed in accordance with Condition 5;
- (b) the date on which an order is made for the Winding-Up of the Issuer; and

the date on which the Issuer is in violation of Condition 4.6 or on the occurrence of a Compulsory Distribution Payment Event.

**Expected Closing Date** .....[ ● ], 2024

**Redemption** .....The Securities are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed or purchased and cancelled in accordance with the provisions of Condition 5 (without prejudice to Condition 10), the Securities will have no maturity date, unless the Issuer elects to retain a fixed corporate term under its articles of incorporation. If the Issuer elects to have a fixed corporate term under its articles of incorporation, the term of the Securities will mature on the date on which the corporate term of the Issuer expires in accordance with its articles of incorporation.

**Redemption at the Option**

**of the Issuer** .....Subject to applicable law, the Issuer may redeem the Securities (in whole but not in part) on:

- (a) the Optional Call Date;
- (b) the Step Up Date; or
- (c) any Distribution Payment Date falling after the Step Up Date,

in each case, at the Redemption Price. The Issuer shall give not less than 30 and not more than 60 calendar days' irrevocable notice of redemption prior to the relevant Optional Call Date, Step Up Date or Distribution Payment Date falling after the Step Up Date to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*).

**Early Redemption due to a Gross-up Event** ..... If a Gross-up Event occurs, the Issuer may redeem the Securities (in whole but not in part) at the Redemption Price, on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of

redemption to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*).

No such notice of redemption may be given earlier than 45 calendar days prior to the earliest calendar day on which the Issuer would be for the first time obliged to pay the Additional Amounts in question on payments due in respect of the Securities.

Prior to the giving of any such notice of redemption, the Issuer will deliver or procure that there is delivered to the Trustee:

- (a) a certificate signed by any two executive officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting out a statement of facts showing that a Gross-up Event has occurred and that the obligation to pay Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it; and
- (b) an opinion of an independent legal or tax adviser of recognized standing to the effect that the Issuer has or will become obliged to pay the Additional Amounts in question as a result of a Gross-up Event,

and the Trustee shall be entitled to accept the above certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

For the avoidance of doubt, a change of jurisdiction or domicile of the Issuer shall not be considered a reasonable measure.

**“Gross-up Event”** means that as a result of any change in, or amendment to, the laws or regulations or rulings promulgated thereunder of the Relevant Jurisdiction, or any change in or amendment to any official interpretation or application of those laws or regulations or rulings promulgated thereunder, which change or amendment becomes effective on or after [ ● ], the Issuer has or will become obliged to pay Additional Amounts at a rate greater than the applicable rate of withholding or deduction on [ ● ], 2024; *provided* that the payment obligation cannot be avoided by the Issuer taking reasonable measures available to it.

#### **Early Redemption due to a Change of**

**Control Event** ..... If a Change of Control Event occurs, the Issuer may redeem the Securities (in whole but not in part) (i) at any time prior to but excluding the date that falls three months prior to the Step Up Date at the Special Redemption Price or (ii) on or at any time after the date that falls three months prior to the Step Up Date at the Redemption Price, in each case on the giving of not less than 30 and not more than 60 calendar days’ irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*).

A **“Change of Control Event”** means Permitted Holders ceasing to, whether directly or indirectly, have control in respect of more than 50% of the outstanding Voting Stock of the Issuer.

**“Permitted Holders”** mean any or all of the following: (a) San Miguel Corporation, (b) San Miguel Corporation Retirement Plan or any similar or successor employee retirement plan of San Miguel Corporation, and (c) any Person the Voting Stock of which at least a majority is beneficially owned, directly or indirectly, by a Person specified in clauses (a) and (b) above.

#### Early Redemption due to a Reference

**Indebtedness Default Event** .....If a Reference Indebtedness Default Event occurs and is continuing, the Issuer may redeem the Securities (in whole but not in part) at any time at the Redemption Price, on the giving of not less than 30 and not more than 60 calendar days’ irrevocable notice of redemption to Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*).

**“Reference Indebtedness Default Event”** means an event of default occurs pursuant to Section 9.1(b) (*Events of Default*) of the trust agreement in respect of the Issuer’s outstanding ₱10,000,000,000 8.0288% 10-year Series M Bonds due July 2032 listed on the Philippine Dealing & Exchange Corp. (the **“Initial Reference Notes”**), or any debt security issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease or discharge the Initial Reference Notes prior to their maturity (the **“Refinancing Securities”**), as a result of the Issuer’s default in, non-compliance with or non-performance of the Initial Reference Notes or of the Refinancing Securities, as the case may be, as such Initial Reference Notes or Refinancing Securities are amended from time to time in accordance with the terms and conditions of the Initial Reference Notes or of the Refinancing Securities, as the case may be.

#### Early Redemption due to an

**Accounting Event** .....If an Accounting Event occurs and is continuing, the Issuer may redeem the Securities (in whole but not in part) at any time at the Redemption Price on the giving of not less than 30 and not more than 60 calendar days’ irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*).

An **“Accounting Event”** means that an opinion of a recognized accountancy firm of international standing has been delivered to the Issuer and the Trustee, stating the Securities may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS or other recognized accounting standards that the Issuer has adopted from time to time for the preparation of its audited consolidated financial statements and such event cannot be avoided by the Issuer taking reasonable measures available to it.

#### Redemption of Securities in the case of

**Minimal Outstanding Amounts** .....In the event that the Issuer and/or any of its Subsidiaries has, individually or in aggregate, purchased (and not resold) or redeemed Securities equal to or in excess of 75% of the aggregate Principal Amount of the Securities issued on the Issue Date, the Issuer may redeem the remaining Securities (in whole but not in part) at any time at the Redemption Price, on the giving of not less than 30 and not more than 60 calendar days’ irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*).

**Taxation and Additional Amounts** .....All payments in respect of the Securities by or on behalf of the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In the event where such withholding or deduction is made by the Issuer, the Issuer shall pay such additional amount (“**Additional Amounts**”) as will result in receipt by the Securityholders of such amounts as would have been received by them had no such withholding or deduction been required, except in certain circumstances. See Condition 7 (*Taxation and Gross-up*).

**Limited Rights to Institute Proceedings** .....Notwithstanding any of the provisions in Condition 10 (*Non-Payment*), the right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distributions, such Distributions will not be due if the Issuer has elected to defer Distributions in accordance with Condition 4.5 (*Optional Deferral of Distributions*). In addition, nothing in Condition 10 (*Non-Payment*), including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer, in respect of any actual, reasonable and documented costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.

**Proceedings for Winding-Up** .....If (a) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or (b) the Issuer fails to make payment in respect of the Securities for a period of 10 days or more after the date on which such payment is due ((a) and (b) together, the “Enforcement Events” and each, an “Enforcement Event”), the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition 10.4 (*Entitlement of Trustee*) and, subject to and to the extent permitted by applicable law, institute proceedings for the Winding-Up of the Issuer, and/or prove in the Winding-Up of the Issuer, and/or claim in the liquidation of the Issuer, for such payment.

**Substitution or Modification** .....The Trustee may, without the consent of the Securityholders, agree with the Issuer to:

- (a) the substitution in place of the Issuer (or of any previous substitute under Condition 13 (*Substitution or Modification to Remedy Gross-Up Event or Accounting Event*)) as the principal obligor under the Securities and the Trust Deed of any other company being a wholly owned or indirect Subsidiary of the Issuer; or
- (b) the modification of the Conditions to the extent reasonably necessary,

in order to remedy a pending or existing Gross-Up Event or Accounting Event provided that:

- (i) the Securities are unconditionally and irrevocably guaranteed by the Issuer;

- (ii) the Issuer procures, at its own cost, the delivery of a legal opinion(s) as to English and any other relevant law, addressed to the Trustee, dated the date of such substitution of the Issuer or modification of these Conditions, as the case may be, and in a form acceptable to the Trustee from legal advisers acceptable to the Trustee; and

the Trustee is satisfied that the interests of the Securityholders will not be materially prejudiced by the substitution or modification.

**Further Issues** ..... The Issuer is at liberty from time to time without the consent of the Securityholders to create and issue further Securities or bonds either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of Distributions thereon) and so that the same will be consolidated and form a single series with the Securities (which will be constituted by a deed supplemental to the Trust Deed) or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Issuer may determine at the time of the issue.

**Listing and Trading** ..... Approval in-principle has been obtained from the SGX-ST for the listing of, and permission to deal in, the Securities by way of debt issues to professional investors only. The Securities will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.

So long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Securities may be presented or surrendered for payment or redemption, in the event that the Global Certificate representing the Securities is exchanged for definitive certificates. In addition, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

**Use of Proceeds** ..... The net proceeds from the issue of the Additional New Securities will be approximately U.S.\$[ ● ] million (after the deduction of commissions and estimated offering expenses). The Company intends to apply the net proceeds in the following order, as follows:

- costs and expenses related to the Concurrent Exchange Offers, including payment of accrued distribution amount in respect of the Existing Securities accepted for exchange, pursuant to and subject to, the terms and conditions of the Concurrent Exchange Offers;
- costs and expenses related to the Concurrent Tender Offers, including payment of the purchase price and the accrued distribution amount in respect of the Existing Securities accepted for purchase, pursuant and subject to, the terms and conditions of the Concurrent Tender Offers; and
- towards pre-development costs of solar energy projects.

For the avoidance of doubt, the net proceeds will not be applied in connection with any of the Company's existing and planned coal-fired

power assets (including, but not limited to, their construction and working capital requirements).

**Selling Restrictions** .....The Securities have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States, the UK, Singapore, Hong Kong, Japan, the EEA and the Philippines. The Securities may be sold in other jurisdictions only in compliance with applicable laws and regulations See “*Subscription and Sale.*”

**ISIN** .....XS2883979705

**Common Code** .....288397970

**Governing Law** .....English law.

**Trustee** .....DB Trustees (Hong Kong) Limited.

**Principal Paying Agent, Calculation**

**Agent and Transfer Agent** .....Deutsche Bank AG, Hong Kong Branch

**Registrar** .....Deutsche Bank AG, Hong Kong Branch.

**Clearing Systems** .....Euroclear and Clearstream.

**LEI** .....549300HBCE80QXKII590.

## RISK FACTORS

*An investment in the Securities involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. There may be a large difference between the buying price and the selling price of these securities. Investors deal with a range of investments, each of which may carry a different level of risk. This section entitled "Risk Factors" does not purport to disclose all of the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors may, at their own cost, request publicly available information on SMGP from the SEC. Each Investor should seek professional advice if they are uncertain of, or has not understood any aspect of, the securities to be invested in or the nature of risks involved in the trading of securities.*

*Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Offering Circular, including the audited financial statements of SMGP and notes relating thereto included in this Offering Circular, before making any investment decision relating to the Securities. The occurrence of any of the events discussed below and any additional risks and uncertainties not currently known to SMGP or that are currently considered immaterial could have a material adverse effect on the business, results of operations, financial condition and prospects of SMGP and prospective investors may lose all or part of their investment.*

### RISKS RELATING TO THE COMPANY

#### **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"), the implementation of the mandatory competitive selection process ("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 SMGP, giving them the ability to respond to operational, technological, financial and other challenges more quickly than SMGP. These competitors may therefore be more successful than SMGP 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 NGCP and 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. SMGP may therefore be unable to meet the competitive challenges it will face.

As a result of increased competition, SMGP 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 SMGP. To the extent that distribution utilities or industrial offtakers agree to purchase from other generation companies instead of purchasing from SMGP, or the Company is unable to participate or otherwise successfully compete in bids for

supply contracts, the ability of SMGP 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.**

SMGP 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 SMGP. 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 SMGP 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 Israeli–Palestinian conflict, the Russian invasion of Ukraine, rising tensions between Russia and the European Union and the U.S., as well as between the U.S. and China, and 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 SMGP 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 SMGP to service new debt. The inability of SMGP 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 SMGP.

In addition, SMGP has significant long-term debt, finance lease obligations, and perpetual capital securities.

As of June 30, 2024, the long-term debt of SMGP consists of the following: ₱61.8 billion (U.S.\$1,054.4 million) fixed rate bonds listed on the Philippine Dealing & Exchange Corp., ₱4.9 billion (U.S.\$83.6 million) fixed rate 4-year term loan facility, ₱7.5 billion (U.S.\$128.0 million) five-year corporate notes, U.S.\$300 million term loan, U.S.\$50 million term loan, U.S.\$200 million term loan, U.S.\$100 million term loan, U.S.\$300 million term loan, U.S.\$100 million term loan, ₱31.3 billion (U.S.\$534.0 million) term loan of LPI, ₱14.2 billion (U.S.\$242.3 million) term loan of MPI and ₱40.0 billion (U.S.\$682.5 million) term loan of SMGP BESS under a 12-year Omnibus Loan and Security Agreement, ₱6.7 billion (U.S.\$114.3 million) loan of MPCL under an Omnibus Refinancing Agreement, and U.S.\$398.5 million loan of MPCL under an Omnibus Expansion Financing Agreement. As of June 30, 2024, the current liabilities of SMGP included accounts payable and accrued expenses of ₱119,260.8 million (U.S.\$2,034.8 million) and finance lease liabilities (current portion) of ₱9,644.2 million (U.S.\$164.5 million).

On April 25, 2019, the Company issued U.S.\$500 million senior perpetual capital securities and on July 3, 2019, the Company issued an additional U.S.\$300 million senior perpetual capital securities, which were consolidated into and form a single series with the U.S.\$500 million senior perpetual capital securities issued on April 25, 2019. The outstanding amount comprising the aggregate U.S.\$800 million senior perpetual capital securities issued in April and July 2019 was redeemed by the Company in full on the relevant step up date of April 25, 2024. On November 5, 2019, the Company issued U.S.\$500 million senior perpetual capital securities and on January 21, 2020, the Company issued U.S.\$600 million senior perpetual capital securities. On October 21, 2020, the Company issued the U.S.\$400 million senior perpetual capital securities, followed by an issuance of U.S.\$350 million senior perpetual capital securities on December 15, 2020, which were consolidated into and form a single series with the U.S.\$400 million senior perpetual capital securities issued on October 21, 2020. On April 12, 2021, the Company drew U.S.\$50 million on its term loan facility with a foreign bank executed on October 12, 2020, and on May 21, 2021, the Company executed a U.S.\$100 million syndication agreement relating to the U.S.\$200 million facility agreement dated March 9, 2021. In addition, the Company drew ₱5.0 billion (U.S.\$85.3 million) from its existing loan agreement with a Philippine bank on May 28, 2021. On June 9, 2021, the Company issued the U.S.\$600 million senior perpetual capital securities followed by an issuance of U.S.\$150 million senior perpetual capital securities, which were consolidated into and form a single series with the U.S.\$600 million senior perpetual capital securities issued on June 9, 2021. On January 21, 2022, May 24, 2022 and August 26, 2022, the Company drew U.S.\$200 million, U.S.\$100 million and U.S.\$300 million, respectively, on its facility agreements with foreign banks executed on September 8, 2021, May 18, 2022 and August 18, 2022, respectively. On March 16, 2023, the Company drew U.S.\$100 million on its facility agreements with a foreign bank executed on March 10, 2023. On April 19, 2024, SMGP issued a U.S.\$800 million redeemable perpetual securities at an issue price of 100% in favor of a foreign financial institution. On July 19, 2024, the Company

availed of a ₱10.0 billion (U.S.\$170.6 million) term loan from a facility agreement executed on July 17, 2024, with a local bank.

On October 26, 2022, the Board authorized the conduct of tender offer to the holders of its U.S. dollar-denominated senior perpetual capital securities listed with the SGX-ST to purchase for cash said senior perpetual capital securities up to a total aggregate principal amount of U.S.\$400.0 million. The conduct of the tender offer commenced on October 26, 2022 and expired on November 4, 2022. All valid tender offers from security holders, representing an aggregate of US\$123.9 million in principal amount of senior perpetual capital securities were accepted by the Company and were paid the applicable purchase price and the relevant accrued distribution amount on November 9, 2022.

On January 17, 2023, MPCL agreed with local bank lenders to amend its omnibus refinancing agreement (“**ORA**”) amounting to U.S.\$145.8 million into a Philippine Peso-denominated loan amounting to ₱8.2 billion, subject to a 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. On June 15 and August 8, 2023, the Company drew ₱5.0 billion (U.S.\$85.3 million) and ₱2.5 billion (U.S.\$42.7 million), respectively, from a ₱10.0 billion (U.S.\$170.6 million) corporate notes facility agreement executed on June 9, 2023. On October 27, 2023, SMGP BESS drew the first tranche amounting to ₱28.0 billion (U.S.\$477.7 million) from the ₱40.0 billion (U.S.\$682.5 million) Omnibus Loan and Security Agreement executed on October 23, 2023 with various local banks.

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 RES licenses.**

SMGP requires retail electricity supplier (“**RES**”) licenses to conduct its retail supply business. RES licenses are issued by the ERC and there is no assurance that the ERC will not suspend the issuance or renewal of RES licenses. For example, in June 2015, the DOE through its Department Circular (“**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 (RES) and Prescribing the Requirements and Conditions Therefor” (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 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 participants 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 light of the temporary restraining order issued by the Philippine Supreme Court, the ERC, in its meeting held on October 3, 2019, approved the resumption of the issuance of RES licenses using ERC Resolution No. 1, Series of 2011 (the “**2011 RES Licensing Rules**”).

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. 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.

SMGP has two RES licenses, issued to its subsidiaries LPI and MPCL, which have a term of five years each and are both valid until September 29, 2028. The ability of SMGP 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 RES Licensing Rules, and the RES licenses issued and renewed by the ERC on such basis, are questioned.

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

#### **Disruptions and fluctuations in availability and cost of fuel supply.**

The operations of the Sual Power Plant, Ilijan Power Plant, Masinloc Power Plant, Limay Greenfield Power Plant, Davao Greenfield Power Plant and Mariveles Greenfield Power Plant depend on the availability of fuel, in particular coal and natural gas. SMGP, through its subsidiaries, is responsible, at the cost of the latter, for supplying the fuel requirement of the Sual Power Plant, Ilijan Power Plant, Masinloc Power Plant, Limay Greenfield Power Plant, Davao Greenfield Power Plant and Mariveles Greenfield Power Plant. SMGP, 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). As of the date of this Offering Circular, the Company does not have plans to switch fuel sources of the respective plants.

Certain power supply agreements (“**PSAs**”) with Meralco covering an aggregate capacity of 1,290 MW entered into by SPI and SPPC (see “—*Expiration, termination, renewal and entry into offtake agreements and regulatory approval of offtake agreements*” for details on these PSAs) have fixed price escalation mechanisms rather than tariff adjustment based on current fuel prices as a result of Meralco’s CSP conducted in September 2019. As a result, the impact of fuel price fluctuations cannot be passed through to the customer, which could have positive benefits or negative exposures should fuel prices increase or decrease, respectively. As of the date of this Offering Circular, only SPI continues to supply power under the PSA for 290 MW (out of the aggregate 1,290 MW) which is expiring in December 2024, while the PSAs for the remaining 1,000 MW have been terminated.

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, the Israeli–Palestinian conflict, 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 have impacted global trade and supply chains and adversely affected 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, SMGP

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 the turnover of the Ilijan Power Plant to SPPC, frequent and extended gas supply restrictions on the Malampaya gas fields were experienced. SMGP 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, currently under construction and undergoing commissioning 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. The Batangas LNG Terminal commenced supplying imported LNG during its commissioning on May 31, 2023 through LNG supply contracts that the Company entered into with reputable suppliers including Vitol Asia Pte. Ltd. (“**Vitol**”), Trafigura Pte. Ltd. and Shell Eastern Trading (Pte) Ltd. However, there can be no assurance that the Company will be able to access the natural gas it requires for its operations. For example, as a temporary measure to address the immediate fuel needs of the Ilijan Power Plant, SPPC executed a gas supply and purchase agreement with the Philippine National Oil Company (“**PNOC**”) on June 23, 2022, for the supply of Malampaya banked gas to the Ilijan Power Plant. However, the contract was not implemented by PNOC.

SMGP 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 stockpiled 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 and has fuel supply agreements with international coal suppliers such as Vitol, PT Trubaindo Coal Mining (“**Banpu**”), PT Bayan Resources Pte. Ltd. (“**Bayan**”) and PT Kaltim Prima Coal (“**KPC**”). Coal inventory levels during the period run at about one to one and a half months. If necessary, inventory from the portfolio of 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 SMGP, 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 a material adverse effect on the business, financial condition and results of operations of SMGP.

#### **Reliance on Independent Power Producers for the operation and maintenance of the IPPA Power Plants.**

Power generation involves the use of highly complex machinery and processes, and the success of SMGP 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 energy conversion agreements (“**ECAs**”) for the Sual Power Plant and San Roque Power Plant contains 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 SMGP.

In addition, if SMGP, 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 SMGP in its power supply contracts (“**PSCs**”) may have a right to terminate those contracts for outages beyond applicable

outage allowances in the PSCs, 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 SMGP.

#### **Market limitations under the Electric Power Industry Reform Act of 2001 (“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% market share of the National Grid, 26% of the Luzon Grid and 8% of the Mindanao Grid, in each case as of June 30, 2024. Market share is computed by dividing the installed generating capacity of the Company by 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 SMGP 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 SMGP.

#### **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 of the projects. Such risks include the inability to secure adequate financing, inability to negotiate acceptable offtake agreements, delays in the receipt of the relevant permits to complete a project and other project risks that can arise from various sources such as poor project planning, execution and contractor/subcontractor issues and unforeseen engineering and environmental problems, among others.

Any such delays, cost overruns, unsatisfactory construction or development and other issues may negatively impact the project which could have a material adverse effect on the business, financial condition, results of operations and future growth prospects of SMGP including revenue loss resulting from delay in commercial operations.

#### **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 SMGP, 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;
- the authority of the ERC to temporarily suspend WESM operations in cases of national and international security emergencies or natural calamities;
- 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 SMGP.

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 Supreme Court 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 a *Petition for Review* of these orders. MPCL filed its *Petition for Review* with the Court of Appeals on December 12, 2014. After consolidating the cases, the Court of Appeals, 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 Court of Appeals affirmed this *Decision* in its March 29, 2019 *Omnibus Resolution*. The ERC appealed the *Decision* and *Resolution* of the Court of Appeals, 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, 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 MPCL amounting to up to ₱2,321.8 million will have to be settled with the Independent Electricity Market Operator of the Philippines (“**IEMOP**”), the current operator of the WESM) in favor of the relevant SMGP subsidiaries. See “*Business—Legal Proceedings—ERC Order voiding WESM prices.*”

#### **Expiration, termination, renewal and entry into offtake agreements and regulatory approvals of offtake agreements.**

SMGP, through its subsidiaries, has offtake agreements with various distribution utilities, electric cooperatives and large industrial and commercial users. In respect of the IPPA Power Plants, some offtake agreements will expire before the termination of the applicable IPPA Agreement, and the renewal of these contracts is no longer allowed in the absence of a CSP. The IPPA Agreements provide that the amounts of payment obligations of SMGP will increase over time. While SMGP intends to renew or enter into new offtake agreements upon expiration to provide stable and predictable revenue streams, there is no assurance that SMGP will be able to renew or enter into new offtake agreements for similar volumes or at similar prices. If SMGP is unable to enter into new offtake agreements, SMGP will be further exposed to fluctuations in electricity prices in the WESM, which could materially and adversely affect the profitability of SMGP. Further, SMGP will not be able to enter into new offtake agreements with distribution utilities (“**DUs**”) and ECs in the absence of a CSP.

SMGP regularly participates in CSPs to contract its capacity. 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 have a full fuel pass-through scheme. In another CSP conducted by Meralco on February 26, 2024, LPI emerged as the winning bidder for the latter’s 400 MW power requirement. The contract is for a term of one year and has a full fuel pass-through scheme. As of the date of this Offering Circular, implementation of this PSA is pending ERC approval.

In another CSP conducted by Meralco on July 17, 2024, SRHI emerged as the winning bidder and is therefore set to supply 340 MW out of the latter’s 500 MW power requirement. The contract is for a term of ten years and has a full fuel pass-through scheme. On August 21, 2024, the Company entered into a PSA with Meralco. As of the date of this Offering Circular, implementation of this PSA is pending ERC approval.

When the current offtake agreements with Meralco expire and as the Company’s greenfield power plants come online, 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, or that any new offtake agreements entered into will be on the same terms (including with respect to electricity volumes and pricing terms). In addition, there can be no assurance that Meralco and other offtakers will be able to meet future payment obligations under their respective agreements with SMGP.

For example, in a 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 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 were executed by the relevant parties and filed with the ERC on March 23, 2021 for approval. However, these PSAs were terminated by SMGP effective April 1, 2023 due to the non-occurrence of the acceptance date of ERC's final approvals after the lapse of the longstop date prescribed in the respective agreements.

In another CSP conducted by Meralco in September 2019 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 was for the supply of 670 MW for baseload power requirements for a period of ten years from December 26, 2019 and the second contract was 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 ten years from December 26, 2019. The three contracts were executed between Meralco and the relevant IPPAs (the “2019 Meralco PSCs”).

The 2019 Meralco PSCs were implemented under provisional authority and were pending final approval from the ERC. 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 June 27, 2023, the Court of Appeals released its *Joint Decision* on the separate petitions of SPI and SPPC for certiorari, 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 effective October 4, 2022, 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 while SPI ceased to supply nominations on its PSA on July 24, 2023. See “*Business—Legal Proceedings— Claim for Price Adjustment on the Meralco PSAs*” for further details on legal proceedings. As of the date of this Offering Circular, SPI continues to supply power under the PSA for 290 MW (which was assigned by SPPC to SPI effective January 19, 2024) while the PSAs for the remaining 1,000 MW have been terminated.

The business, cash flows, earnings, results of operations and financial condition of SMGP could be materially and adversely affected if SMGP 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 SMGP is unable to find new customers to replace Meralco and other offtakers, or if the relevant regulatory approvals are not released on time.

#### **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 to 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 SMGP 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 SMGP 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 SMGP fail to generate or deliver electricity beyond the contractually agreed outage periods, its counterparts in its PSCs 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 SMGP.

**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. For example, from September 16, 2020 to May 12, 2021, the Sual Power Plant Unit 2 experienced an outage due to major turbine repairs to improve its reliability moving forward. 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. SMGP is also entitled to a 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 IPPAs 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. SMGP 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 MPGC, LPI, MPI, SPPC and MPCL, Kabankalan BESS and BESS facilities of SMGP BESS, these entities secure the necessary insurance for their respective power plants, the terms of which are reviewed regularly. Depending on the requirements of the relevant plant, the insurance policies may cover industrial all risks, erection 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. However, the business interruption insurance policies of LPI, MPI, or MPCL do not cover any declines in production or adverse publicity that these entities 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.**

SMGP 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. SMGP 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 SMGP 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 SMGP against PSALM through specified claim mechanisms. The IPPA Agreements do not permit set-off of claims, and the IPPA subsidiaries of SMGP 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 SMGP 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 SMGP.

#### **Foreign exchange risk.**

While most of the offtake agreements of the Company allow adjustments for foreign exchange rate fluctuations, SMGP is subject to foreign exchange risk. A substantial amount of revenue from sales of power by SMGP is denominated in Philippine Pesos, while a portion of its expenses and obligations are denominated in U.S. dollars and SMGP regularly obtains financings from various foreign financial institutions and issues securities 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. SMGP, 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. See *"Availability of financing and significant long-term debt as well as perpetual capital securities."* for more information on U.S. dollar denominated capital expenditures."

In addition, certain PSAs entered into by SPI and SPPC have fixed price escalation mechanisms rather than tariff adjustment based on current foreign exchange rates. Consequently, the Company cannot pass-through the impact of foreign exchange fluctuations and may have positive benefits or negative exposures should the Peso appreciate or depreciate, respectively. As of the date of this Offering Circular, only SPI continues to supply power under a fixed price PSA for 290 MW, which is expiring in December 2024. See *"Expiration, termination, renewal and entry into offtake agreements and regulatory approval of offtake agreements."*

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 SMGP. This could adversely affect the results of operations of SMGP and its ability to service its foreign currency-denominated liabilities.

SMGP 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. The Company has entered into derivative contracts covering its net foreign currency denominated monetary liabilities. As a general policy, the Company may hedge up to 50% of its exposure and subject to management approval, for more than 50% of its exposure if necessary. Less than 5% of the consolidated net foreign currency-denominated monetary liabilities of the Company has been hedged as of June 30, 2024 through financial hedging arrangements with counterparty institutions. The Company 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 SMGP.

#### **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 National Irrigation Administration (“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 the 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 National Water Resources Board (“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 (each, an “**Auxiliary Unit**” or collectively, “**Auxiliary Units**”) flows to the Ipo Dam and is conveyed by Metropolitan Waterworks and Sewerage System (“MWSS”) to Metro Manila for domestic use; and (ii) the water outflow of the four Main Units of 50 MW capacity each (each a “**Main Unit**” or collectively, “**Main Units**”) 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 SMGP’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.

#### **Challenges in successfully implementing its growth strategy.**

Implementing the growth strategy of SMGP 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) dispositions or divestment of portions of its interests in power generation facilities and other assets; (v) entering into new and developing technologies and services, such as energy storage solutions, particularly BESS and ancillary services, such as frequency regulating reserves; and (vi) targeting new markets, such as the renewable energy market.

For example, on March 1, 2024, MGen and Therma NatGas Power, Inc. (a subsidiary of Aboitiz Power Corporation), through their joint venture entity, Chromite Gas, entered into binding agreements with SMGP and its relevant subsidiaries to jointly invest in and acquire a 67% equity interest in each of the following SMGP gas-fired power plants and assets: (i) the Ilijan Power Plant owned by SPPC, (ii) BCC Power Plant owned by EERI, and (iii) land owned by Ilijan Primeline Industrial Estate, Inc. where the BCC Power Plant, the Batangas LNG Terminal and their respective related facilities are located. See “*Business—Recent Developments — Chromite Agreements.*” The transactions are subject to customary closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission. On May 17, 2024, Top Frontier Investment Holdings, Inc., the ultimate parent company of SMGP, filed with the Philippine Competition Commission the relevant notification forms in relation to the joint investment by SMGP and Chromite Gas. Following the completion of this transaction, SMGP’s direct interest and corresponding cash flows associated with the Ilijan Power Plant, BCC Power Plant and related facilities and assets will decrease. The impact on the Company of this

transaction, any future acquisitions or investments and dispositions cannot be fully predicted and any of the risks outlined herein, should they materialize, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

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.

In the regular course of business, SMGP contemplates entering into additional potential investments and acquisitions, but has not entered into any definitive commitment or agreement for any significant contemplated investment or acquisition as of the date of this Offering Circular. 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, SMGP 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 SMGP 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 SMGP, reduce its profitability and adversely affect its results of operations and financial condition.

#### **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 grids.

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 SMGP 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 SMGP 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 introduced reforms to the corporate income tax and incentives systems. Effective July 1, 2020, the 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 SMGP 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 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”) is 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 June 30, 2024, certain subsidiaries of SMGP, 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 BCC Power Plant, SMGP Kabankalan for the Kabankalan BESS, SMGP BESS for the various BESS projects and SGLPC for the Solar Power Project were registered with the BOI as new operators with pioneer status and non-pioneer status, as applicable, 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 the 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 the 25% regular corporate income tax of net taxable income or 2% minimum corporate income tax of the gross income, whichever is higher. As a result of a loss in any tax exemptions or tax incentives, the tax expense of SMGP 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 SMGP, could have a material adverse effect on the business, financial condition and results of operations of SMGP. 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.

#### **Interest rate risk.**

While SMGP 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 SMGP 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. See “*Regulation and Environmental Matters.*” To conduct its businesses, SMGP and its subsidiaries must obtain various licenses, permits and approvals. Even when SMGP 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, and the Mariveles Greenfield Power Plant 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 SMGP and its subsidiaries. Failure to comply with relevant laws and regulations may result in monetary penalties or administrative or legal proceedings against SMGP or its subsidiaries, which may cause or result in the termination or suspension of the licenses or operation of their facilities.

SMGP and its subsidiaries have incurred, and expect to continue to incur, operating costs to comply with such laws and regulations. In addition, SMGP 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 SMGP 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, and environmental matters, the costs of which could be material. In addition, safety, health and environmental laws and regulations in the Philippines have become increasingly stringent. There can be no assurance that the adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental scrutiny of safety, health and environmental laws or other developments in the future will not result in SMGP 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 SMGP and its subsidiaries fail to comply with all applicable regulations or if the regulations governing its business or their implementation change, SMGP 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.

### Climate change policies.

SMGP 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.

### 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 SMGP.

Sales to distribution utilities account for the majority of the consolidated sales volume of SMGP for the year ended 2023 and the six months ended June 30, 2024. While rates charged by SMGP 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 SMGP 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 SMGP 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. For example, SMGP and other generation companies are parties to a petition filed in the Supreme Court by special interest groups against Meralco in relation to the increase in generation rates for the billing months of November and December 2013. In particular, the ERC issued an order dated March 3, 2014, which voided the WESM prices for the November and December 2013 billing months, and imposed prices to be recalculated by the PEMC. However, the Court of Appeals, in its decision dated November 7, 2017, declared the ERC order dated March 3, 2014 null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months of November to December 2013. Upon finality, a claim for refund may be made with the PEMC. See *"Business—Legal Proceedings—ERC Order voiding WESM prices."*

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 Central Luzon Premiere Power Corp. (“**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 CSP 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 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 the date of this Offering Circular, some of the motions for reconsideration filed by the subsidiaries of SMGP and its respective counterparty DUs were decided against the Company. As such, the relevant distribution utilities and/or the relevant generation companies of the Joint PSA Applications may be required to refund the difference between the generation cost actually passed on to customers and the applicable CSP Power Purchase Cost that could be passed on to customers, accruing from June 30, 2015 until the effectivity of the relevant CSP Power Purchase Cost under applicable regulations. The relevant subsidiaries of SMGP have filed their respective Petitions for Review with Prayer for the Urgent Issuance of a Temporary Restraining Order in response to the decisions not in favor of the Company. These cases remain pending as of the date of this Offering Circular.

The ERC in the exercise of its regulatory powers may also impose fines, penalties, or sanctions on SMGP 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 SMGP.

#### **Trading on the WESM is affected by market volatility.**

While the subsidiaries of SMGP do not sell a significant amount of power through the WESM, volatile market conditions on the WESM, including temporary suspension of operations by the ERC under certain circumstances, may nevertheless pose risks to SMGP 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 SMGP have done, this also caps a supplier’s ability to take advantage of price spikes caused by temporary market shortages.

As of June 30, 2024, 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 SMGP.

**Possible conflicts of interest.**

San Miguel Corporation, the sole shareholder of SMGP, controls the board of directors of the Issuer and exerts significant influence over the policies, management and affairs of the Issuer. As a result, San Miguel Corporation is able to exercise significant control and influence over many corporate actions of the Issuer. The interests of San Miguel Corporation may differ from those of the Issuer which may adversely affect the interests of the Securityholders. There can be no assurance that conflicts of interest between the Issuer and San Miguel Corporation will be resolved in favor of the Issuer or the Securityholders.

**Dependence on the support of San Miguel Corporation.**

SMGP relies upon San Miguel Corporation for certain shared services such as, but not limited to, human resources, corporate affairs, legal, finance and treasury functions. There is no guarantee that San Miguel Corporation will continue to provide these services or obtain its power requirements from SMGP in the future. Should San Miguel Corporation cease to provide these services, and if SMGP is unable to secure alternative sources of such services or enter into other power supply agreements, the Company's business, financial condition and results of operations could be adversely affected.

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

SMGP 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 SMGP and its subsidiaries fail to meet the terms and conditions of any of their respective licenses, permits or other authorizations necessary for operations, their respective 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 SMGP and its subsidiaries to comply with laws and regulations may also be deemed insufficient by governmental authorities. If SMGP and/or its subsidiaries fail to comply, or are deemed to be non-compliant with any applicable laws or regulations, SMGP 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 SMGP 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 SMGP 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 SMGP and its subsidiaries.

There can be no assurance that SMGP 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 SMGP 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 SMGP and its subsidiaries.

**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 including those matters discussed in "*Business—Legal Proceedings.*" 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. See "*Business—Legal Proceedings—Ilijan IPPA Agreement*

*Dispute.*” Nevertheless, and in accordance with the IPPA Agreement, PSALM’s turnover of the Ilijan Power Plant to SPPC 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 SMGP. 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. For example, 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 months. After this request was denied by the ERC, SPI and SPPC filed separate petitions with the Court of Appeals. See “*Business—Legal Proceedings—Claim for Price Adjustment on the Meralco PSAs.*” In such cases, the business, financial condition, results of operations and cash flows of SMGP could be materially and adversely affected.

## **RISKS RELATING TO THE PHILIPPINES**

### **Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Company’s businesses.**

The Philippine economy has experienced volatility in the value of the Peso and limitations to the availability of foreign exchange. In July 1997, the Bangko Sentral ng Pilipinas (“BSP”) announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso declined from approximately ₱29.00 to U.S.\$1.00 in July 1997 to ₱56.18 to U.S.\$1.00 by December 2004.

While the value of the Peso has recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. dollar and other currencies. According to BSP data, the Peso averaged at ₱49.6241 per U.S.\$1.00 in 2020, which subsequently experienced a slight decline in 2021, averaging at ₱49.2546 per U.S.\$1.00. In 2023, the Peso averaged at ₱55.6304 per U.S.\$1.00 compared to an average of ₱54.4778 per U.S.\$1.00 in 2022. As of August 22, 2024, the exchange rate quoted on the BSP Reference Exchange Rate Bulletin was ₱56.4480 per U.S.\$1.00.

### **Substantially all of SMGP’s operations and assets are based in the Philippines and, therefore, a slowdown in economic growth in the Philippines could materially and adversely affect the Company’s business, financial position and results of operations.**

Substantially all of the Company’s business operations and assets are based in the Philippines. As a result, the Company’s income, results of operations and the quality and growth of its assets depend, to a large extent, on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine currency and the imposition of exchange controls. In 2020 and 2021, the annual average inflation rate in the Philippines stood at 2.4% and 3.9%, respectively. In 2023, the annual average inflation rate reached 6% which was higher than the 2022 annual average inflation rate of 5.8%. The BSP projected the 2024 inflation to settle at 3.5% while the 2025 inflation is expected to reach 3.3%. As of August 15, 2024, the Monetary Board decided to reduce the BSP’s target reverse repurchase from 6.50% to 6.25%. The interest rates on the overnight deposit and lending facilities were accordingly adjusted to 5.75% and 6.75%, respectively.

Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- exchange rate fluctuations and foreign exchange controls;
- prolonged periods of inflation or deflation, or increases in interest rates;
- levels of employment, consumer confidence and income;

- changes in the Government's fiscal and regulatory policies;
- Government budget deficits;
- adverse trends in the current accounts and balance of payments of the Philippine economy;
- public health epidemics or outbreaks of diseases, such as COVID-19, monkeypox, the re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-CoV), SARS, avian influenza (commonly known as bird flu), or H1N1, or the emergence of similar diseases in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally;
- geopolitical tensions between the Philippines and other claimant countries concerning disputed territories in the West Philippine Sea; and
- a downgrade in the long-term foreign and local currency sovereign credit ratings of the Philippines or the related outlook for such ratings; and other regulatory, social, political or economic developments in or affecting the Philippines.

The Philippine economic growth rate in 2020 was -9.5% compared to the 6% full-year growth in Gross Domestic Product ("GDP") posted in 2019. The decline was driven primarily by the spread of COVID-19, and the implementation of COVID-19-related restrictions. In 2021, the GDP significantly recovered, resulting to a 5.6% full-year growth. For the fourth quarter of 2022, GDP posted a growth of 7.2% compared to the same period in 2021, resulting to a 7.6% full-year growth in 2022. Meanwhile, the full year GDP growth in 2023 reached 5.6%, which is 8.6% higher than pre-pandemic levels. For the second quarter of 2024, GDP posted a year-on-year growth of 6.3%. However, uncertainty surrounding the global economic outlook could cause economic conditions in the Philippines to deteriorate and there can be no assurance that current or future Philippine governmental policies will continue to be conducive to sustaining economic growth. There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Any future deterioration in economic conditions in the Philippines could materially and adversely affect the Company's financial position and results of operations, including the Company's ability to grow its energy portfolio, and its ability to implement the Company's business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's business, financial condition or results of operations.

**Political instability may have a negative effect on the business, financial position or results of operations of SMGP.**

The Philippines has from time to time experienced political and military instability, including acts of political violence. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business. In the last few years, there were instances of political instability, including alleged extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents, two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by the previous administration. In addition, a number of current and past officials of the Philippine government are currently under investigation or have been indicted for graft, corruption, plunder, extortion, bribery, or usurpation of authority. Further, a movement to amend the Constitution of the Philippines has been gaining traction and should this measure be successful, certain significant changes in the political climate can be expected.

There can be no assurance that there will not be any future political events, as well as acts of election-related or other political violence, that could destabilize the Philippines resulting in a negative effect on the general economic conditions of the country. There can also be no guarantee that the current or any future government will adopt economic policies that are conducive to sustained economic growth or which do not materially and adversely impact the current regulatory environment. A major deviation from the policies of the immediate past administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any such event could have a material impact on the Company's business, financial position, and results of operations.

**Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect on SMGP's business, financial position and results of operations.**

Historically, the Philippines has been subject to a number of terrorist attacks and localized armed conflict.

For example, on May 23, 2017, a clash erupted in Marawi, Lanao del Sur between government security forces and the ISIS affiliated-Maute group, following the government's offensive to capture alleged ISIS leader in Southeast Asia, Isnilon Hapilon, who was believed to be in the city. President Duterte immediately declared martial law in Mindanao amid protests from the opposition and sectors of civil society. Martial law in Mindanao was extended three times until it expired on December 31, 2019 after two and a half years. On August 24, 2020, twin explosions in Jolo, Sulu Province in Mindanao were carried out by suicide bombers linked to the Abu Sayyaf group, killing 14 people and wounding 75 others. On May 8, 2021, over a hundred members of the ISIS-linked Bangsamoro Islamic Freedom Fighters ("BIFF") occupied a town market in Maguindanao for several hours and forced families to flee their homes. A clash between the Philippine military and the BIFF members ensued on May 11, 2021, where five BIFF members were killed. On December 3, 2023, a bombing occurred in the middle of a Catholic mass service at the Mindanao State University in Marawi City, which killed four individuals and injured dozens more.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to parts of the Company's businesses and materially and adversely affect its financial conditions, results of operations and prospects.

**Natural or other catastrophes, including severe weather conditions, may adversely affect the Company's business, materially disrupt SMGP's operations and result in losses not covered by its insurance.**

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt SMGP's operations or cause temporary disruptions in the ability of SMGP to generate electricity and meet its obligations. These factors, which are not within SMGP's control, could potentially have significant effects on SMGP's power plants, assets and operations. While SMGP carries insurance for certain catastrophic events, of types, in amounts and with deductibles that SMGP believes are in line with general industry practices in the Philippines, there are losses for which SMGP cannot obtain insurance at a reasonable cost or at all. SMGP also does not carry any business interruption insurance. Should an uninsured loss or a loss in excess of insured limits occur, SMGP could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect SMGP's business, financial condition and results of operations.

**Foreign exchange control.**

If foreign exchange controls were to be imposed, SMGP's ability to access foreign currency to purchase raw materials and equipment and to service foreign currency denominated debt obligations could be adversely affected.

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. However, the Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, in the imminence of or during a foreign exchange crisis or in times of national emergency, to: (i) suspend temporarily or restrict sales of foreign exchange; (ii) require licensing of foreign exchange transactions; or (iii) require delivery of foreign exchange to the BSP or its designee banks. The Government has, in the past, instituted restrictions on the conversion of Philippine Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations.

There can be no assurance that the Government will not impose economic or regulatory controls that may restrict fee access to foreign currency in the future. Any such restrictions imposed in the future could severely curtail SMGP's ability to purchase raw materials, machinery and equipment from outside the Philippines in U.S. dollars and its ability to make principal and interest payments in U.S. dollars on its foreign currency-denominated obligations or Philippine Peso-denominated debt obligations that are payable in foreign currency, which could materially and adversely affect its financial condition and results of operations.

**Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.**

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as SMGP, than is regularly made available by public companies in the U.S. and other countries. As a result, public shareholders of SMGP may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although SMGP complies with the requirements of the SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions.

**Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.**

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts.

China claims historic rights to nearly all of the West Philippine Sea based on its so-called “nine-dash line” and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea (“UNCLOS”). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the “nine-dash line” claim of China is invalid.

Tension in the West Philippine Sea has been triggered by the continued presence of Chinese vessels in the Philippines’ exclusive economic zone. The Philippines has filed and continues to file diplomatic protests against China and has called on China to recall its ships in Philippine waters. The Armed Forces of the Philippines has also deployed additional naval vessels to protect the territories of the Philippines. In the first half of 2024, tensions in the West Philippine Sea further escalated as several violent incidents transpired. On March 23, 2024, two Chinese Coast Guard ships assaulted a Philippine Navy supply vessel with water cannons. The incident resulted in the injuries of the Filipino crew members aboard the supply boat. On June 17, 2024, an encounter between the China Coast Guard and the Philippine Navy once again occurred on a resupply mission for the BRP Sierra Madre, which is grounded in Ayungin Shoal. Personnel of the China Coast Guard rammed and boarded vessels of the Philippine Navy, which resulted in massive damage to the navy boats and injuries to Philippine Navy personnel.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors, including a significant depreciation of the Philippine peso or increase in interest rate, may adversely affect the Company’s operations. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other’s imports or suspension of visa-free access and/or overseas Filipinos permits. Any impact from these disputes in countries in which the Company has operations could materially and adversely affect the Company’s business, financial condition and results of operations.

**Investors may face difficulties enforcing judgments against SMGP.**

Considering that the Company is organized under the laws of the Republic of the Philippines and substantial portion of its operating assets are located in the Philippines, it may be difficult for investors to enforce judgments against SMGP obtained outside of the Philippines. In addition, all of the directors and officers of SMGP are residents of the Philippines, and all or a substantial portion of the assets of such persons are located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines predicated upon the laws of jurisdictions other than the Philippines.

The Philippines is party to the United Nations Convention on the Enforcement and Recognition of Arbitral Awards, though it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, a judgment or final order of a foreign court is, through the institution of an independent action, enforceable in the Philippines as a general matter, unless there is evidence that: (i) the foreign court rendering judgment did not have jurisdiction in accordance with its jurisdictional rules; (ii) the party against whom enforcement is sought did not receive notice of the proceedings; (iii) judgment was obtained by collusion, fraud, or on the basis of a clear mistake of law or fact; or (iv) the judgment is contrary to the laws, morals, public policy, good customs or public order of the Philippines.

**The credit ratings of the Philippines may restrict the access to capital of Philippine companies, including the SMGP.**

Historically, the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are residents in the Philippines, including SMGP. In 2019, S&P Global Ratings gave a rating of "BBB+", which was an upgrade from the Philippines' former rating of "BBB". In July 2020, Moody's affirmed its "Baa2" with a stable outlook for the Philippines, while on May 27, 2021, S&P Global Ratings kept its "BBB+" rating on the Philippines and assigned a "stable" outlook on expectations of a "healthy" economic recovery. On November 28, 2023, S&P Global Ratings affirmed the rating of "BBB+" with a stable outlook that the Philippine economy will maintain healthy growth rates. Likewise, the Japan Credit Rating Agency's ("JCRA") affirmed the Philippines' stable outlook with an investment-grade credit rating at "A-" based on their report dated March 6, 2024. On August 14, 2024, Rating and Investment Information, Inc. ("R&I") upgraded its rating on the Philippines from the "BBB+" with positive outlook last year, to "A-" with stable outlook.

In respect of US dollar-denominated global dual-tranche bonds issued by the Philippines, on June 2021, Moody's, S&P Global Ratings and Fitch assigned issuance ratings of "Baa2", "BBB+" and "BBB", respectively, all in line with Philippines' issuer rating. On July 12, 2021, Fitch affirmed the Philippines' long-term foreign currency issuer default rating at "BBB", but revised the outlook from stable to negative. On February 18, 2022, Fitch retained its "BBB" rating with a negative outlook for the Philippines. With regard to the Philippines' dual-tranche US dollar-denominated bond offering in May 2024, Moody's, S&P Global Ratings, and Fitch assigned issuance ratings of "Baa2", "BBB+", and "BBB", respectively, all in line with the Philippines' issuer rating. On June 7, 2024, Fitch retained the rating of "BBB" with a stable outlook.

No assurance can be given that Fitch, Moody's, S&P Global Ratings, JCRA, R&I or any other international credit rating agency, will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies, including the Company. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including SMGP, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

**Public health crises or outbreaks of diseases may have a material and adverse impact on the economic activities and business operations in the Philippines.**

In late 2019, COVID-19, an infectious disease that was first reported to have been transmitted to humans in 2019, spread globally during 2020, and was declared as a pandemic by the World Health Organization ("WHO") in March 2020. While the WHO has declared the COVID-19 pandemic to be over in May 2023, there are still active and recurring cases globally, including in the Philippines. In July 2023, the President of the Philippines issued Presidential Proclamation No. 297, effectively lifting the state of public health emergency caused by the COVID-19 pandemic throughout the Philippines.

On August 14, 2024, the WHO declared the mpox (formerly known as monkeypox) outbreak as a public health emergency of international concern. A few days after the WHO declaration or on August 19, 2024, the Philippine government announced that it detected the first case of mpox virus in the country in 2024. In response, the Philippine government ordered the close contacts of the patient to undergo mandatory quarantine. In addition, the Philippine government continues to undertake close surveillance of any potential spread of mpox.

Any government restrictions and regulations to curb any public health crises or outbreak or resurgence of infectious diseases, including the imposition of community quarantine, may adversely affect business operations and lead to further contraction of the Philippine economy, inevitable closure of business operations, and exponential rise in unemployment rates. SMGP's operational and financial performance will depend on future

developments relating to any public health crisis or outbreak or resurgence of infectious diseases, including the ability to contain the outbreak and ease related restrictions, and the overall impact on the Philippine economy and demand for SMGP's products and services.

## **RISKS RELATING TO THE SECURITIES**

### **The Securities may not be a suitable investment for all investors.**

Each potential investor in the Securities must determine the suitability of investing in the Securities in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the currency for principal or distribution payments is different from the potential investor's currency;
- understand thoroughly the terms of the Securities and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments and investors may purchase such instruments as a way to manage risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

### **The Securities are perpetual securities and investors have no right to require redemption.**

The Securities are undated and have no fixed final maturity date. Securityholders have no right to require the Issuer to redeem the Securities at any time and they can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities. Therefore, holders of the Securities should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

### **Securityholders may not receive Distribution payments if the Issuer elects to defer Distribution payments.**

Subject to the Conditions, SMGP may, at its sole and absolute discretion, elect to defer any scheduled Distributions on the Securities for any period of time. The Issuer is not subject to any limits as to the number of times Distributions and Arrears of Distributions can be deferred. Although, following a deferral, Arrears of Distributions are cumulative, subject to the Conditions, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Securityholders. Any such deferral of Distributions shall not constitute a default for any purpose unless, in the case of a deferral, such payment is required in accordance with Condition 4.7 (*Payment of Arrears of Distribution*).

Any deferral of Distributions will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distributions deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the business, financial condition, results of operations and prospects of the Issuer.

**The Securities may be redeemed at the option of the Issuer on the Optional Call Date, the Step Up Date or any subsequent Distribution Payment Date or upon the occurrence of certain other events.**

The Securities are redeemable at the option of the Issuer, in whole but not in part, on the Optional Call Date, the Step Up Date or any Distribution Payment Date falling after the Step Up Date at 100% of their principal amount together with all other outstanding amounts due under the Securities accrued to the date fixed for redemption.

The Issuer also has the right to redeem the Securities upon the occurrence of certain changes in Philippine tax law requiring the payment of Additional Amounts. In addition, the Securities may be redeemed (in whole but not in part) at the option of the Issuer (A) upon the occurrence of a Change of Control Event (i) at any time prior to (but excluding) the date that falls three months prior to the Step Up Date at the Special Redemption Price or (ii) on or at any time after the date that falls three months prior to the Step Up Date at the Redemption Price, (B) upon the occurrence and continuation of a Reference Indebtedness Default Event at any time at the Redemption Price, (C) upon the occurrence and continuation of an Accounting Event at any time at the Redemption Price, or (D) in the event 25% or less of the aggregate principal amount of the Securities issued on the Issue Date remain outstanding at any time at the Redemption Price, in each case on the giving of irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 (*Notices to the Securityholders*).

The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual Securityholders. This may be disadvantageous to the Securityholders in light of market conditions or the individual circumstances of the holder of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

**There may be insufficient distributions upon liquidation.**

The obligations of the Issuer under the Securities and under the Trust Deed will constitute its direct, unconditional, unsecured and unsubordinated obligations. In the event of liquidation or winding-up, the claims of Securityholders in respect of the Securities, including in respect of any claim to Arrears of Distribution, will (subject to and to the extent permitted by applicable law) be preferred over the subordinated obligations of the Company and will rank at least *pari passu* with each other and with all other outstanding, unsecured and unsubordinated obligations of the Company.

**There are limited remedies for default under the Securities.**

Any scheduled Distribution will not be due if the Issuer elects to defer that Distribution pursuant to the Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment has become due and the Issuer fails to make the payment when due. The only remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer, as provided in the Conditions) any Securityholder for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting winding-up proceedings and/or proving and/or claiming in winding-up in respect of the payment obligations of the Issuer arising from the Securities and the Trust Deed.

**The adoption of new accounting policies of PFRS may have a significant impact on the financial condition and results of operations of SMGP and/or may result in a change to the accounting treatment of the Securities, which could give the Issuer the right to elect to redeem the Securities.**

The FRSC is continuing its policy of issuing PFRS and interpretations which are substantially based on International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”). The FRSC has issued and may in the future issue more new and revised standards and interpretations, including those required to conform with standards and interpretations issued from time to time by the IASB. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new PFRS will not have a significant impact on the financial condition and results of operations of the Company. In addition, any change or amendment to, or any change or amendment to any interpretation of, PFRS may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as “equity” of the Issuer, and will give the Issuer the right to elect to redeem the Securities. See “—*The Securities may be redeemed at the option of the Issuer on the Step Up Date or any subsequent Distribution Payment Date or upon the occurrence of certain other events.*”

**The applicable Rate of Distribution may decline on any Reset Date.**

The Rate of Distribution will be reset on each Reset Date by reference to the then Treasury Rate (as defined in the Conditions). Accordingly, a Securityholder is exposed to the risk of a fluctuating Rate of Distribution and uncertain distribution income. A fluctuating Rate of Distribution makes it impossible to determine the yield of the Securities with respect to any Reset Period in advance.

**The Issuer and its subsidiaries may raise other capital and incur substantial indebtedness in the future and may not be able to generate sufficient cash flows to meet its obligations.**

The Issuer may from time to time and without prior consultation of the holders of the Securities create and issue further Securities (see Condition 9 (*Further Issues*)). Furthermore, the Issuer and its subsidiaries may from time to time incur substantial additional indebtedness and contingent liabilities. Under the terms of the Securities, there is no restriction, contractual or otherwise, on the amount of Securities that the Issuer may further issue or securities or other liabilities that the Issuer and its subsidiaries may issue or incur and that rank senior to, or *pari passu* with, the Securities. If the Issuer or its subsidiaries incur additional debt, that could have important consequences to investors. For example, it could: (1) limit the ability of the Issuer to satisfy its obligations under the Securities and other debt; (2) increase the vulnerability of the Issuer to adverse general economic and industry conditions; (3) require the Issuer to dedicate a substantial portion of its cash flow from operations to servicing and repaying its indebtedness, thereby reducing the availability of its cash flow to fund working capital, planned capital expenditures and other general corporate purposes; (4) limit the flexibility of the Issuer in planning for or reacting to changes in its businesses and the industries in which it operates; (5) increase the cost of additional financing; and (6) place the Issuer at a competitive disadvantage compared to its competitors that have less debt. If the subsidiaries of the Issuer incur additional indebtedness, that could also have adverse effects on the subsidiaries similar to those described above, and therefore on the Issuer. The issue of any further Securities or such other securities, or the incurrence of any such other liabilities, may reduce the amount (if any) recoverable by holders of the Securities on a winding-up of the Issuer and may also have an adverse impact on the trading price of the Securities and/or the ability of Securityholders to sell them.

**An active trading market for the Securities may not develop or be sustained.**

There has been no prior trading market for the Securities. The Issuer has been advised that the Joint Lead Managers intend to make a market in the Securities, but that they are not obligated to do so and may discontinue such market making activity at any time without notice. The Issuer cannot predict whether an active trading market for the Securities will be sustained. The Securities could trade at prices that may be lower than the initial offering price for the Securities. The price at which the Securities trade depends on many factors, including, but not limited to:

- prevailing interest rates and the markets for similar securities;
- general economic conditions; and
- the financial condition of the Issuer, historical financial performance and future prospects.

Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Securities on the SGX-ST. No assurance can be given that if the Securities are listed, the Issuer will be able to maintain a listing for the Securities or that a liquid trading market for the Securities will develop or continue. If an active market for the Securities fails to be sustained, the trading price of the Securities could be materially and adversely affected. Lack of a liquid or active trading market for the Securities may adversely affect the price of the Securities or may otherwise impede a holder's ability to dispose of the Securities.

**The Company will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, and such standards may be different from those applicable to debt or hybrid securities in certain other jurisdictions.**

The Issuer will be subject to reporting obligations in respect of the Securities to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST are different from those imposed by securities exchanges in other countries or regions, such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Securities are accustomed to.

**The conditions of the Securities contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Securityholders and without regard to the individual interests of particular Securityholders.**

The Trust Deed contains provisions for calling meetings of Securityholders to consider matters affecting their interests generally, including the sanctioning by Extraordinary Resolution of a modification of any of the Conditions or any provisions of the Trust Deed. These provisions permit defined majorities to bind all Securityholders, including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority. The Trust Deed also provides that the Trustee may, without consent of the Securityholders, agree to any modification of any provision of the Securities which is in the opinion of the Trustee, not materially prejudicial to the interests of the Securityholders or which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven or which is, in the opinion of the Trustee, to comply with mandatory provisions of law, in the circumstances described in “*Terms and Conditions of the Securities—Meetings of Securityholders, Modification, Waiver, Authorization and Determination—Modification, Waiver, Authorization and Determination.*”

**The Trustee may decline to take actions requested by the Securityholders.**

Under the Trust Deed, in certain circumstances, the Trustee may, at its sole discretion, request the Securityholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of the Securityholders. The Trustee shall not be obliged to take any such actions if no such indemnity or security or pre-funding is provided to its satisfaction. Even if the Securityholders agree to indemnify and/or provide security to and/or pre-fund the Trustee, the time taken to agree to the indemnity and/or security and/or pre-funding may have an impact as to when such action is taken. In addition, notwithstanding the provision of an indemnity or security or pre-funding to the Trustee, the Trustee may decline to take action requested by the Securityholders if it determines that such actions are not permitted under the terms of the Trust Deed or applicable law.

**The imposition of exchange controls could result in an investor not receiving payments on the Securities.**

The Government has, in the past, instituted restrictions on the conversion of Philippine pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency denominated obligations. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, in the imminence of, or during a foreign exchange crisis or in times of national emergency, to suspend temporarily or restrict sales of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee. The Issuer is not aware of any pending proposals by the Government regarding such restrictions. Although the Government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange, there can be no assurance that the Government will maintain such policy or will not impose economic or regulatory controls that may restrict free access to foreign currency. Any such restriction imposed in the future could adversely affect the ability of investors to repatriate foreign currency upon receipt of any payments from the Issuer.

**The priority of debt evidenced by a public instrument.**

Under Philippine law, in the event of liquidation of a company, unsecured debt of a company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14)(a) of the Civil Code of the Philippines will rank ahead of unsecured debt of that company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. A portion of the Company’s financial indebtedness is covered by agreements which are embodied in public instruments. However, these agreements contain a waiver by each of the respective lenders of the benefit of preference or priority accorded to public instruments under Article 2244(14)(a) of the Civil Code of the Philippines. The waivers are subject to the condition that all present and future creditors of the Company are *pari passu* and no creditor shall be conferred a superior right on the basis that its credit appears in a public instrument. In the event the conditions to the waivers are not met or if the waivers are not given effect, the Securities and other unsecured debt of the Company not evidenced by public instruments will rank junior to secured debt of the Company not evidenced by public instruments and unsecured debt of the Company evidenced by public instruments, which may adversely affect the holders of the Securities.

## **RISKS RELATING TO CERTAIN INFORMATION IN THIS OFFERING CIRCULAR**

### **Certain information contained herein is derived from unofficial publications.**

Certain information in this Offering Circular relating to the Philippines, the industries and markets in which the businesses of SMGP compete and other data used in this Offering Circular was obtained or derived from internal surveys, market research, governmental data, publicly available information and/or industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable. However, there is no assurance that such information is accurate or complete. Similarly, internal surveys, industry forecasts and market research have not been independently verified by SMGP and may not be accurate, complete, up-to-date, balanced or consistent with other information compiled within or outside the Philippines.

## TERMS AND CONDITIONS OF THE SECURITIES

*The following (other than any paragraph in italics), subject to alteration, are the terms and conditions of the Securities, which will be endorsed on the Certificates issued in respect of the Securities.*

*The U.S.\$[●],000,000 Senior Perpetual Capital Securities (the “**Securities**” which expression, unless the context otherwise requires, includes any further Securities issued pursuant to Condition 9 and forming a single series with the Securities) of San Miguel Global Power Holdings Corp. (formerly known as SMC Global Power Holdings Corp.), a corporation organized under the laws of the Republic of the Philippines (the “**Issuer**”) are constituted by the trust deed to be dated the Issue Date (the “**Trust Deed**”) made between the Issuer and DB Trustees (Hong Kong) Limited (the “**Trustee**”, which expression includes its successor(s)) as trustee for the holders of the Securities (the “**Securityholders**”).*

*The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the agency agreement to be dated the Issue Date (the “**Agency Agreement**”) made between the Issuer, the Trustee, Deutsche Bank AG, Hong Kong Branch as principal paying agent (the “**Principal Paying Agent**”) and as transfer agent (the “**Transfer Agent**”), the other paying agents named therein (each a “**Paying Agent**” and, together with the Principal Paying Agent, the “**Paying Agents**”), Deutsche Bank AG, Hong Kong Branch as calculation agent (the “**Calculation Agent**”) and as the registrar (the “**Registrar**” and, together with the Paying Agents, the Transfer Agent and the Calculation Agent, the “**Agents**”). Copies of the Trust Deed and the Agency Agreement are available for inspection with reasonable prior notification during normal business hours by the Securityholders from the specified office of the Trustee and the Agents. The Securityholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Trust Deed and the Agency Agreement applicable to them.*

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and denomination

The Securities are issued in registered form in amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (referred to as the “**Principal Amount**” of a Security).

*Upon issue, the Securities will be represented by a Global Certificate deposited with and registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream**”). The Conditions are modified by certain provisions contained in the Global Certificate. See “The Global Certificate”.*

*The Securities are not issuable in bearer form.*

A certificate (each a “**Certificate**”) will be issued to each Securityholder in respect of its registered holding of Securities. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Securityholders (the “**Register**”) which the Issuer will procure to be kept by the Registrar.

The Registrar will keep the Register outside of the United Kingdom in accordance with the provisions of the Agency Agreement.

*Except in the limited circumstances described herein (see “**The Global Certificate**”), owners of interests in the Securities will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Securities are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement.*

#### 1.2 Title

Title to the Securities passes only by registration in the Register. The person in whose name a Security is registered in the Register will (except as otherwise required by law) be treated as the absolute owner of that Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating

the Holder. In these Conditions, Securityholder or Holder means the person in whose name a Security is registered in the Register.

*For a description of the procedures for transferring title to book-entry interests in the Securities, see “Clearance and Settlement of the Securities”.*

## **2. TRANSFERS OF SECURITIES AND ISSUE OF CERTIFICATES**

### **2.1 Transfers**

Subject to Condition 2.4 and Condition 2.5, a Security may be transferred by depositing the Certificate issued in respect of that Security, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the other Agents (other than the Calculation Agent) together with such evidence as the Registrar or such other Agent may require to prove the title of the transferor and the authority of the individual who has executed the form of transfer; *provided*, however, that such Security may not be transferred unless the Principal Amount of Securities transferred and (where not all of the Securities held by a Securityholder are being transferred) the Principal Amount of the balance of Securities not transferred are in authorized denominations described in Condition 1.1. In the case of a transfer of part only of a holding of Securities represented by one Certificate, a new Certificate will be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred will be issued to the transferor.

*Transfers of interests in the Securities evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.*

*For a description of certain restrictions on transfers of interests in the Securities, see “Subscription and Sale”.*

### **2.2 Delivery of new Certificates**

Each new Certificate to be issued upon transfer of Securities will, within five business days of receipt by the Registrar or any of the other Agents (other than the Calculation Agent) of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the Holder entitled to the transferred Securities to the address specified in the form of transfer. For the purposes of this Condition, “**business day**” shall mean a day on which banks are open for business in the city in which the specified office of the Registrar or such other Agent (other than the Calculation Agent) (as applicable) with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Securities in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Securities not so transferred will, within five business days of receipt by the Registrar or any of the other Agents (other than the Calculation Agent) of the original Certificate, be mailed by uninsured mail at the risk of the Holder of the Securities not so transferred to the address of such Holder appearing on the Register or as specified in the form of transfer.

### **2.3 Formalities free of charge**

Registration of transfer of Securities will be effected without charge by or on behalf of the Issuer, the Registrar or any other Agent (other than the Calculation Agent) but upon payment (or the giving of such indemnity as the Issuer, the Registrar or any other Agent (other than the Calculation Agent) may reasonably require) by the relevant Holder in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

### **2.4 Closed Periods**

No Securityholder may require the transfer of a Security to be registered during the period of 15 calendar days ending on the due date for any payment of principal, premium (if any) or Distributions on that Security.

### **2.5 Regulations**

All transfers of Securities and entries on the Register will be made subject to the detailed regulations concerning transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the

prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Securityholder who requests one.

### **3. STATUS**

#### **3.1 Status of the Securities**

The Securities constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will at all times rank *pari passu* without any preference among themselves and at least *pari passu* with all other outstanding, unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

The claims of the Securityholders in respect of the Securities, including in respect of any claim to Arrears of Distribution (as defined herein), will, in the event of the Winding-Up of the Issuer (subject to and to the extent permitted by applicable law), rank *pari passu* with each other and with all other outstanding, unsecured and unsubordinated obligations of the Issuer.

#### **3.2 No set-off**

To the extent and in the manner permitted by applicable law, no Securityholder may exercise, claim or plead any right of set-off, counterclaim, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising from, the Securities and each Securityholder will, by virtue of his holding of any Security, be deemed to have waived all such rights of set-off, counterclaim, compensation or retention.

#### **3.3 No Voting Rights**

The Securities do not confer any voting rights on Securityholders with respect to the common shares or any other class of share capital of the Issuer.

### **4. DISTRIBUTIONS**

#### **4.1 Rate of Distribution**

Subject to Condition 4.4 and Condition 4.5, the Securities will confer a right to receive distributions ("**Distributions**"):

- (a) from the period commencing on (and including) the Issue Date to (but excluding) [ ● ] (the "**Step Up Date**"), at the Initial Rate of Distribution; and
- (b) from (and including) each Reset Date (including the Step Up Date) to (but excluding) the immediately following Reset Date, at the relevant Reset Rate of Distribution (determined by the Calculation Agent on the relevant Reset Determination Date and notified to the Holders, the Principal Paying Agent and the Registrar),

payable semi-annually in arrear on [ ● ] and [ ● ] of each year (each a "**Distribution Payment Date**") commencing on [ ● ].

"**Reset Date**" means the Step Up Date and any subsequent date which is the fifth anniversary of any Reset Date.

#### **4.2 Distribution Accrual**

Each Security will cease to accrue Distributions from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Security is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event Distributions shall continue to accrue as provided in the Trust Deed.

### 4.3 Calculation of Broken Amounts

When any Distribution is required to be calculated in respect of a period of less than a full six months, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

### 4.4 Increase in Rate of Distribution

(a) Following the earlier to occur of:

- (i) the date which is the 61st day, or if such day is not a Business Day the first Business Day thereafter, following a Change of Control Event; and
- (ii) the date on which a Reference Indebtedness Default Event occurs,

and the Issuer does not elect to redeem the Securities pursuant to Condition 5.4, the Rate of Distribution will increase by 2.50% per annum with effect from the next Distribution Payment Date (or, if the relevant event occurs on or after the date that is five Business Days prior to the next Distribution Payment Date, the next following Distribution Payment Date). For the avoidance of doubt, an increase (if any) in the Rate of Distribution pursuant to this Condition 4.4(a) shall not occur more than once.

- (b) If, following an increase in the Rate of Distribution upon the occurrence of a Change of Control Event or Reference Indebtedness Default Event pursuant to Condition 4.4(a), such Change of Control Event or Reference Indebtedness Default Event is cured, remedied, no longer applicable or no longer continuing, then upon written notice of such facts being given to the Securityholders (in accordance with Condition 12.1), the Trustee and the Agents, the Rate of Distribution will decrease by 2.50% per annum with effect from the next Distribution Payment Date immediately following the date of the notification referred to in this Condition 4.4(b), provided that the maximum aggregate decrease in the Rate of Distribution pursuant to this Condition 4.4(b) shall be 2.50% per annum. The Trustee and the Agents shall be entitled to rely on and accept, without liability to the Securityholders and without further investigation or enquiry, such notice, in which event such notice shall be conclusive and binding on the Securityholders.

For the purposes of these Conditions:

A “**Change of Control Event**” means Permitted Holders ceasing to, whether directly or indirectly, have control in respect of more than 50% of the outstanding Voting Stock of the Issuer.

“**Permitted Holders**” means any or all of the following: (a) San Miguel Corporation, (b) San Miguel Corporation Retirement Plan or any similar or successor employee retirement plan of San Miguel Corporation, and (c) any Person the Voting Stock of which at least a majority is beneficially owned, directly or indirectly, by a person specified in subclauses (a) and (b) above.

“**Reference Indebtedness Default Event**” means an event of default occurs pursuant to Section 9.1(b) (*Events of Default*) of the trust agreement in respect of the Issuer’s outstanding ₱10,000,000,000 8.0288% 10-year Series M Bonds due July 2032 listed on the Philippine Dealing & Exchange Corp. (the “**Initial Reference Notes**”) or any debt security issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease or discharge the Initial Reference Notes prior to their maturity (the “**Refinancing Securities**”), as a result of the Issuer’s default in, non-compliance with or non-performance of the Initial Reference Notes or of the Refinancing Securities, as the case may be, as such Initial Reference Notes or Refinancing Securities are amended from time to time in accordance with the terms and conditions of the Initial Reference Notes or of the Refinancing Securities, as the case may be.

### 4.5 Optional Deferral of Distributions

- (a) The Issuer may, in its sole and absolute discretion, on any day which is not less than five Business Days prior to any Distribution Payment Date, resolve to defer payment of any or all of the Distribution which would otherwise be payable on that Distribution Payment Date unless, during the six months ending on that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred (the

**“Deferral Election Event”**). Any such deferred Distribution will constitute **“Arrears of Distribution”** and will not be due and payable until the relevant Payment Reference Date. Distributions will accrue on each Arrears of Distribution for so long as such Arrears of Distribution remains outstanding at the same Rate of Distribution as the Principal Amount of the Securities bears at such time and will be added to such Arrears of Distribution (and thereafter bear Distributions accordingly) on each Distribution Payment Date.

- (b) The Issuer will notify the Securityholders (in accordance with Condition 12.1), the Trustee and the Principal Paying Agent of any deferral of Distribution not less than five Business Days prior to the relevant Distribution Payment Date (the **“Deferral Election Notice”**). Deferral of a Distribution pursuant to Condition 4.5(a) will not constitute a default by the Issuer (including, without limitation, pursuant to Condition 10) or any other breach of its obligations under the Securities or the Trust Deed or for any other purpose.
- (c) Each Deferral Election Notice shall be accompanied, in the case of the notice to the Trustee and the Principal Paying Agent, by a certificate in the form scheduled to the Trust Deed signed by two duly Authorized Signatories of the Issuer confirming that no Compulsory Distribution Payment Event has occurred.

The Trustee shall be entitled to rely on and accept, without liability to the Securityholders and without further investigation or enquiry, such certificate as sufficient evidence of the occurrence of a Deferral Election Event in which event such evidence shall be conclusive and binding on the Issuer and the Securityholders.

- (d) The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distributions may be deferred pursuant to the provisions of Condition 4.5(a).

**“Compulsory Distribution Payment Event”** means (a) a discretionary dividend, distribution, interest or other payment has been paid or declared on or in respect of any Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer, other than a dividend, distribution or other payment in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Issuer; or (b) at the discretion of the Issuer, any Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer have been redeemed, repurchased or otherwise acquired by the Issuer or any of its Subsidiaries, other than a redemption, repurchase or other acquisition in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Issuer.

#### **4.6 Restrictions in the case of Deferral**

If on any Distribution Payment Date, payment of all Distributions scheduled to be made on such date is not made in full by reason of the Issuer deferring such Distributions in accordance with the terms of the Securities, the Issuer shall not, and shall procure that none of its Subsidiaries will:

- (a) declare or pay any discretionary dividends, distributions or make any other discretionary payment on, and will procure that no discretionary dividend, distribution or other payment is made on any class of Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer, other than a dividend, distribution or other payment in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Issuer; or
- (b) redeem, reduce, cancel, buy-back or acquire for any consideration any of the Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer, other than a redemption, reduction, cancellation, buy-back or acquisition in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Issuer,

unless and until (i) the Issuer has satisfied in full all outstanding Arrears of Distribution; or (ii) the Issuer is permitted to do so with the consent of the Securityholders of at least a majority in aggregate principal amount of the Securities then outstanding. For the avoidance of doubt, nothing in Condition 4.6 shall restrict the ability of any Subsidiary of the Issuer to declare and pay dividends, advance loans or otherwise make payments to the Issuer.

#### 4.7 Payment of Arrears of Distribution

- (a) The Issuer may elect to pay Arrears of Distribution (in whole or in part) at any time on the giving of at least five Business Days' prior notice to Securityholders (in accordance with Condition 12.1), the Trustee and the Principal Paying Agent. If Arrears of Distribution have not been paid in full earlier, all outstanding Arrears of Distribution will become due and payable, and the Issuer must pay such outstanding Arrears of Distribution (including any amount of Distribution accrued thereon in accordance with Condition 4.5(a)), on the relevant Payment Reference Date (in accordance with Condition 6). Any partial payment of outstanding Arrears of Distribution by the Issuer shall be made on a *pro rata* basis between the Securityholders.
- (b) **"Payment Reference Date"** means the date which is the earliest of:
  - (i) the date on which the Securities are redeemed in accordance with Condition 5;
  - (ii) the date on which an order is made for the Winding-Up of the Issuer; and
  - (iii) the date on which the Issuer is in violation of Condition 4.6 or on the occurrence of a Compulsory Distribution Payment Event.

### 5. REDEMPTION AND PURCHASE

#### 5.1 Redemption

The Securities are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed or purchased and cancelled as provided in the following provisions of this Condition 5 (without prejudice to Condition 10), the Securities will have no maturity date, unless the Issuer elects to retain a fixed corporate term under its articles of incorporation. If the Issuer elects to have a fixed corporate term under its articles of incorporation, the term of the Securities will mature on the date on which the corporate term of the Issuer expires in accordance with its articles of incorporation.

*As of the date of this Offering Circular, the Issuer's articles of incorporation states that its corporate term will expire on January 23, 2058. Under the Revised Corporation Code of the Philippines (Republic Act No. 11232, the "**Revised Corporation Code**"), the corporate term of corporations with certificates of incorporation issued prior to the effectivity of the Revised Corporation Code (i.e., prior to February 23, 2019) shall have perpetual existence unless the corporation elects to retain a specific corporate term through a shareholder vote and filing to this effect with the Securities and Exchange Commission of the Philippines. Thus, the Issuer no longer has a fixed corporate term but has perpetual existence by operation of law.*

#### 5.2 Redemption at the option of the Issuer

Subject to applicable law, the Issuer may redeem the Securities (in whole but not in part) on:

- (a) any Business Day on or after [ ● ] (being the date that falls three months prior to the Step Up Date) (the **"Optional Call Date"**);
- (b) the Step Up Date; or
- (c) any Distribution Payment Date falling after the Step Up Date,

in each case, at the Redemption Price. The Issuer shall give not less than 30 and not more than 60 calendar days' irrevocable notice of redemption prior to the relevant Optional Call Date, Step Up Date or Distribution Payment Date falling after the Step Up Date to the Securityholders in accordance with Condition 12.1.

### 5.3 Early redemption due to a Gross-up Event

- (a) If a Gross-up Event occurs, the Issuer may redeem the Securities (in whole but not in part) at the Redemption Price, on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1.
- (b) No such notice of redemption may be given earlier than 45 calendar days prior to the earliest calendar day on which the Issuer would be for the first time obliged to pay the Additional Amounts in question on payments due in respect of the Securities.
- (c) Prior to the giving of any such notice of redemption, the Issuer will deliver or procure that there is delivered to the Trustee:
  - (i) a certificate signed by any two executive officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting out a statement of facts showing that a Gross-up Event has occurred and that the obligation to pay Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it; and
  - (ii) an opinion of an independent legal or tax adviser of recognized standing addressed to the Trustee to the effect that the Issuer has or will become obliged to pay the Additional Amounts in question as a result of a Gross-up Event,

and the Trustee shall be entitled to rely on and accept, without liability to the Securityholders and without further investigation or enquiry, the above certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event such evidence shall be conclusive and binding on the Securityholders.

For the avoidance of doubt, a change of jurisdiction or domicile of the Issuer shall not be considered a reasonable measure.

**“Gross-up Event”** means that as a result of any change in, or amendment to, the laws or regulations or rulings promulgated thereunder of the Relevant Jurisdiction, or any change in or amendment to any official interpretation or application of those laws or regulations or rulings promulgated thereunder, which change or amendment becomes effective on or after [ ● ], the Issuer has or will become obliged to pay Additional Amounts at a rate greater than the applicable rate of withholding or deduction on [ ● ], 2024; *provided* that the payment obligation cannot be avoided by the Issuer taking reasonable measures available to it.

### 5.4 Early redemption due to a Change of Control Event, Reference Indebtedness Default Event, or Accounting Event

- (a) If a Change of Control Event occurs, the Issuer may redeem the Securities (in whole but not in part) (i) at any time prior to but excluding the date that falls three months prior to the Step Up Date at the Special Redemption Price or (ii) on or at any time after the date that falls three months prior to the Step Up Date at the Redemption Price, in each case on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1.
- (b) If a Reference Indebtedness Default Event occurs and is continuing, the Issuer may redeem the Securities (in whole but not in part) at any time at the Redemption Price, on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1.
- (c) If an Accounting Event occurs and is continuing, the Issuer may redeem the Securities (in whole but not in part) at any time at the Redemption Price on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1.
- (d) Such notice of redemption as provided in Conditions 5.4(a), 5.4(b), and 5.4(c) may only be given simultaneously with or after a notification by the Issuer in accordance with Condition 12.1 that a Change

of Control Event, a Reference Indebtedness Default Event or an Accounting Event (as the case may be) has occurred.

- (e) An “**Accounting Event**” means that an opinion of a recognized accountancy firm of international standing has been delivered to the Issuer and the Trustee, stating the Securities may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS or other recognized accounting standards that the Issuer has adopted from time to time for the preparation of its audited consolidated financial statements and such event cannot be avoided by the Issuer taking reasonable measures available to it.

Neither the Trustee nor the Agents shall be required to take any steps to ascertain whether a Gross-Up Event, Change of Control Event, Reference Indebtedness Default Event or Accounting Event has occurred and shall not be responsible or liable to the Securityholders, the Issuer or any other person for any loss arising from any failure to do so.

## **5.5 Purchase of Securities**

The Issuer or any of its Subsidiaries may, in compliance with applicable laws, purchase Securities in any manner and at any price. Such acquired Securities may be surrendered for cancellation or held or resold.

## **5.6 Redemption of Securities in the case of minimal outstanding amounts**

In the event that the Issuer and/or any of its Subsidiaries has, individually or in aggregate, purchased (and not resold) or redeemed Securities equal to or in excess of 75% of the aggregate Principal Amount of the Securities issued on the Issue Date, the Issuer may redeem the remaining Securities (in whole but not in part) at any time at the Redemption Price on the giving of not less than 30 and not more than 60 calendar days’ irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1.

# **6. PAYMENTS**

## **6.1 Payments in respect of Securities**

Payment of principal, premium (if any) and Distributions will be made by transfer to the registered account of the Securityholder. Payments of principal and premium (if any) and payments of Distribution due otherwise than on a Distribution Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents (other than the Calculation Agent). Distributions on Securities due on a Distribution Payment Date will be paid to the holder shown on the Register at the close of business on the date being the 15th calendar day before the relevant Distribution Payment Date (the “**Record Date**”).

For the purposes of this Condition, a Securityholder’s “**registered account**” means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business, in the case of principal and premium (if any) and Distributions due otherwise than on a Distribution Payment Date, on the second Payment Business Day (as defined in Condition 6.4) before the due date for payment and, in the case of Distributions due on a Distribution Payment Date, on the relevant Record Date, and a Securityholder’s “**registered address**” means its address appearing on the Register at that time.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except December 25 and January 1.*

## **6.2 Payments subject to Applicable Laws**

Payments in respect of principal, premium (if any) and Distributions on Securities are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

### **6.3 No commissions**

No commissions or expenses shall be charged to the Securityholders in respect of any payments made in accordance with this Condition 6.

### **6.4 Payment on Business Days**

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Payment Business Day (as defined below), for value the first following day which is a Payment Business Day) will be initiated or, in the case of a payment of principal and premium (if any) or a payment of Distributions due otherwise than on a Distribution Payment Date, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of an Agent (other than the Calculation Agent).

Securityholders will not be entitled to any Distributions or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Securityholder is late in surrendering its Certificate (if required to do so).

In these Conditions, “**Payment Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for business in Mandaluyong City, New York City and Hong Kong and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

### **6.5 Partial Payments**

If the amount of principal, premium (if any) or Distributions which is due on the Securities is not paid in full, the Registrar will annotate the Register with a record of the amount of principal, premium (if any) or Distributions in fact paid.

### **6.6 Agents**

The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be a Registrar (which may be located in any jurisdiction other than the United Kingdom); and
- (c) there will at all times be a Transfer Agent.

Notice of any termination or appointment and of any changes in specified offices will be given to the Securityholders promptly by the Issuer in accordance with Condition 12.1.

### **6.7 Paying Agent**

So long as the Securities are listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Securities may be presented or surrendered for payment or redemption, in the event that the Global Certificate representing the Securities is exchanged for definitive certificates. In addition, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

## **7. TAXATION AND GROSS-UP**

### **7.1 Payment without withholding**

All payments in respect of the Securities by or on behalf of the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of

whatever nature (“**Taxes**”) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In the event where such withholding or deduction is made by the Issuer, the Issuer shall pay such additional amount (“**Additional Amounts**”) as will result in receipt by the Securityholders of such amounts as would have been received by them had no such withholding or deduction been required; except that no Additional Amounts will be payable in relation to any payment in respect of any Security:

- (a) presented for payment (if applicable) by or on behalf of a Securityholder who is liable to the Taxes in respect of such Security by reason of their having some connection with any Relevant Jurisdiction other than the mere holding of the Security;
- (b) presented for payment (if applicable) more than 30 calendar days after the Relevant Date (as defined in Condition 7.2) except to the extent that a Holder of such Security would have been entitled to such Additional Amounts on presenting the same for payment on the last day of the period of 30 calendar days assuming, whether or not such is in fact the case, that day to have been a Payment Business Day (as defined in Condition 6.4);
- (c) where such withholding or deduction would not have been so imposed but for the failure by the Holder of such Security, after written request made to that Holder at least 30 calendar days before any such withholding or deduction would be payable, by the Issuer, the Trustee or the Paying Agent, as applicable, to comply with any identification, information, documentation or other similar reporting requirement concerning its nationality, residence or connection with the Relevant Jurisdiction, which is required or imposed by a statute, regulation or published administrative interpretation of general application of the Relevant Jurisdiction as a precondition to reduction or exemption from such withholding or deduction; or
- (d) presented for payment (if applicable) by or on behalf of a Securityholder who would have been able to avoid such withholding or deduction by presenting the relevant Security to another Paying Agent in a Member State of the European Union.

## **7.2 Interpretation**

In these Conditions:

- (a) The “**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Securityholders by the Issuer in accordance with Condition 12.1.
- (b) The “**Relevant Jurisdiction**” means the Republic of the Philippines or any political subdivision or any authority thereof or therein having power to tax, or in the event of any substitution or other corporate action resulting in the Issuer being incorporated in any other jurisdiction, that other jurisdiction or any political subdivision or any authority thereof or therein having power to tax.

## **7.3 Additional Amounts, principal and Distributions**

Any reference in these Conditions to any amounts in respect of the Securities will be deemed also to refer to any Additional Amounts which may be payable under this Condition 7 or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed. Unless the context otherwise requires, any reference in these Conditions to “**principal**” includes any installment amount or redemption amount and any other amounts in the nature of principal payable pursuant to these Conditions and “**Distributions**” includes all amounts payable pursuant to Condition 4 and any other amounts in the nature of distributions payable pursuant to these Conditions.

## **7.4 No Responsibility of Trustee and Agents for Payment of taxes**

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7, or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Securityholder or any

third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or Agents that would permit, enable or facilitate the payment of any principal, premium, interest or other amount under the Securities without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

## **8. PRESCRIPTION**

Securities will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of Distributions) from the Relevant Date in respect of the Securities subject to the provisions of Condition 6.

## **9. FURTHER ISSUES**

The Issuer is at liberty from time to time without the consent of the Securityholders to create and issue further Securities or bonds either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of Distributions thereon) and so that the same will be consolidated and form a single series with the Securities (which will be constituted by a deed supplemental to the Trust Deed) or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Issuer may determine at the time of the issue.

## **10. NON-PAYMENT**

### **10.1 Non-payment when due**

Notwithstanding any of the provisions below in this Condition 10, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distributions, such Distributions will not be due if the Issuer has elected to defer Distributions in accordance with Condition 4.5. In addition, nothing in this Condition 10, including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer, in respect of any actual, reasonable and documented costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.

### **10.2 Proceedings for Winding-Up**

If (a) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or (b) the Issuer fails to make payment in respect of the Securities for a period of 10 calendar days or more after the date on which such payment is due ((a) and (b) together, the “**Enforcement Events**” and each, an “**Enforcement Event**”), the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition 10.4 and subject to and to the extent permitted by applicable law, institute proceedings for the Winding-Up of the Issuer, and/or prove in the Winding-Up of the Issuer, and/or claim in the liquidation of the Issuer, for such payment.

### **10.3 Enforcement**

Without prejudice to Condition 10.2 but subject to the provisions of Condition 10.4, the Trustee may without further notice to the Issuer institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or premium or satisfaction of any Distributions (including any Arrears of Distribution) in respect of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

### **10.4 Entitlement of Trustee**

Notwithstanding anything to the contrary, the Trustee shall not be obliged to take any of the actions referred to in these Conditions against the Issuer to enforce the terms of the Trust Deed or the Securities unless and until (a) it shall have been so requested by an Extraordinary Resolution of the Securityholders or in writing by the

Securityholders of not less than 25.0% in principal amount of the Securities then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

#### **10.5 Right of Securityholders**

Securityholders are not entitled to proceed directly against the Issuer or to institute proceedings for the Winding-Up or claim in the liquidation of the Issuer or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholders shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

#### **10.6 Extent of Securityholders' remedy**

No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Securityholders, whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities or under the Trust Deed.

#### **10.7 No reliance on Trustee**

Each Securityholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Trustee and the Agents shall not at any time have any responsibility for the same and each Securityholder shall not rely on the Trustee or Agents in respect thereof.

### **11. REPLACEMENT OF CERTIFICATES**

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

### **12. NOTICES**

#### **12.1 Notices to Securityholders**

All notices to the Securityholders will be valid if mailed to them at their respective addresses in the Register and shall be deemed to have been received on the seventh calendar day after being so mailed. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed. Any notice shall be deemed to have been given on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as all the Securities are represented by the Global Certificate and the same is/are deposited with a nominee for a common depository and Euroclear and Clearstream, notices to Securityholders shall be given by delivery to Euroclear and Clearstream or such additional or substitute clearing system by the Issuer, for communication by them to entitled accountholders in substitution for publication as required by the Conditions.

#### **12.2 Notices from Securityholders**

Notices to be given by any Securityholder must be in writing and given by lodging the same, together with any Certificate in respect of such Security or Securities, with the Registrar or, if the Securities are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

### **13. SUBSTITUTION OR MODIFICATION TO REMEDY GROSS-UP EVENT OR ACCOUNTING EVENT**

The Trustee may, without the consent of the Securityholders, at any time agree with the Issuer to:

- (a) the substitution in place of the Issuer (or of any previous substitute under this Condition 13) as the principal obligor under the Securities and the Trust Deed of any other company being a direct or indirect Subsidiary of the Issuer; or
- (b) the modification of these Conditions to the extent reasonably necessary,

in order to remedy a pending or existing Gross-Up Event or Accounting Event provided that:

- (i) the Securities are unconditionally and irrevocably guaranteed by the Issuer;
- (ii) the Issuer procures, at its own cost, the delivery of a legal opinion(s) as to English and any other relevant law, addressed to the Trustee, dated the date of such substitution of the Issuer or modification of these Conditions, as the case may be, and in a form acceptable to the Trustee from legal advisers acceptable to the Trustee; and
- (iii) the Trustee is satisfied that the interests of the Securityholders will not be materially prejudiced by the substitution or modification.

### **14. MEETINGS OF SECURITYHOLDERS, MODIFICATION, WAIVER, AUTHORIZATION AND DETERMINATION**

#### **14.1 Meetings of Securityholders**

The Trust Deed contains provisions for convening meetings of Securityholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Securityholders holding not less than 50.0% in principal amount of the Securities for the time being outstanding. Except where the business of such a meeting includes consideration of a Reserved Matter (as defined below), the quorum for any meeting convened to consider an Extraordinary Resolution or any other resolution will be one or more persons holding or representing not less than 50.0% in principal amount of the Securities for the time being outstanding, or at any adjourned meeting, one or more persons being or representing Securityholders whatever the principal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals:

- (a) to modify the dates on which Distributions are payable in respect of the Securities;
- (b) to reduce or cancel the principal amount of any premium payable on redemption of, or amount of Distributions on or to vary the method of calculating the Rate of Distribution on, any Securities;
- (c) to change the currency of payment of any Securities; or
- (d) to amend this provision or to modify the provisions concerning the quorum required at any meeting of the Securityholders or the majority required to pass an Extraordinary Resolution (each of (a), (b), (c) and (d) above, a “**Reserved Matter**”),

in which case the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 75.0%, or at any adjourned such meeting not less than 25.0%, in principal amount of the Securities for the time being outstanding. A resolution passed at a meeting of the Securityholders duly convened and held in accordance with the Trust Deed or passed by way of electronic consent given by the Securityholders through the relevant clearing systems in accordance with the Trust Deed will be binding on all Securityholders, whether or not they are present at any meeting at which such resolution was passed and whether or not voted on the resolution. The vote required to pass an Extraordinary Resolution at any meeting of Securityholders duly convened and held in accordance with the Trust Deed is not less than two-thirds of the votes

cast. The Trust Deed provides that a written resolution signed by or on behalf of the Holders of not less than 75.0% of the aggregate principal amount of Securities outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

The provisions of this Condition 14.1 are subject to the further provisions of the Trust Deed.

#### **14.2 Modification, Waiver, Authorization and Determination**

The Trustee may, without the consent of the Securityholders, agree to any modification of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement (a) if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Securityholders or (b) which is, in the opinion of the Trustee, of a formal, minor or technical nature or is to correct a manifest error or an error which, in the opinion of the Trustee, is proven or (c) which is, in the opinion of the Trustee, to comply with mandatory provisions of law. In addition, the Trustee may, without the consent of the Securityholders, authorize or waive any breach or proposed breach of these Conditions or any of the provisions of the Trust Deed if, in the opinion of the Trustee, the interests of the Securityholders will not be materially prejudiced thereby other than certain Reserved Matters as provided in the Trust Deed.

#### **14.3 Trustee to have Regard to Interests of Securityholders as a Class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorization, determination or substitution), the Trustee must have regard to the general interests of the Securityholders as a class but must not have regard to any interests arising from circumstances particular to individual Securityholders (whatever their number) and, in particular but without limitation, must not have regard to the consequences of any such exercise for individual Securityholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee will not be entitled to require from the Issuer, nor will any Securityholder be entitled to claim from the Issuer, the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Securityholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

#### **14.4 Notification to the Securityholders**

Any modification, waiver, authorization, determination or substitution agreed to by the Trustee will be binding on the Securityholders and, unless the Trustee agrees otherwise, any modification or substitution will be notified by the Issuer to the Securityholders as soon as practicable thereafter in accordance with Condition 12.1.

### **15. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER**

#### **15.1 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

#### **15.2 Trustee Contracting with the Issuer**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Securityholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

### **15.3 Application of Moneys Received by the Trustee**

All moneys received by the Trustee in respect of the Securities or amounts payable under the Trust Deed will, despite any appropriation of all or part of them by the Issuer, be held by the Trustee on trust to apply them:

- (a) first, in payment of all properly incurred fees and expenses, and all costs, charges and liabilities incurred by the Trustee (including remuneration payable to it) in carrying out its functions under the Trust Deed and by the Agents (including remuneration payable to them) in acting as agents of the Trustee under the Trust Deed;
- (b) secondly, subject to the provisions of Condition 3 and Condition 4 in payment of any amounts (including principal, premium (if any) and Distributions and/or Arrears of Distribution) owing in respect of the Securities *pari passu* and rateably; and
- (c) thirdly, in payment of any balance to the Issuer for itself.

## **16. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **16.1 Governing law**

The Trust Deed, the Agency Agreement, the Securities and any non-contractual obligations arising out or in connection with the Trust Deed, the Agency Agreement and the Securities, are governed by, and shall be construed in accordance with, English law.

### **16.2 Jurisdiction of English courts**

- (a) Subject to Condition 16.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed and/or the Securities, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed and/or the Securities (a “**Dispute**”) and accordingly each of the Issuer and the Trustee and any Securityholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 16.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Trustee and any Securityholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

### **16.3 Appointment of process agent**

The Issuer has, in the Trust Deed, irrevocably and unconditionally appointed Law Debenture Corporate Services Limited at the latter’s registered office for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## **17. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Security, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **18. DEFINITIONS**

Unless the context otherwise requires, the following terms will have the following meanings in these Conditions:

“**Accounting Event**” has the meaning specified in Condition 5.4.

“**Additional Amounts**” has the meaning specified in Condition 7.1.

“**Agency Agreement**” has the meaning specified in the preamble to these Conditions.

“**Agent**” and “**Agents**” have the meaning specified in the preamble to these Conditions.

“**Arrears of Distribution**” has the meaning specified in Condition 4.5(a).

“**Authorized Signatory**” has the meaning given to it in the Trust Deed.

“**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for business in Mandaluyong City, Hong Kong and New York.

“**Calculation Agent**” has the meaning specified in the preamble to these Conditions.

“**Certificate**” has the meaning specified in Condition 1.1.

“**Change of Control Event**” has the meaning given to it in Condition 4.4.

“**Compulsory Distribution Payment Event**” has the meaning specified in Condition 4.5.

“**Conditions**” means these terms and conditions of the Securities.

“**Deferral Election Event**” has the meaning specified in Condition 4.5(a).

“**Deferral Election Notice**” has the meaning specified in Condition 4.5(b).

“**Disputes**” has the meaning specified in Condition 16.2(a).

“**Distribution Payment Date**” has the meaning specified in Condition 4.1.

“**Distributions**” has the meaning specified in Condition 4.1.

“**Extraordinary Resolution**” has the meaning given to it in the Trust Deed.

“**Gross-up Event**” has the meaning specified in Condition 5.3.

“**Holder**” has the meaning specified in Condition 1.2.

“**Initial Credit Spread**” means [ ● ]%.

“**Initial Rate of Distribution**” means [ ● ]% per annum plus any increase pursuant to Condition 4.4.

“**Initial Reference Notes**” has the meaning specified in Condition 4.4.

“**Issue Date**” means [ ● ], 2024.

“**Issuer**” has the meaning specified in the preamble to these Conditions.

“**Junior Securities**” means (i) any class of the Issuer’s share capital (including preferred shares), and (ii) any Subordinated Indebtedness issued by the Issuer.

“**Parity Securities**” means: (i) any instrument, security or obligation issued or entered into by the Issuer which ranks, or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities; and (ii) any security guaranteed by, or subject to the benefit of an indemnity entered into by, the Issuer where the Issuer’s

obligations under the relevant guarantee or indemnity rank, or are expressed to rank, *pari passu* with the Issuer's obligations under the Securities.

**"Paying Agent"** has the meaning specified in the preamble to these Conditions.

**"Payment Business Day"** has the meaning specified in Condition 6.4.

**"Payment Reference Date"** has the meaning specified in Condition 4.7(b).

**"Permitted Holders"** has the meaning specified in Condition 4.4.

**"Person"** means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

**"PFRS"** means Philippine Financial Reporting Standards and includes statements named PFRS and Philippine Accounting Standards ("**PAS**") and Philippine Interpretations of International Financial Reporting Interpretation Committee ("**IFRIC**") issued by the Financial Reporting Standards Council ("**FRSC**") as in effect from time to time.

**"Principal Amount"** has the meaning specified in Condition 1.1.

**"Principal Paying Agent"** has the meaning specified in the preamble to these Conditions.

**"Rate of Distribution"** means the Initial Rate of Distribution or the Reset Rate of Distribution, as applicable.

**"Record Date"** has the meaning specified in Condition 6.1.

**"Redemption Price"** means the Principal Amount of the Securities plus any accrued but unpaid Distributions and any Arrears of Distribution (including any amount of Distributions accrued thereon in accordance with Condition 4.5(a)), as applicable.

**"Reference Indebtedness Default Event"** has the meaning given to it in Condition 4.4.

**"Register"** has the meaning specified in Condition 1.1.

**"Registrar"** has the meaning given to it in the preamble to these Conditions.

**"Relevant Date"** has the meaning specified in Condition 7.2(a).

**"Relevant Jurisdiction"** has the meaning specified in Condition 7.2(b).

**"Reserved Matter"** has the meaning specified in Condition 14.1.

**"Reset Date"** has the meaning specified in Condition 4.1.

**"Reset Determination Date"** means, in relation to the calculation of a Reset Rate of Distribution, the second Business Day before the commencement of the relevant Reset Period.

**"Reset Period"** means the period from and including the Step Up Date to but excluding the next Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date.

**"Reset Rate of Distribution"** in respect of any Reset Period means the Treasury Rate calculated on the Reset Determination Date in respect of that Reset Period plus the Initial Credit Spread and the Step Up Margin.

**"Securities"** has the meaning specified in the preamble to these Conditions.

**"Securityholders"** has the meaning specified in the preamble to these Conditions.

**“Special Redemption Price”** means 101% of the Principal Amount of the Securities plus any accrued but unpaid Distributions and any Arrears of Distribution (including any amount of Distributions accrued thereon in accordance with Condition 4.5(a)).

**“Step Up Date”** has the meaning given to it in Condition 4.1(a).

**“Step Up Margin”** means 2.50% per annum.

**“Subordinated Indebtedness”** means all indebtedness for money borrowed or raised which, in the event of Winding-Up of the issuer thereof, ranks or is expressed to rank, by its terms or by operation of law, in right of payment behind the claims of unsecured and unsubordinated creditors of such issuer, and for these purposes indebtedness shall include all liabilities, whether actual or contingent.

**“Subsidiary”** or **“Subsidiaries”** means, with respect to any Person, any corporation, association or other business entity, more than 50.0% of the voting power of the outstanding Voting Stock of which is owned or controlled, directly or indirectly, by such Person and one or more other Subsidiaries of such Person. To be controlled by another means that the other (whether, directly or indirectly, and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that company or otherwise controls or has a power to control the affairs and policies of that company and control shall be construed accordingly.

**“Taxes”** has the meaning specified in Condition 7.1.

**“Transfer Agent”** has the meaning specified in the preamble to these Conditions.

**“Treasury Rate”** means the rate in percent per annum equal to the yield, under the heading that represents the average for the week immediately prior to the Reset Determination Date, appearing in the most recently published statistical release designated “H.15(519)” (currently set out on the website <http://www.federalreserve.gov/releases/h15/current/default.htm>) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded non-inflation indexed U.S. Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities,” for the maturity corresponding to five years. If such release (or any successor release) is not published during the week preceding the Reset Determination Date or does not contain such yields, **“Treasury Rate”** shall be obtained from an internationally recognized investment bank selected by the Issuer.

**“Trust Deed”** has the meaning specified in the preamble to these Conditions.

**“Trustee”** has the meaning specified in the preamble to these Conditions.

**“Voting Stock”** means, with respect to any Person, share capital of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

**“Winding-Up”** means, with respect to the Issuer, a final and effective order or resolution for the bankruptcy, winding up, liquidation, receivership, insolvency or similar proceedings in respect of the Issuer.

## THE GLOBAL CERTIFICATE

*The Global Certificate contains provisions which apply to the Securities in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Securities set out in this Offering Circular. Terms defined in the Terms and Conditions of the Securities have the same meaning in the paragraphs below. The following is a summary of certain of those provisions:*

### ACCOUNTHOLDERS

For so long as all of the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream (as the case may be) as the holder of a particular aggregate principal amount of such Securities (each, an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream (as the case may be) as to the aggregate principal amount of such Securities standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Securities (and the expression “**Securityholders**” and references to “holding of Securities” and to a “holder of Securities” shall be construed accordingly) for all purposes other than with respect to payments on such Securities, the right to which shall be vested, as against SMGP and the Trustee, solely in the nominee for the relevant clearing system (the “**Relevant Nominee**”) in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, as the case may be, for its share of each payment made to the Relevant Nominee.

### CANCELLATION

Cancellation of any Security following its redemption or purchase by SMGP or any of its subsidiaries will be effected by reduction in the aggregate principal amount of the Securities in the register of Securityholders and by the annotation of the appropriate schedule to the Global Certificate.

### PAYMENTS

Payments of principal and Distributions in respect of the Securities represented by the Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Securities, against presentation and surrender of the Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the holder of the Global Certificate for such purpose.

Each payment will be made to or to the order of the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means a day on which Euroclear and Clearstream are both open for business.

Distributions of amounts with respect to book-entry interests in the Securities held through Euroclear or Clearstream will be credited, to the extent received by the Registrar, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant rules and procedures of the system.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Registrar and shall be prima facie evidence that such payment has been made.

### NOTICES

So long as all the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Securityholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by the Conditions. For so long as the Securities are listed on the SGX-ST notices shall also be published in the manner required by the rules and regulations of the SGX-ST.

### REGISTRATION OF TITLE

Registration of title to Securities in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, as appropriate, notifies SMGP that it is unwilling or unable to continue as a clearing system in connection with the Global Certificate, and in each case a successor clearing system approved by the Trustee is not appointed by SMGP within 90 days after receiving such notice from Euroclear or Clearstream. In

these circumstances, title to a Security may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that definitive certificates in respect of Securities so transferred may not be available until 21 days after the request for transfer is duly made.

## **TRANSFERS**

Transfers of book-entry interests in the Securities will be effected through the records of Euroclear, Clearstream and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream and their respective direct and indirect participants, as more fully described under “*Clearance and Settlement of the Securities*.”

## **RECORD DATE**

Distributions on Securities due on a Distribution Payment Date and Arrears of Distribution (and distributions accrued thereon) will be paid to the holder shown on the register of Securityholders at the close of business on the date being the 15th calendar day before the relevant Distribution Payment Date.

## EXCHANGE RATES

The Bankers' Association of the Philippines ("BAP") announced that beginning April 2, 2018, spot and forward currency exchange transactions will be effected using the Bloomberg trading platform. As a result, the BSP's Reference Exchange Rate Bulletin now refers to the closing rate quoted on the Bloomberg platform as the closing rate for the purchase of U.S. dollars with Pesos. Prior to this, the PDS rate appearing on the PDS platform, a computer network supervised by the BSP, was quoted as the spot reference rate for foreign exchange transactions.

The following table sets forth certain information concerning the exchange rate for the years 2019 to August 2024 based on Bloomberg between the Peso and the U.S. dollar for the periods and dates indicated, expressed in Pesos per U.S.\$1.00:

Year	Peso/U.S. dollar exchange rate			
	Period end	Average <sup>(1)</sup>	High <sup>(2)</sup>	Low <sup>(3)</sup>
2019 .....	50.64	51.76	52.93	50.41
2020 .....	48.02	49.60	51.50	48.02
2021 .....	51.00	49.27	51.00	47.66
2022 .....	55.76	54.50	59.00	50.95
2023 .....	55.37	55.61	56.98	53.68
2024				
January .....	56.28	55.98	56.53	55.50
February .....	56.20	56.00	56.29	55.71
March .....	56.24	55.89	56.39	55.31
April .....	57.76	57.04	57.78	56.32
May .....	58.51	57.77	58.64	57.22
June .....	58.61	58.68	58.86	58.51
July .....	58.37	58.44	58.80	58.25
August (as of August 22, 2024) .....	56.33	57.26	58.08	56.33

Notes:

- (1) BAP volume weighted average for the period ended.
- (2) BAP (done) Highest daily closing exchange rate for the period.
- (3) BAP (done) Lowest daily closing exchange rate for the period.

On August 22, 2024, the closing rate quoted by the BAP was U.S.\$1.00 = ₱56.33.

## USE OF PROCEEDS

The net proceeds from the issue of the Additional New Securities will be approximately U.S.\$[ ● ] million (after the deduction of commissions and estimated offering expenses). The Company intends to apply the net proceeds in the following order, as follows:

- costs and expenses related to the Concurrent Exchange Offers, including payment of accrued distribution amount in respect of the Existing Securities accepted for exchange, pursuant to and subject to, the terms and conditions of the Concurrent Exchange Offers;
- costs and expenses related to the Concurrent Tender Offers, including payment of the purchase price and the accrued distribution amount in respect of the Existing Securities accepted for purchase, pursuant and subject to, the terms and conditions of the Concurrent Tender Offers; and
- towards pre-development costs of solar energy projects.

For the avoidance of doubt, the net proceeds will not be applied in connection with any of the Company's existing and planned coal-fired power assets (including, but not limited to, their construction and working capital requirements).

## CAPITALIZATION

The following table sets forth, in accordance with PFRS, the Company's total capitalization as of June 30, 2024:

- on an actual basis;
- as adjusted to give effect to the issuance of the Securities. However, this does not give effect to the Concurrent Exchange and Tender Offers and the cancellation of any Existing Securities and issuance of any Exchanged New Securities in relation thereto, which is expected to be completed on or about September 12, 2024.

The table should be read in conjunction with the SMGP's condensed consolidated interim financial statements as of June 30, 2024 and the notes thereto, included in this Offering Circular.

	As of June 30, 2024			
	Actual	Actual	As Adjusted	As Adjusted
	(P)	(U.S.\$) <sup>(1)</sup>	(P)	(U.S.\$) <sup>(1)</sup>
	(in millions)			
<b>Long-term debt — net of current maturities and debt issue costs</b> .....	201,883.3	3,444.5	201,883.3	3,444.5
<b>Equity:</b>				
Capital stock .....	2,823.6	48.2	2,823.6	48.2
Additional paid-in capital .....	48,081.8	820.4	48,081.8	820.4
Senior perpetual capital securities <sup>(2)</sup>				
Issued and outstanding .....	121,580.8	2,074.4	121,580.8	2,074.4
To be issued .....	—	—	[ ● ]	[ ● ]
Redeemable perpetual securities .....	146,027.6	2,491.5	146,027.6	2,491.5
Equity reserves .....	(7,845.0)	(133.9)	(7,845.0)	(133.9)
Retained earnings .....	30,049.9	512.7	30,049.9	512.7
Non-controlling interest .....	920.0	15.70	920.0	15.7
<b>Total equity</b> .....	<u>341,638.7</u>	<u>5,829.02</u>	<u>[ ● ]</u>	<u>[ ● ]</u>
<b>Total capitalization<sup>(3)</sup></b> .....	<u>543,522.0</u>	<u>9,273.5</u>	<u>[ ● ]</u>	<u>[ ● ]</u>

Notes:

(1) Translations from Philippine Pesos to U.S. dollars for the convenience of the reader have been made at the BAP closing rate on June 28, 2024 of P58.61 to U.S.\$1.00.

(2) Amounts are presented net of commissions.

(3) Total capitalization constitutes long-term indebtedness (net of current portion of long-term debt) and equity.

Other than as described above, there has been no material change in the capitalization of SMGP since June 30, 2024.

## SELECTED FINANCIAL INFORMATION AND OTHER DATA

*The selected historical consolidated statement of financial position data as of December 31, 2021, December 31, 2022 and December 31, 2023 and selected historical consolidated statement of income and cash flow data for the years ended December 31, 2021, December 31, 2022 and December 31, 2023 set forth below have been derived from, and should be read in conjunction with, the audited consolidated financial statements of SMGP, including the notes thereto, included elsewhere in this Offering Circular. The summary historical consolidated statement of financial position data as of June 30, 2024 and summary historical consolidated statement of income and cash flow data for the six months ended June 30, 2023 and June 30, 2024, respectively set forth below, have been derived from, and should be read in conjunction with, the unaudited interim condensed consolidated financial statements of SMGP, including the notes thereto, included elsewhere in this Offering Circular.*

*The consolidated financial statements of SMGP as of and for the years ended December 31, 2021, 2022 and 2023 were audited by KPMG. The condensed consolidated interim financial statements of SMGP as of June 30, 2024 and for the six months ended June 30, 2023 and 2024 were reviewed by KPMG.*

*Unless otherwise stated, SMGP has presented its consolidated financial results under PFRS.*

*Potential investors should read the following data together with the more detailed information contained in “Management’s Discussion and Analysis of Results of Operations” and the consolidated financial statements and related notes included elsewhere in this Offering Circular. The following data is qualified in its entirety by reference to all of that information.*

*Translations from Philippine Pesos to U.S. dollars for the convenience of the reader have been made at the BAP closing rate on June 28, 2024 of ₱58.61 to U.S.\$1.00.*

## SELECTED FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF INCOME DATA

	For the years ended December 31,				For the six months ended June 30,		
	2021	2022	2023		2023	2024	
	(Audited)				(Unaudited)		
	(in millions)						
	₱	₱	₱	U.S.\$	₱	₱	U.S.\$
<b>Revenues</b> .....	133,710.2	221,388.8	169,590.2	2,893.5	84,770.0	98,944.2	1,688.2
<b>Costs and Expenses</b>							
Cost of power sold:							
Energy fees .....	17,762.4	10,452.1	1,640.7	28.0	635.8	547.6	9.3
Coal, fuel oil and other consumables .....	39,108.9	114,857.8	86,906.4	1,482.8	44,493.3	47,701.5	813.9
Power purchases .....	20,557.3	57,089.3	25,249.7	430.8	13,789.3	14,922.0	254.6
Depreciation and amortization..	10,795.0	11,241.8	11,664.3	199.0	5,570.9	6,187.6	105.6
Plant operations and maintenance, and other fees .....	3,937.7	4,730.0	5,530.6	94.4	2,512.1	3,109.7	53.1
<b>Selling and administrative expenses</b> .....	4,915.3	5,740.0	6,166.5	105.2	3,017.6	3,487.7	59.5
	97,076.6	204,111.0	137,158.2	2,340.2	70,019.0	75,956.1	1,296.0
Other operating income	207.0	11,607.7	94.0	1.6	—	—	—
<b>Income from operations</b> .....	36,840.6	28,885.6	32,526.0	555.0	70,019.0	75,956.1	1,296.0
<b>Interest income</b> .....	617.1	1,211.4	749.3	12.8	717.7	435.7	7.4
<b>Equity in net losses of associates and joint ventures — net</b> ....	(117.3)	(400.1)	(272.1)	(4.6)	(4.8)	180.8	3.1
<b>Interest expense and other financing charges</b> .....	(18,269.2)	(18,287.7)	(18,478.1)	(315.3)	(8,538.1)	(9,924.1)	(169.3)
<b>Other income (charges) — net</b> .....	(1,192.6)	(7,240.8)	538.0	9.2	1,847.1	(3,776.0)	(64.4)
<b>Income before income tax</b> .....	17,878.5	4,168.4	15,063.2	257.0	8,772.9	9,904.6	169.0
<b>Income tax expense (benefit) — net</b> .....	1,900.2	1,034.8	5,160.2	88.0	2,863.6	2,466.3	42.1
<b>Net income</b> .....	15,978.3	3,133.6	9,903.0	169.0	5,909.3	7,438.2	126.9
Attributable to:							
Equity holders of the Parent Company .....	16,058.1	3,162.5	9,905.4	169.0	5,896.3	7,423.3	126.7
Non-controlling interest .....	(79.8)	(28.9)	(2.4)	(0.0)	13.0	14.9	0.3
	15,978.3	3,133.6	9,903.0	169.0	5,909.3	7,438.2	126.9
Earnings per common share attributable to equity holders of the Parent Company (Basic/Diluted) .....	₱0.88	(₱11.73)	(₱7.06)	(U.S.\$0.1)	(₱3.52)	(₱1.78)	(U.S.\$0.0)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	As of December 31,				As of June 30,	
	2021	2022	2023		2024	
	(Audited)				(Unaudited)	
	(in millions)					
	₱	₱	₱	U.S.\$	₱	U.S.\$
ASSETS						
Current Assets						
Cash and cash equivalents ...	67,690.2	22,726.2	31,659.4	540.2	18,216.8	310.8
Trade and other						
receivables — net .....	47,272.3	105,939.3	116,976.0	1,995.8	125,950.3	2,149.0
Inventories .....	10,017.8	16,822.2	16,841.4	287.3	12,955.5	221.0
Prepaid expenses and						
other current assets .....	31,489.9	43,292.9	48,521.6	827.9	49,084.4	837.5
Total Current Assets.....	156,470.2	188,780.6	213,998.4	3,651.2	206,206.9	3,518.3
Noncurrent Assets						
Investments and						
advances — net .....	10,838.8	7,854.6	10,953.0	186.9	13,049.0	222.6
Property, plant and						
equipment — net .....	211,858.5	304,412.5	339,225.0	5,787.8	364,248.0	6,214.8
Right-of-use assets — net....	157,159.7	106,609.8	104,975.3	1,791.1	102,530.1	1,749.4
Deferred exploration and						
development costs .....	719.4	—	—	—	—	—
Goodwill and other						
intangible assets — net...	72,943.1	71,764.6	71,712.1	1,223.5	71,662.5	1,222.7
Deferred tax assets .....	1,447.4	2,280.3	973.5	16.6	1,431.4	24.4
Other noncurrent assets.....	24,287.0	35,812.3	43,098.0	735.3	42,073.4	717.9
Total Noncurrent Assets....	479,254.0	528,734.1	570,936.9	9,741.3	594,994.4	10,151.8
	635,724.2	717,514.7	784,935.3	13,392.5	801,201.4	13,670.0
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable .....	1,530.0	21,000.0	13,736.0	234.4	28,736.0	490.3
Accounts payable and						
accrued expenses .....	56,055.2	84,447.2	97,632.9	1,665.8	119,260.8	2,034.8
Lease liabilities — current						
portion .....	21,677.0	19,185.4	17,645.6	301.1	9,644.2	164.5
Income tax payable .....	24.8	326.1	222.2	3.8	322.4	5.5
Current maturities of long-						
term debt — net of debt						
issue costs .....	30,185.4	63,721.7	54,124.6	923.5	46,954.8	801.1
Total Current Liabilities ...	109,472.4	188,680.4	183,361.3	3,128.5	204,918.2	3,496.3
Noncurrent Liabilities						
Long-term debt — net of						
current maturities and						
debt issue costs .....	192,736.0	208,430.9	204,644.8	3,491.6	201,883.3	3,444.5
Deferred tax liabilities .....	20,182.6	19,364.3	21,284.7	363.2	22,644.8	386.4
Lease liabilities — net of						
current portion .....	56,536.3	40,772.7	25,141.7	429.0	23,126.7	394.6
Other noncurrent liabilities ..	5,068.2	7,949.8	7,029.5	119.9	6,989.7	119.3
Total Noncurrent						
Liabilities .....	274,523.2	276,517.7	258,100.8	4,403.7	254,644.5	4,344.7
Total Liabilities .....	383,995.6	465,198.1	441,462.1	7,532.2	459,562.7	7,841.0
Equity						
Capital stock .....	1,062.5	1,250.0	2,823.6	48.2	2,823.6	48.2
Additional paid-in capital ....	2,490.0	2,490.0	48,081.8	820.4	48,081.8	820.5
Senior Perpetual Capital						
Securities .....	167,767.4	161,767.7	161,767.7	2,760.1	121,580.8	2,074.4

	As of December 31,				As of June 30,	
	2021	2022	2023		2024	
	(Audited)				(Unaudited)	
	(in millions)					
	P	P	P	U.S.\$	P	U.S.\$
Redeemable perpetual securities.....	32,751.6	51,934.1	102,546.8	1,749.6	146,027.6	2,491.5
Equity reserves.....	(1,536.3)	(1,559.0)	(3,019.2)	(51.5)	(7,845.0)	(133.9)
Retained earnings.....	48,247.9	35,526.2	30,367.3	518.1	30,049.9	512.7
	250,783.1	251,409.0	342,568.1	5,844.9	340,718.7	5,813.3
Non-controlling interest.....	945.5	907.5	905.1	15.4	920.0	15.7
<b>Total Equity.....</b>	<b>251,728.6</b>	<b>252,316.6</b>	<b>343,473.2</b>	<b>5,860.3</b>	<b>341,638.7</b>	<b>5,829.0</b>
	635,724.2	717,514.7	784,935.3	13,392.5	801,201.4	13,670.0

## CONSOLIDATED STATEMENT OF CASH FLOWS DATA

	For the years ended December 31,				For the six months ended June 30,		
	2021	2022	2023		2023	2024	
	(Audited)				(Unaudited)		
	P	P	P	(in millions) U.S.\$	P	P	U.S.\$
Net cash flows provided by operating activities .....	25,438.7	(22,858.1)	16,252.2	277.3	7,184.6	37,607.9	641.7
Net cash flows used in investing activities .....	(52,725.6)	(56,658.0)	(49,955.4)	(852.3)	(30,042.1)	(31,555.9)	(538.4)
Net cash flows provided by (used in) financing activities .....	(19,973.9)	33,796.8	42,301.7	721.7	21,486.5	(19,638.7)	(335.1)
Effect of exchange rate changes on cash and cash equivalents.....	4,233.2	755.4	334.7	5.7	59.7	144.1	2.5
Net increase (decrease) in cash and cash equivalents.....	(43,027.5)	(44,964.0)	8,933.2	152.4	(1,311.3)	(13,442.7)	(229.4)
Cash and cash equivalents at beginning of period .....	110,717.7	67,690.2	22,726.2	387.8	22,726.2	31,659.4	540.2
Cash and cash equivalents at end of period.....	67,690.2	22,726.2	31,659.4	540.2	21,415.0	18,216.8	310.8

## ADDITIONAL FINANCIAL AND OPERATING DATA

The tables below provide summary additional financial and operating data for the periods indicated:

	For the years ended December 31,				For the six months ended June 30,		
	2021	2022	2023		2023	2024	
	(in millions, unless indicated otherwise)						
	P	P	P	U.S.\$	P	P	U.S.\$
Net income .....	15,978.3	3,133.6	9,903.0	169.0	5,909.3	7,438.2	126.9
EBITDA <sup>(1)</sup> .....	33,541.8	34,494.3	34,510.6	588.8	17,417.6	22,195.8	378.7
Net debt <sup>(2)</sup> .....	184,000.9	293,872.2	225,585.3	3,848.9	261,043.4	222,181.7	3,790.8
Net debt to Consolidated total equity <sup>(3)</sup> .....	0.74	1.16	0.66	0.66	0.83	0.66	0.66
Interest coverage ratio <sup>(4)</sup> .....	2.50	2.62	2.54	2.54	2.54	2.80	2.80

Notes:

- (1) Calculated as (a) net income (excluding items between any or all of the Company and its subsidiaries) plus (b) income tax expense (benefit), finance cost (less interest income) and depreciation less (c) foreign exchange gain (loss), in each case excluding amounts attributable to ring-fenced subsidiaries. EBITDA should not be viewed in isolation or as an alternative to financial measures calculated in accordance with PFRS. See "Presentation of Financial Information" and "Non-PFRS Financial Measures."

- (2) Net debt represents the consolidated debt of the Company and its subsidiaries — net of debt issue costs less cash and cash equivalents and including PSALM finance lease liabilities, in each case, excluding amounts attributable to ring-fenced subsidiaries' project finance debt. The ring-fenced subsidiaries are LPI, PVEI and SMGP BESS.
- (3) The Company maintains a Net debt to Consolidated total equity ratio of not more than 3.25x. The Net debt to Consolidated total equity ratio is computed by dividing Net debt over Consolidated total equity. Consolidated total equity is Equity as adjusted to exclude Retained earnings (deficit) of ring-fenced subsidiaries.
- (4) The Company maintains an Interest coverage ratio of not less than 2.25x. The Interest coverage ratio is computed by dividing the most recent four quarterly period consolidated EBITDA (excluding ring-fenced subsidiaries) over the most recent four quarterly period consolidated interest expense (excluding ring-fenced subsidiaries).

	For the years ended December 31,				For the six months ended June 30,		
	2021	2022	2023		2023	2024	
	(in millions, unless indicated otherwise)						
	₱	₱	₱	U.S.\$	₱	₱	U.S.\$
Electricity sold (GWh) .....	27,221.5	27,402.3	25,205.4	N/A	10,684.8	17,456.8	N/A
of which: bilateral							
offtake agreements..	24,708.7	25,057.3	21,565.1	N/A	9,947.2	14,155.6	N/A
of which: WESM sales.	2,512.8	2,345.0	3,640.3	N/A	737.6	3,301.2	N/A
Electricity bought on WESM (GWh) .....	2,520.4	5,158.0	2,519.2	N/A	1,051.0	1,413.4	N/A
Average realized/paid electricity prices (₱/MWh)							
For electricity sold under bilateral offtake agreements..	4,942.9	7,957.9	6,727.7	114.8	7,732.2	5,625.8	96.0
For electricity sold on WESM .....	4,465.6	8,081.2	6,599.8	112.6	10,087.8	5,807.6	99.1
For electricity purchased from WESM .....	6,660.9	8,879.1	6,273.3	107.0	6,889.3	6,792.4	115.9

## CALCULATION OF EBITDA

The following table presents a reconciliation of EBITDA<sup>(1)</sup> to net income for each of the periods indicated.

	For the years ended December 31,				For the six months ended June 30,		
	2021	2022	2023		2023	2024	
	(in millions)						
	₱	₱	₱	U.S.\$	₱	₱	U.S.\$
Net income <sup>(1)</sup> .....	9,046.8	573.6	6,804.7	116.1	5,048.4	4,181.2	71.3
Add:							
Income tax expense ...	1,775.9	772.3	4,507.8	76.9	2,758.9	1,923.8	32.8
Finance cost .....	13,774.1	15,769.1	15,513.6	264.7	7,239.7	7,264.7	123.9
Interest income .....	(582.7)	(1,173.8)	(631.7)	(10.8)	(671.0)	(321.8)	(5.5)
Depreciation .....	7,961.7	9,516.0	9,592.5	163.7	4,751.3	5,006.2	85.4
Less:							
Foreign exchange gains (loss) .....	(1,566.0)	(9,037.2)	1,276.3	(21.8)	1,709.7	(4,141.7)	(70.7)
Gain on Sale of Investment .....	—	—	—	—	—	—	—
EBITDA .....	33,541.8	34,494.3	34,510.6	588.8	17,417.6	22,195.8	378.7

Note:

- (2) Amounts exclude items attributable to ring-fenced subsidiaries. Subsidiaries with project debts were nominated as ring-fenced subsidiaries. If the amounts from the ring-fenced subsidiaries were to be included, the EBITDA would amount to ₱48,193.9 million, ₱42,315.7 million and ₱43,768.6 million (U.S.\$746.8 million) for the years ended December 31, 2021, December 31, 2022 and December 31, 2023, ₱20,822.3 million and ₱30,146.6 million (U.S.\$514.4 million) for the six months ended June 30, 2023 and June 30, 2024, and respectively.

## CAPITAL RESOURCES

### Capital Funding and Debt Maturity Profile

As of June 30, 2024, SMGP had cash and cash equivalents of ₱18,216.8 million, total short-term loans of ₱28,736.0 million and total long-term debt (net of debt issue costs) of ₱248,838.1 million.

The following table sets forth a summary of the maturity profile of the Company's outstanding long-term debt (excluding non-recourse project debt) for the years 2025 to 2031 as of June 30, 2024:

Payments Due by Period	Amount (in millions of ₱)
2025.....	18,641.5
2026.....	29,262.4
2027.....	21,192.0
2028.....	32,500.0
2029.....	—
2030.....	—
2031.....	—
<b>Total.....</b>	<b>101,595.9</b>

The following table presents the Company's sources of funding as of June 30, 2024:

Funding Source	Amount (in millions of ₱)
Term loans.....	73,254.9
Non-recourse project debt.....	43,795.9
Ring-fenced project debt.....	70,481.2
Retail bonds.....	61,306.4
Capital stock.....	50,905.4
Redeemable perpetual securities.....	146,027.6
Senior perpetual capital securities.....	121,580.8
<b>Total.....</b>	<b>567,352.1</b>

### Capital Expenditures

Over the past several years, SMGP has made significant capital expenditures in connection with its greenfield projects. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, the Company's capital expenditures were ₱39,594.6 million, ₱48,475.9 million, ₱36,179.0 million, ₱15,199.7 million and ₱28,795.1 million (U.S.\$491.3 million), respectively, which primarily related to expenditures for Masinloc Units 4 and 5, the Mariveles Greenfield Power Plant, the BCC Power Plant and BESS projects.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with the section entitled "Selected Financial Information and Other Data" and the Company's audited consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 and its unaudited condensed consolidated financial statements as of, and for the six months ended June 30, 2024 (with comparative figures for the six months ended June 30, 2023), including the notes thereto, included elsewhere in this Offering Circular. All necessary adjustments to present fairly the results of operations of the Company have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with the Philippine Financial Reporting Standards have been omitted.*

*This discussion contains forward-looking statements and reflects the current views of the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" and elsewhere in this Offering Circular.*

*Translations from Philippine Pesos to U.S. dollars for the convenience of the reader have been made at the BAP closing rate on June 28, 2024 of ₱58.61 to U.S.\$1.00.*

### DESCRIPTION OF CERTAIN COMPONENTS OF RESULTS OF OPERATIONS

#### Revenues

Revenues refers to the sale of power and electricity, which is derived substantially from offtake agreements. It is recognized in the period when actual power or capacity is generated, transmitted and sold to the customers, net of related discounts and adjustments. Revenue from retail and other power-related services is recognized from the supply of electricity to customers. The Uniform Filing Requirements on the rate unbundling released by the ERC (which apply only to customers that are DUs/ ECs) 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, local franchise tax and universal charges are billed and collected on behalf of the national and local government and do not form part of SMGP's revenue. Generation, transmission and system loss charges, which are part of revenues, are pass-through charges.

#### Cost of Power Sold

Cost of power sold consists primarily of (i) cost of coal, fuel oil and other consumables (which consists primarily of the cost of purchasing coal for delivery to the Sual Power Plant, Limay Greenfield Power Plant, Davao Greenfield Power Plant and Masinloc Power Plant), (ii) energy fees, which reflect the variable component of the monthly payments due from SMGP to PSALM under the IPPA Agreements; (iii) power purchased from external sources, which represents the cost of purchasing power from the WESM and other external generators and distribution wheeling service fees incurred by RES-licensed companies (LPI and MPCL); (iv) depreciation expenses relating to the Sual Power Plant, San Roque Power Plant and Ilijan Power Plant (until it was turned over to SPPC in June 2022 in accordance with the terms of the IPPA Agreement) under the finance lease accounting method applicable to the IPPA Agreements and Limay Greenfield Power Plant, Davao Greenfield Power Plant and Masinloc Power Plant and amortization expenses relating to the concession agreement with ALECO; and (v) plant operations and maintenance fees for the operation of the Limay Greenfield Power Plant, Davao Greenfield Power Plant and Masinloc Power Plant.

In future periods, recent geopolitical tensions and uncertainties caused by events such as the Russian invasion of Ukraine and the conflict in Gaza, 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. On December 31, 2021, the Ministry of Energy and Mineral Resources of the Republic of Indonesia announced a ban on all coal exports for the period from January 1 to 31, 2022 as a measure to meet Indonesia's domestic power demand and coal inventory requirements. On January 28, 2022, the ban was completely lifted for the coal suppliers of SMGP. The ban had no material impact on the Company's supply and operations and results of operations. In the event of any future ban, the Company expects to be able to tap domestic sources.

In addition, the Company is implementing other price risk mitigation measures to counter the impact of rising indices and has agreed with a number of customers to pass-on increases in fuel cost. See “*Risk Factors—Risks Relating to the Company —Disruptions and fluctuations in availability and cost of fuel supply.*”

### ***Selling and Administrative Expenses***

Selling and administrative expenses consist principally of: (i) taxes and licenses, (ii) salaries, wages and benefits, (iii) management fees, (iv) outside services, (v) professional fees, (vi) donations, (vii) corporation social program, (viii) depreciation and amortization, (ix) repairs and maintenance, (x) insurance, (xi) impairment losses on trade receivables, and (xii) rent.

### ***Other Income (Charges)***

Other income (charges) primarily consists of (i) PSALM monthly fees reduction, (ii) construction revenue, (iii) construction cost, (iv) foreign exchange gains (losses) — net, (v) miscellaneous income (charges) — net, and (iv) settlement from third party contractors.

Each of the fixed monthly payments made under SMGP’s IPPA Agreements is apportioned between finance cost and reduction of the related finance lease liability so as to achieve a constant rate of interest on the remaining balance of the finance lease liability. Foreign exchange gains and losses result from the effect of exchange rate movements on SMGP’s foreign currency-denominated monetary assets and liabilities.

## **RESULTS OF OPERATIONS**

### **Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023**

#### ***Revenues***

The Company’s consolidated revenues for the first semester of 2024 amounted to ₱98,944.2 million (U.S.\$1,688.2 million), higher by 16.7% from ₱84,770.0 million recognized in the same period last year. The increase was mainly driven by higher offtake volume from the following sources: (i) several PSAs from Meralco and other DUs secured by the Company that allowed the contracting of its available capacities mainly from the 1,200 MW Ilijan Power Plant of SPPC and the incremental generation from the 600 MW Mariveles Greenfield Power Plant, with most of its units currently undergoing testing and commissioning, and (ii) ancillary services rendered for NGCP using a total of 10 BESS facilities of SMGP BESS, with a combined installed capacity of 330 MWh during the period.

#### ***Cost of Power Sold***

Cost of power sold increased to ₱72,468.4 million (U.S.\$1,236.5 million) for the first semester of 2024, which is 8.2% higher than the ₱67,001.4 million incurred for the same period last year. The increase was mainly attributable to: (i) the resumption of Ilijan Power Plant’s operations from June 2023 onwards, (ii) costs of generation of the Mariveles Greenfield Power Plant while most of its units undergo testing and commissioning, (iii) incremental depreciation expense from the 10 BESS facilities that are now in full commercial operations. The increase in cost of power sold was partially mitigated by lower fuel costs incurred by the Company’s coal-fired power plants as global coal prices went down - averaging only U.S.\$130.66 per metric ton (“MT”) in the first semester of 2024 compared to U.S.\$204.27/MT in 2023 for the same period, in terms of GC Newcastle indexed prices. These price movements in fuel were reflected in the tariff rates of the pertinent power supply agreements and have been imputed as part of revenues.

#### ***Selling and Administrative Expenses***

Selling and administrative expenses increased by 15.6% or ₱470.1 million, from ₱3,017.6 million for the first semester of 2023 to ₱3,487.7 million (U.S.\$59.5 million) in 2024 for the same period. The increase was mainly due to incremental operating expenses resulting from the aforesaid start of commercial operations of the 10 BESS facilities and the Mariveles Greenfield Power Plant and personnel-related expenses of the Company necessary for its continuing business expansion.

### ***Income from Operations***

As a result, consolidated income from operations of ₱22,988.7 million (U.S.\$392.2 million) for the first semester of 2024 was up by 55.8% from the same period last year owing to improved margins as the Company worked out a successful transition to fuel pass-through arrangements for most of its bilateral customers including the 1,200 MW PSA of SPPC with Meralco that was in effect for most part of the first semester of 2024, as well as the additional margins contributed by BESS through ancillary services.

### ***Interest Income***

Interest income amounted to ₱435.7 million (U.S.\$7.4 million) for the first semester of 2024. The lower number compared to the same period last year was due primarily to shorter placement periods as funds were utilized to cover capital expenditures for ongoing construction projects.

### ***Interest Expense and Other Financing Charges***

Interest expense and other financing charges went up to ₱9,924.1 million (U.S.\$169.3 million) for the first semester of 2024. This is attributable to the additional ₱40,000 million term loan drawn in tranches by SMGP BESS and the pervasive increase in global and local interest rates which affected primarily the new and outstanding debts of the Company, but was partly mitigated by lower interest expense on the declining principal balances of the Group's finance lease liabilities owed to PSALM arising from the IPPA agreements, such as primarily on the Sual Power Plant, which is already nearing full settlement by October 2024.

### ***Equity in Net Earnings (Losses) of an Associate and Joint Ventures***

Equity in net earnings of an associate and joint ventures registered at ₱180.8 million (U.S.\$3.1 million) for the first semester of 2024, a turnaround from the ₱4.8 million loss for the same period last year, mainly due to the improvement in the financial performance of AHC.

### ***Other income (charges) - net***

Other charges amounted to ₱3,776.0 million (U.S.\$64.4 million) for the first semester of 2024, a complete turnaround from the ₱1,847.1 million other income for the same period last year. This was mainly due to the net foreign exchange loss recognized on the revaluation of the Company's U.S. dollar-denominated net monetary liabilities, with the depreciation of the Philippine Peso against the U.S. dollar during the period, which is in stark contrast to the significant appreciation of the Philippine Peso against the U.S. dollar seen in the first semester of 2023.

### ***Income Before Income Tax***

As a result of the foregoing factors, income before income tax increased by 12.9% or ₱1,131.7 million, from ₱8,772.9 million recorded in the six months ended June 30, 2024 to ₱9,904.6 million (U.S.\$169.0 million) for the same period in 2023.

### ***Income Tax Expense***

Provision for income tax amounted to ₱2,466.3 million (U.S.\$42.1 million) for the first semester of 2024. The lower number compared to the same period last year was due mainly to: (i) deferred tax benefit recognized by the Company on its unrealized foreign exchange losses during the period, partly offset by (ii) higher income tax expense of LPI and MPI following the expiration of its income tax holiday in May and September 2023, respectively, and higher taxable income of SPPC.

### ***Net Income***

Consequently, the consolidated net income of the Company for the first semester of 2024 increased to ₱7,438.2 million (U.S.\$126.9 million) or by 25.9%, from ₱5,909.3 million reported for the same period last year. Without the impact of the net foreign exchange differential recognized in the first semesters of 2024 and 2023, the consolidated net income would have increased by 129.4% from last year.

## **Year Ended December 31, 2023 Compared to Year Ended December 31, 2022**

### ***Revenues***

The Company's consolidated revenues for the year ended December 31, 2023 amounted to ₱169,590.2 million (U.S.\$2,893.5 million) or 23.4% or ₱51,798.6 million lower than ₱221,388.8 million for the same period in 2022. Offtake volume of 25,205 GWh posted an 8.7% decline from last year primarily due to the suspension and eventual termination of the Company's 670MW bilateral contract with Meralco as a result of a decision from the Court of Appeals of the Philippines, which were partially offset by several emergency power supply agreements secured with Meralco and other distribution utilities for available capacities, and the resumption of operations of the Ilijan Power Plant.

In addition, the decrease in revenues were driven by lower average realization bilateral rates due to the decrease in fuel pass-on charges in accordance with fuel pricing provisions of the Company's bilateral contracts as a result of increasing Newcastle coal indices and gas prices.

### ***Cost of Power Sold***

Cost of power sold likewise decreased by 34.0% or ₱67,379.3 million, from ₱198,371.0 million in 2022 to ₱130,991.7 million (U.S.\$2,235.0 million) in 2023. The decrease was attributable mainly to lower fuel costs as international coal prices went down by an average of 52% in terms of Newcastle coal indices and gas prices. Moreover, the Company was able to substantially reduce its exposure to power purchases in the spot market to supplement its required generation output following the suspension and eventual termination of the Company's 670MW bilateral contract with Meralco as a result of a decision from the Court of Appeals of the Philippines. See "Business—Legal Proceedings—Request for Price Adjustment on the Meralco PSAs."

### ***Selling and Administrative Expenses***

Selling and administrative expenses increased by 7.4%, or ₱426.5 million, from ₱5,740.0 million in 2022 to ₱6,166.5 million (U.S.\$105.2 million) in 2023. The increase was mainly due to: (i) higher expenses for taxes and licenses such as documentary stamp taxes from various transactions of the Company, and local business taxes for the account of the Company, SPI, LPI, MPI, SRHI and MPCL and (ii) higher personnel-related expenses of the Company driven by its continuing business expansion.

### ***Income from Operations***

As a result, consolidated income from operations of ₱32,526.0 million (U.S.\$554.96 million) in 2023 increased by 12.6% from ₱28,885.6 million in 2022.

### ***Other Income (Charges) — Net***

Interest income decreased by 38.1%, or ₱462.1 million, from ₱1,211.4 million in 2022 to ₱749.3 million (U.S.\$12.78 million) in 2023, due mainly to lower average interest rate and shorter placement periods as funds were utilized to defray capital expenditures for ongoing construction projects.

Equity in net losses of an associate and joint ventures registered at ₱272.1 million (U.S.\$4.6 million) loss in 2023, down from the ₱400.1 million loss in 2022, mainly due to the share in lower net losses of AHC.

Other income (charges) decreased by 107.4%, or ₱7,778.8 million, from ₱7,240.8 million charges in 2022 to ₱538.0 million (U.S.\$9.2 million) other income in 2023. This was mainly attributable to net foreign exchange recognized on the revaluation of the Company's U.S. dollar-denominated net monetary liabilities, with appreciation of the Philippine Peso against the U.S. dollar in 2023 compared to the significant depreciation of the Philippine Peso in 2022.

### ***Income Before Income Tax***

As a result of the foregoing factors, income before income tax increased by 261.4% or ₱10,894.8 million, from ₱4,168.4 million recorded in the year ended December 31, 2022 to ₱15,063.2 million (U.S.\$257.0 million) for the same period in 2023.

### ***Income Tax Expense***

Provision for income tax increased from ₱1,034.8 million in 2022 to ₱5,160.2 million (U.S.\$88.0 million) in 2023. The increase was primarily due 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 Company for the year significantly increased by 216.0% from ₱3.133.6 million in 2022 to ₱9,903.0 million (U.S.\$169.0 million) in 2023.

## **Year Ended December 31, 2022 Compared to Year Ended December 31, 2021**

### ***Revenues***

The Company's consolidated revenues for the year ended December 31, 2022 amounted to ₱211,388.8 million or 58.1% or ₱77,678.6 million higher than ₱133,710.2 million for the same period in 2021. Offtake volume of 27,402 GWh posted a 0.7% increase from last year primarily due to an improvement in capacity nominations from Meralco, other distribution utilities and industrial customers following the easing of COVID-19 pandemic quarantine restrictions.

In addition, the increase in revenues were driven by (i) higher average realization bilateral rates due to the increase in fuel pass-on charges as a result of rising coal prices, (ii) higher spot prices during the year, (iii) and (iv) commencement of commercial operations of the 20 MWh Kabankalan 1 BESS on January 26, 2022.

### ***Cost of Power Sold***

Cost of power sold more than doubled by 115.2% or ₱106,209.7 million, from ₱92,161.3 million in 2021 to ₱198,371.0 million in 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 spot market to augment the Company's power supply requirements to meet the bilateral nominations from its contracted demand.

### ***Selling and Administrative Expenses***

Selling and administrative expenses increased by 16.8%, or ₱824.7 million, from ₱4,915.3 million in 2021 to ₱5,740.0 million in 2022. The increase was mainly due to: (i) higher local business taxes of MPCL, SMGP and LPI, (ii) increase in personnel-related expenses of the Company, and (iii) reversal of impairment losses on trade receivables in 2021 due to improvement in collections.

### ***Income from Operations***

As a result, consolidated income from operations of ₱28,885.6 million in 2022 declined by 21.6% from ₱36,840.6 million in 2021.

### ***Other Charges — Net***

Interest income decreased by 96.3%, or ₱594.3 million, from ₱617.1 million in 2021 to ₱1,211.4 million in 2022, due mainly to 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 registered at ₱400.1 million loss in 2022, down from the ₱117.3 million loss in 2021, mainly due to the share in lower net losses of AHC.

Other charges increased by 507.1%, or ₱6,048.2 million, from ₱1,192.6 million in 2021 to ₱7,240.8 million in 2022. This was mainly attributable to net foreign exchange losses driven by the unprecedented depreciation of the Philippine Peso against the US Dollar in 2022.

### ***Income Before Income Tax***

As a result of the foregoing factors, income before income tax decreased by 76.7% or ₱13,710.1 million, from ₱17,878.5 million recorded in the year ended December 31, 2021 to ₱4,168.4 for the same period in 2022.

### ***Income Tax Expense***

Provision for income tax declined from ₱1,900.2 million in 2021 to ₱1,034.8 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 Company for the year decreased by 80.4% from ₱15,978.3 million in 2021 to ₱3,133.6 million in 2022.

## **MATERIAL ACCOUNTING POLICIES**

For a discussion of the material accounting policies and use of judgments, estimates and assumptions of SMGP, please see Notes 3 and 4 of the audited consolidated financial statements included in this Offering Circular and Notes 3 and 4 of the unaudited interim condensed consolidated financial statements included in this Offering Circular.

In accounting for its IPPAs, Agreements with PSALM, SMGP's management has made a judgment that the IPPA Agreements are agreements that contain a lease. The management of SMGP has made a judgment that it has substantially acquired all the risks and rewards incidental to the ownership of the IPPA Power Plants. Accordingly, each IPPA Agreement was accounted for as a finance lease and SMGP recognized the IPPA Power Plants as finance lease liabilities at the present value of the agreed monthly payments to PSALM. Please see Note 6 of the audited consolidated financial statements and Note 6 of the unaudited interim condensed consolidated financial statements included in this Offering Circular.

## INDUSTRY OVERVIEW

*The information in this section has been derived from various Government and private publications, which have not been prepared or independently verified by SMGP, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates or advisors and no representation is made as to the accuracy or completeness of the information in this section. Certain information in this section regarding demand for electricity in the Philippines was derived from the DOE website (www.doe.gov.ph) and related DOE issuances and has been supplemented with information from the ERC and the ERC website (www.erc.gov.ph), the Philippine Statistics Authority, WESM, Bloomberg, Company estimates and assumptions based on such information and other sources. SMGP does not have any knowledge that such information from such sources is inaccurate in any material respect. The information may not be consistent with other information compiled within or outside the Philippines. The contents of www.doe.gov.ph and www.erc.gov.ph do not form part of and are not incorporated by reference into this Offering Circular.*

### OVERVIEW

The Philippine power industry was historically dominated by the state-owned NPC. Since the 1990s, the Government decided to restructure and promote the development of the Philippine power industry through private sector participation and has been privatizing its generation assets and capacity since December 2003.

The current framework of the Philippine power sector is governed by the EPIRA which was enacted in 2001. The Philippine power industry, following the passage of the EPIRA, has undergone major reforms. The EPIRA aims to improve the power sector in the Philippines by ensuring and accelerating total electrification of the country and providing a fairer, competitive landscape for power sector participants, resulting in a more efficient and transparent industry. Among other things, the EPIRA set out:

- the creation of the ERC, which is an independent quasi-judicial regulatory body under the EPIRA;
- separation of the industry into generation, transmission, distribution and supply sectors;
- break-up and privatization of generation assets of the NPC, and the privatization of transmission assets by PSALM;
- removal of the monopoly distribution utilities that held on retailing electricity within their franchise areas to allow retail competition; and
- RCOA to distribution networks.

### Philippine Power Industry Structure

The Philippine power industry has evolved into a competitive market with clear separation between generation, transmission, distribution, and supply. Under the EPIRA, cross ownership in the transmission sector with the generation and distribution sectors is not allowed.

Sector	Details
<b>Generation</b>	<ul style="list-style-type: none"><li>• Generation companies are involved in converting fuel and other forms of energy into electricity</li><li>• Generation companies compete with each other for contracts with distribution utilities or spot sales on the wholesale electricity spot market</li><li>• The generation sector is largely deregulated and competition is based largely on pricing</li><li>• The generation sector consists of:<ul style="list-style-type: none"><li>• NPC-owned and operated facilities;</li><li>• NPC-owned and IPP-operated plants;</li><li>• IPP-owned and operated plants; and</li><li>• IPPAs.</li></ul></li></ul>

Sector	Details
<b>Transmission</b>	<ul style="list-style-type: none"> <li>• The transmission network is responsible for transmitting electricity from power generators to electricity distributors and large end-users</li> <li>• The transmission sector is regulated and operated by a single transmission network owner and system operator respectively on a monopolistic structure</li> <li>• TransCo, which is owned by the Government, is the owner of the transmission network and is responsible for maintaining the reliability, adequacy, security, stability, and integrity of the nationwide electrical grid. It is mandated to provide open and non-discriminatory access to its transmission system to all electricity users</li> <li>• The transmission of electricity through the transmission grid is subject to transmission wheeling charges</li> <li>• NGCP is a private consortium of Monte Oro Grid Resources, Calaca High Power Corporation and the State Grid Corporation of China. It holds the concession contract to operate, maintain and expand the transmission network</li> </ul>
<b>Distribution</b>	<ul style="list-style-type: none"> <li>• Distributors are responsible for distributing electric power off the transmission network to end-users and consist of private distribution utilities such as Meralco and the Visayan Electric Company, electric cooperatives and local Government units</li> </ul>
<b>Supply</b>	<ul style="list-style-type: none"> <li>• With the commencement of the RCOA, distribution utilities are required to unbundle their distribution operations from the supply operations which makes the supply function competitive in nature</li> <li>• Private suppliers licensed by ERC are allowed to carry out the supply function using the assets of the distribution utilities, subject to payment of regulated tariffs</li> </ul>

## POWER GENERATION OWNERSHIP

The ownership of various power generation assets in the Philippines can be subdivided into the following categories: (1) NPC-owned and operated facilities; (2) NPC-owned and IPP-operated plants (“**NPC-IPP**”); and (3) IPP-owned and operated plants (“**Non-NPC**”).

The IPPAs are qualified private sector independent entities that administer and manage the contracted energy from the energy conversion agreements and power purchase agreements that NPC entered into with the IPPs.

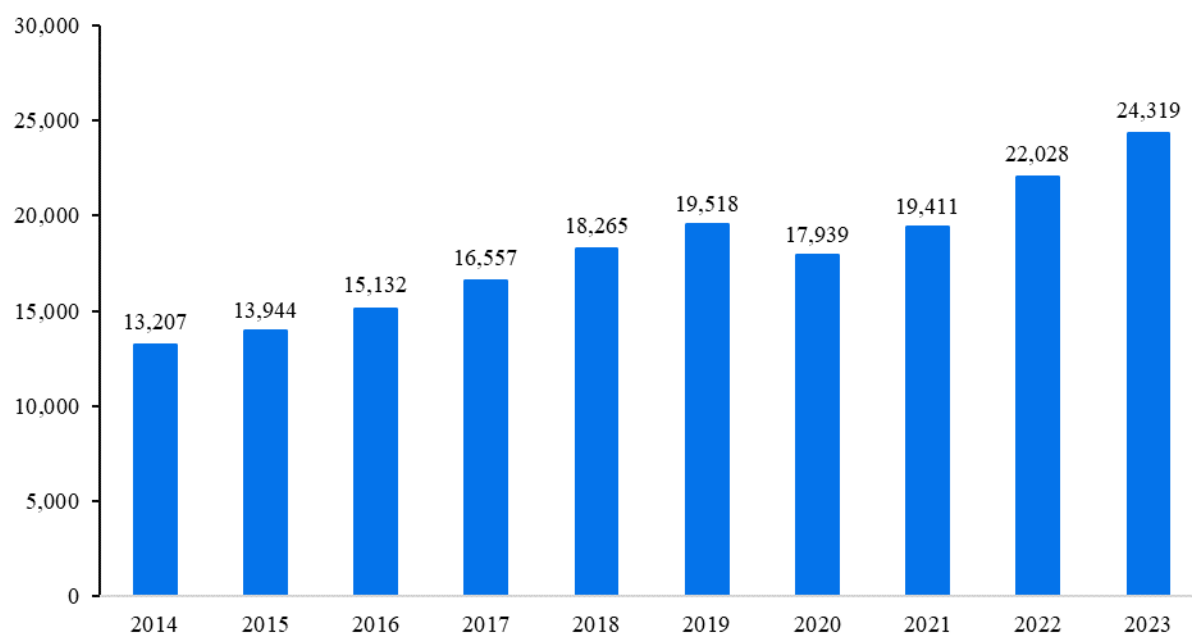
Under a typical IPPA agreement, the energy offtake, which would have been delivered to NPC in the absence of an IPPA agreement, is instead delivered to the IPPA. The IPPA then looks to sell that committed power and production to customers and end users.

As a result of the privatization process under the EPIRA, there have been major changes to power plant ownership and management in the Philippines. To encourage more investments and accelerate the development of the RE sector in the country, the DOE also issued amendments to the Implementing Rules and Regulations (“**IRR**”) of the RE Act (RA 9513) which allowed full foreign ownership in RE projects from the previous 40% limitation. Following this, the DOE has already awarded 19 wind projects with a combined capacity of 5.5 GW to four 4 wholly owned foreign companies, three of which are offshore wind.

## ECONOMIC GROWTH DRIVERS FOR DEMAND OF POWER IN THE PHILIPPINES

From 2014 to 2023, the nominal GDP in the Philippines grew from approximately ₱13,207 billion to ₱24,319 billion, according to the Philippines Statistics Authority, representing a compound annual growth rate (“**CAGR**”) of 7.0%.

### The Philippines' Nominal GDP (₱ billion)

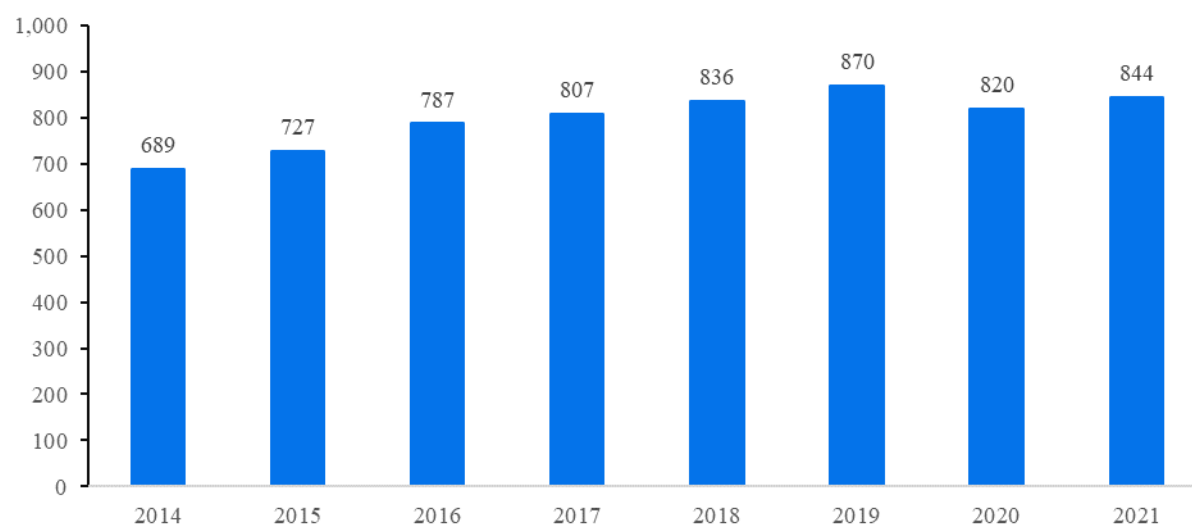


Source: Philippines Statistics Authority, Released May 2024

The electricity, steam, water and waste management subsector, also known as the utilities subsector, accounted for 3.0% of the GDP of the Philippines in 2018 (₱557 billion) and 3.5% of GDP in 2023 (₱844 billion).

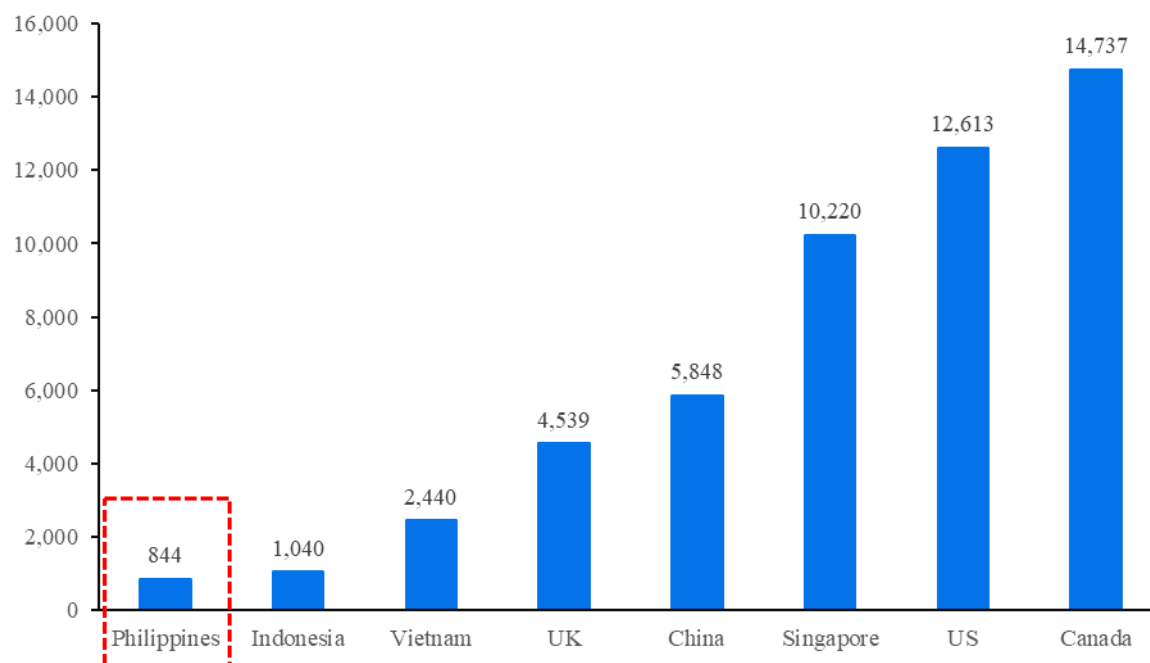
Per capita electricity consumption in the Philippines has also increased from 689 KWh in 2014 to 844 KWh in 2021. The per capita electricity consumption in the Philippines still remains significantly lower than other emerging economies such as Indonesia and China as well as developed countries in Europe and North America. This indicates potential for growth in electricity demand as the Philippine economy continues to develop.

### Annual Electricity Per Capita Consumption in the Philippines (KWh)



Source: International Energy Agency ("IEA") Energy Statistics Data Browser (Latest available data, 2021 annual)

### Electricity Per Capita Consumption Compared to Other Countries (KWh)

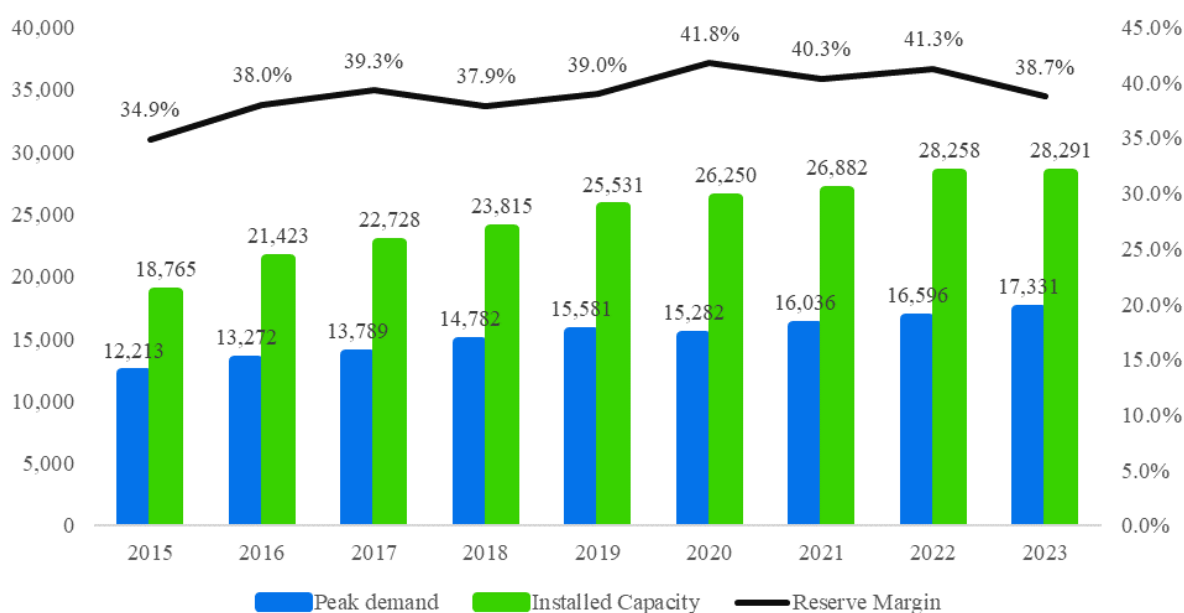


Source: International Energy Agency (“IEA”) Energy Statistics Data Browser (Latest available data, 2021 annual)

### ELECTRICITY SUPPLY AND DEMAND

The Philippines’ strong GDP growth has underpinned robust electricity demand growth. Peak demand has increased from 12.2 GW in 2015 to 17.3 GW in 2023 at an average annual growth rate (“AAGR”) of 4.5%. On the other hand, installed capacity has grown at an AAGR of 5.3%. This has resulted in a widening reserve margin of 34.9% in 2015 to 38.7% in 2023. Peak demand registers a threefold increase from 16.6 GW in 2022 to 68.5 GW in 2050, corresponding to a 5.2% AAGR. Total generation grows at an annual rate of 5.1%, from 111.5 TWh in 2022 to 453.8 TWh in 2050. As electricity demand continues to grow, the government will endeavor to assist the private sector in the timely completion of their power projects to generate additional capacities.

### Historical Peak Demand (MW) vs Supply (MW)

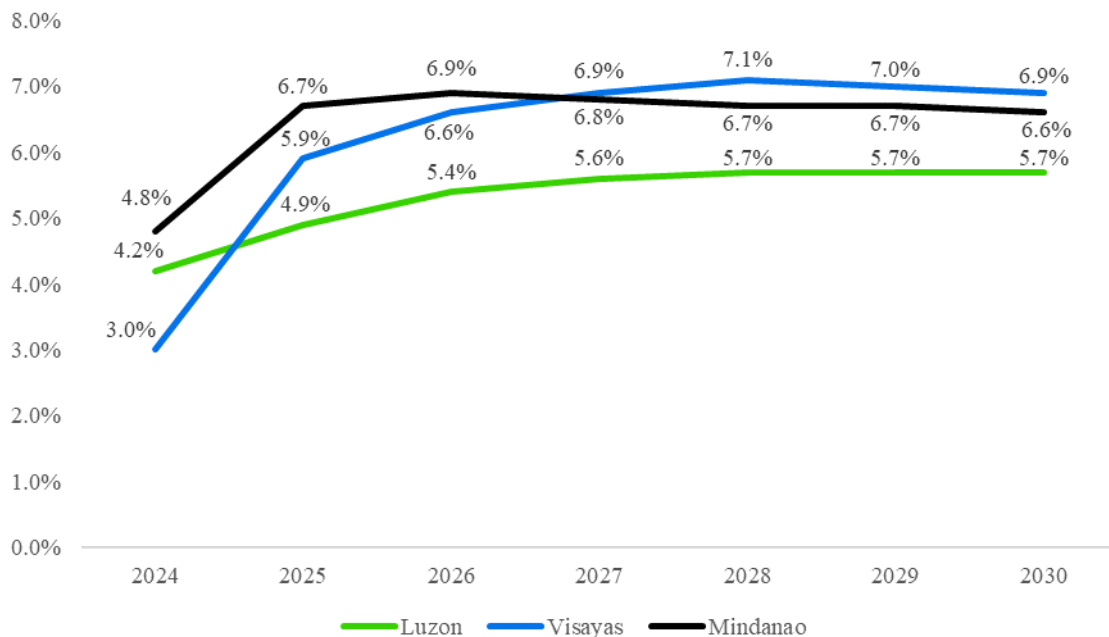


Source: DOE Power Statistics 2023, Released July 12, 2024

Notes:

1. Reserve Margin calculated as difference between Installed Capacity and Peak Demand divided by Installed Capacity
2. Peak demand refers to non-coincidental system peak demand across Luzon, Visayas and Mindanao grids

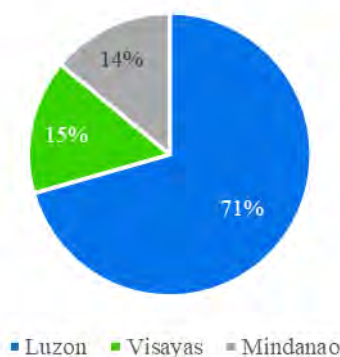
### Projected Peak Demand Growth



Source: DOE Philippines Energy Plan 2023-2050

According to DOE Power Statistics 2023, as of December 31, 2023, the total installed capacity for the Philippines power industry amounted to 28,291 MW. In 2023, 118,004 GWh of electricity was generated. Electricity in the Philippines is distributed across three electricity grids comprising the Luzon, Visayas and Mindanao grids. The Luzon grid contributes ~71% of power generated in the Philippines.

### Gross Power Generation by Grid in 2023 (GWh)

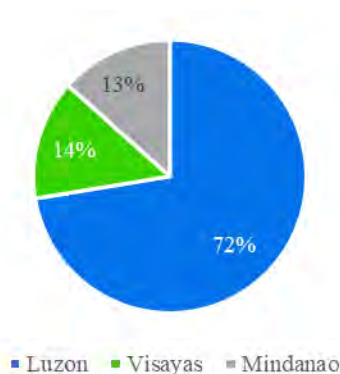


**Total: 118,004 GWh**

Source: DOE Power Statistics 2023, Released July 12, 2024

According to the DOE Power Statistics 2023, the Philippine electricity market had a total non-coincidental peak demand of 17,331 MW in 2023. This demand is divided among the three major grids, with the Luzon grid having the largest demand at 12,550 MW in 2023 (2022: 12,113 MW). In 2023, the Visayas and Mindanao grids also encountered increased peak demands of 2,458 MW (2022: 2,316 MW) and 2,323 MW (2022: 2,167 MW) respectively.

### Peak Demand by Region in 2023 (MW)



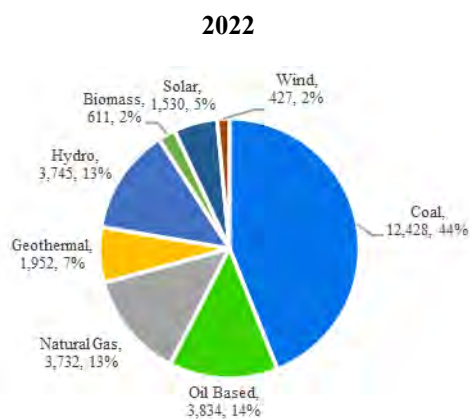
**Total: 17,331 MW**

Source: DOE Power Statistics 2023, Released July 12, 2024

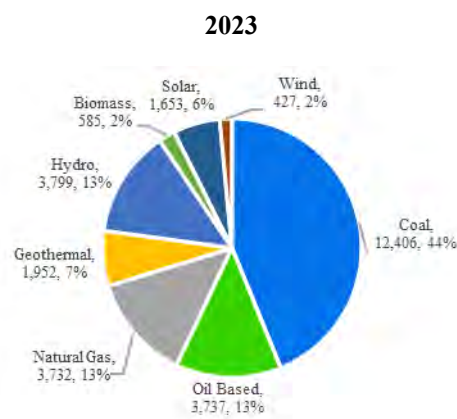
### ENERGY SOURCES

The Philippines' main energy sources for power generation are coal, natural gas, geothermal, hydropower, fuel oil and diesel oil. Coal-fired plants accounted for the largest proportion of installed capacity and also remained the largest energy source in 2023, accounting for 62.5% of the country's total gross generation in 2023. Coal and natural gas-fired plants are the dominant producers of electricity in the Luzon grid, together accounting for 83.7% of the total generation in 2023. In the Visayas grid, gross generation from coal predominates, accounting for 57.3% of total generation in 2023. Coal and hydropower plants in the Mindanao grid, accounting for 92.7% of the total generation in 2023.

### Installed Capacity by Plant Type in the Philippines (MW)



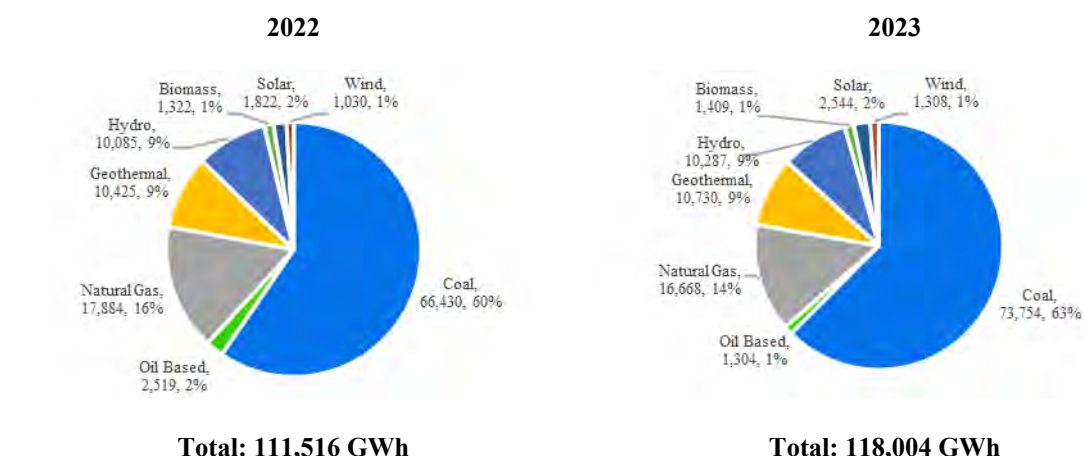
**Total: 28,258 MW**



**Total: 28,291 MW**

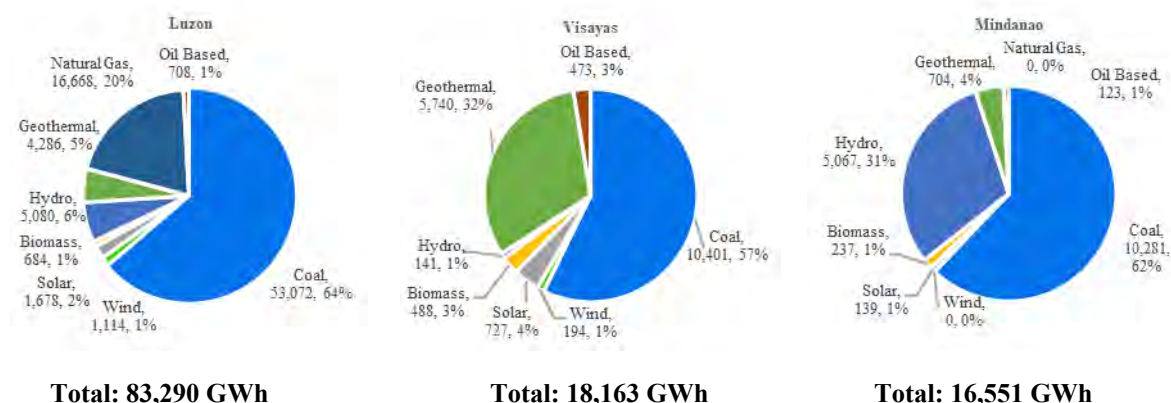
Source: DOE Power Statistics 2023, Released July 12, 2024

## Gross Power Generation by Plant Type in the Philippines (GWh)



Source: DOE Power Statistics 2023, Released July 12, 2024

## Gross Power Generation by Plant Type and Grid in 2023 (GWh)



Source: DOE Power Statistics 2023, Released July 12, 2024

The total electric power generation in 2023 was 118,004 GWh, 5.8% higher than the 111,516 GWh in 2022, due to a rise in electricity demand and supply post-pandemic. Generation from fossil fuels (oil, coal and natural gas) increased by 5.6% to 91,726 GWh in 2023 from 86,832 GWh in 2022. Generation from renewable energy increased by 6.5%, to 26,278 GWh in 2023 from 24,684 GWh in 2022.

Given its limited supply of natural resources, the Philippines largely relies on imports of coal and oil for generating electricity. The Government's goal, as set out in the National Energy Sufficiency and Conservation Program, is to meet supply targets while promoting energy self-sufficiency. Limiting the utilization of imported fuels will make the Philippines less vulnerable to increasing oil and coal prices and promoting the use of indigenous sources of energy such as locally mined coal, geothermal and hydro, will play an increasingly vital role if the Government expects to achieve its self-sufficiency targets.

## ELECTRICITY SUPPLY AND DEMAND OUTLOOK

According to the DOE's "Private Sector Initiated Power Projects as of April 30, 2024" report on private sector-initiated power projects, there are approximately 16.9 GW of private sector-initiated power projects that are committed with 72.7 GW of private sector-initiated power projects that are indicative from 2023 to 2035. Approximately 14.6 GW of such committed and 56.6 GW of such indicative capacities are located in Luzon. 2.3 GW of coal-fired projects have been committed with 1.7 GW indicative from 2023 to 2035.

## Private Sector Initiated Power Projects (MW) — Breakdown by Region

	Committed				Beyond 2027	Total
	2024	2025	2026	2027		
Luzon .....	3,712	2,659	2,076	159	6,017	14,623
Mindanao .....	43	224	40	270	42	618
Visayas .....	52	600	850	-	149	1,651
<b>Total</b> .....	<b>3,807</b>	<b>3,483</b>	<b>2,966</b>	<b>429</b>	<b>6,208</b>	<b>16,892<sup>(1)</sup></b>
	Indicative				Beyond 2027	Total
	2024	2025	2026	2027		
Luzon .....	445	2,462	3,527	6,063	44,089	56,589
Mindanao .....	23	113	166	647	1,465	2,426
Visayas .....	750	785	727	402	10,991	13,655
<b>Total</b> .....	<b>1,218</b>	<b>3,360</b>	<b>4,420</b>	<b>7,113</b>	<b>56,545</b>	<b>72,670<sup>(1)</sup></b>

## Private Sector Initiated Power Projects (MW) — Breakdown by Fuel Type

	Committed				Beyond 2027	Total
	2024	2025	2026	2027		
Coal .....	450	350	485	270	700	2,255
Nat Gas .....	1,320	-	-	-	4,750	6,070
Oil-based .....	20	56	-	-	95	171
Geo .....	75	28	-	-	48	151
Hydro .....	80	92	10	-	615	797
Solar .....	1,672	2,355	1,239	58	-	489
Wind .....	160	570	1,232	101	-	2,063
Biomass .....	29	31	-	-	-	60
<b>Total</b> .....	<b>3,807</b>	<b>3,483</b>	<b>2,966</b>	<b>429</b>	<b>6,208</b>	<b>16,892<sup>(1)</sup></b>
	Indicative				Beyond 2027	Total
	2024	2025	2026	2027		
Coal .....	-	-	-	639	1,050	1,689
Nat Gas .....	-	-	-	-	8,648	8,648
Oil-based .....	60	-	-	-	-	60
Geo .....	-	40	-	105	240	385
Hydro .....	-	-	124	2,792	4,369	7,284
Solar .....	1,146	2,621	3,005	455	95	7,321
Wind .....	-	700	1,242	3,122	42,143	47,207
Biomass .....	12	-	50	-	-	76
<b>Total</b> .....	<b>1,218</b>	<b>3,360</b>	<b>4,420</b>	<b>7,113</b>	<b>56,545</b>	<b>72,670<sup>(1)</sup></b>

Source: DOE as of April 30, 2024

Notes: (1) Figures may not add up due to rounding; Excludes BESS

## PHILIPPINE ENERGY PLAN — STRATEGIC DIRECTIONS

In its Philippine Energy Plan 2023-2050, the DOE identified the following strategic focus areas for the Philippine power industry:

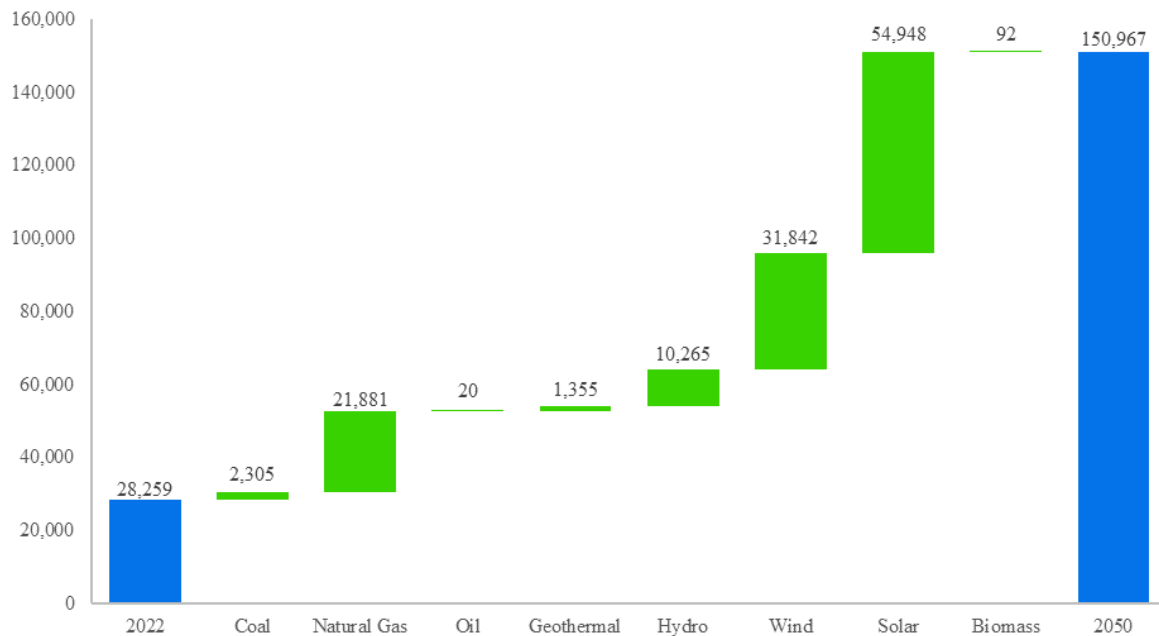
- Philippine nuclear energy program
- Fostering environmental sustainability
- Resiliency and security of energy infrastructures
- Collaboration with agencies (PNOC, NEA, NPC, NTC, PSALM)
- Forging strategic alliances with the international community

The NGCP also has connected the Mindanao Grid to the Visayas Grid, which effectively connects the three main power grids in the country, completed in January 2024.

## SOURCES OF FUTURE POWER SUPPLY

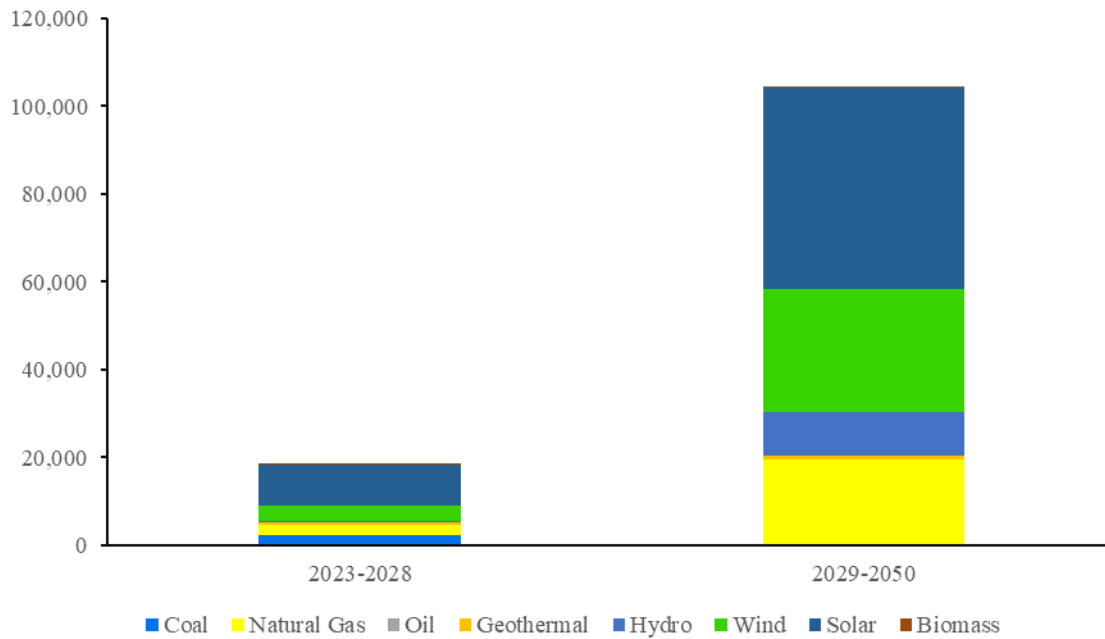
In the latest DOE Power Supply and Demand Outlook 2023-2050, the DOE projects capacity expansion requirements of over 122.7 GW by 2050, with total installed capacity slated to reach 151.0 GW by 2050. The forecast is based on the fuel type. Solar will become the dominant power source at 56.5% of installed capacity in 2040 (2022: 1.5%), overtaking coal which currently is the dominant power source at 12.4% in 2022 (2040: 14.7%).

### Philippine Capacity Expansion Plan for 2023-2050 (MW)



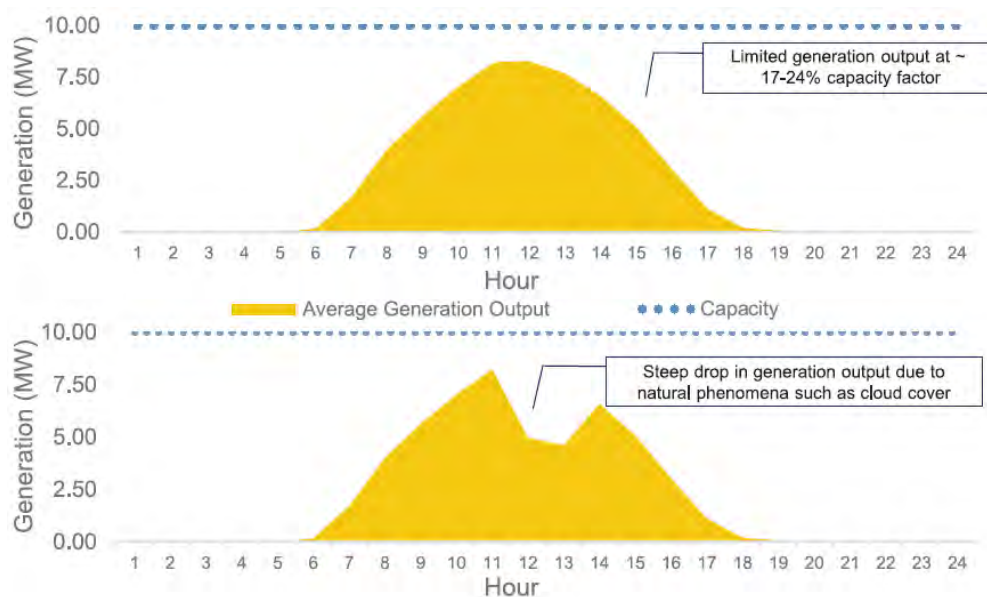
Source: DOE Philippines Energy Plan 2023-2050

### Interim Additional Capacity by type (MW)



The DOE outlook forecasts the entry of significant variable capacities. Variable capacities are those whose generation are capable of steep or sudden drops or increases in generation output. The majority of such capacities are from renewable energies such as solar and wind. These capacities are intermittent, with generation output that is difficult to forecast and is susceptible to sudden increases and decreases due to natural phenomenon.

The graphs below illustrate an average profile of a solar plant in the Philippines:



Source: 12-months average of hourly real time dispatch of Visayas solar plants based on available data from the WESM.

These can be compensated by capacities such as BESS, which are capable of responding to operational signals and instantaneously ramp up or down its power generation. Such flexible capacities can cost-effectively assist in balancing intra-hour changing loads while compensating for sudden drops in output of variable renewable energies.

Flexible capacities are necessary to maintain the stability of the grid. Given this, the forecasted entry of almost 33.2 GW of variable capacities (wind and solar) by 2040 will require support of about 6.6 GW flexible capacities translating to about 20% to 25% flexible capacities for every variable capacity. Taking this into consideration, the following major supply developments and other committed private sector-initiated power projects, the Company has made certain adjustments and forecasts to capacity expansion and demand growth in the Philippines.

## **MERALCO AND DISTRIBUTION MARKET**

The distribution market represents a significant portion of the Philippine electricity market. These typically provide electricity to end-consumers in a franchise area, which includes industrial end-users and small end-consumers, or the captive market. Under the EPIRA, the tariffs charged by distribution utilities for the supply of electricity to the captive market shall be subject to regulation by the ERC based on the principle of full recovery of prudent and reasonable economic costs incurred. In practice, such costs include reasonable margins.

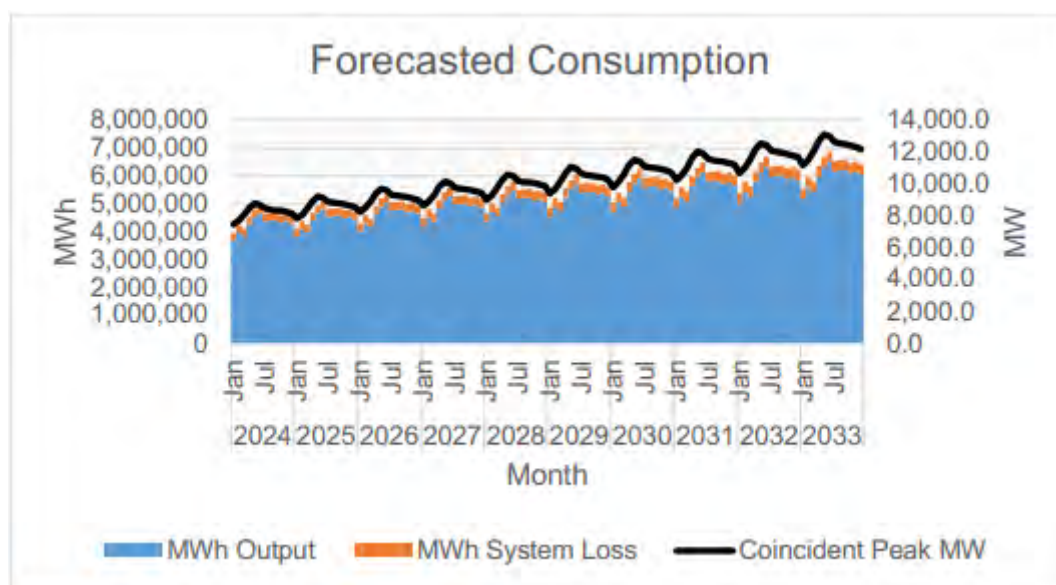
Based on the DOE’s 2023-2032 Distribution Development Plan, Meralco is the largest distribution utility in the Philippines in terms of actual energy sales.

### **Meralco PSA Profile vs. Projected Demand**

In its 2023 to 2032 power supply procurement plan (“**Meralco PSPP**”), Meralco forecasts sustained growth in electricity demand of its captive market sales, driven by the normalization of economic activity and additions to its customer base, albeit tempered by customer response to public policies, particularly on the promotion of renewable energy, energy efficiency, and retail market participation. This translates to peak demand growth at a rate of 4.3% annually over the period of 2022 to 2032.

Meralco foresees the following PSA requirements and projected demand:

### **Meralco Supply & Demand Forecast**



Source: Meralco Power Supply Procurement Plan 2024

Meralco has a planned competitive selection process schedule to address future requirements under Terms of Reference as approved by the Department of Energy.

## Planned Competitive Selection Process

Supply Label	Type	Minimum MW	Minimum MWh/yr	PSA Start	PSA End	Publication
Baseload (600 MW)	Base	600.00	3,942,000.00	Aug 26, 2025	Aug 25, 2040	<b>2024</b>
Baseload (900 MW)	Base	600.00	3,942,000.00	Feb 26, 2028	Feb 25, 2043	2026 *
		300.00	1,971,000.00	Feb 26, 2029	Feb 25, 2044	
RE Baseload (30 MW)	Base	30.00	197,100.00	Feb 26, 2028	Feb 25, 2048	2026 *
Baseload (600 MW)	Base	600.00	3,942,000.00	Feb 26, 2030	Feb 25, 2045	2028 *
Baseload (300 MW)	Base	300.00	1,971,000.00	Feb 26, 2033	Feb 25, 2048	2031 *
RE Mid-merit (500 MW)	Intermediate	350.00	1,379,700.00	Feb 26, 2025	Feb 25, 2035	<b>2024</b>
		150.00	591,300.00	Feb 26, 2026	Feb 25, 2036	
Mid-merit (400 MW)	Intermediate	400.00	1,576,800.00	Aug 26, 2025	Aug 25, 2040	<b>2024</b>
Mid-merit (300 MW)	Intermediate	300.00	1,182,600.00	Feb 26, 2029	Feb 25, 2044	2027 *
Mid-merit (500 MW)	Intermediate	500.00	1,971,000.00	Feb 26, 2032	Feb 25, 2047	2030 *
Peaking (260 MW - 2024 PSA)	Peaking	260.00	94,224.00	Feb 26, 2024	Jul 25, 2024	<b>2023</b>
Peaking (100 MW - 2024 PSA)	Peaking	100.00	44,160.00	May 26, 2024	Nov 25, 2024	<b>2024</b>
Peaking (300 MW - 2028 PSA)	Peaking	300.00	108,720.00	Feb 26, 2028	Jul 25, 2028	2027 *
Peaking (200 MW - 2029 PSA)	Peaking	200.00	72,000.00	Feb 26, 2029	Jul 25, 2029	2028 *
Peaking (200 MW - 2030 PSA)	Peaking	200.00	72,000.00	Feb 26, 2030	Jul 25, 2030	2029 *
Peaking (400 MW - 2031 PSA)	Peaking	400.00	144,000.00	Feb 26, 2031	Jul 25, 2031	2030 *
Peaking (500 MW - 2032 PSA)	Peaking	500.00	181,200.00	Feb 26, 2032	Jul 25, 2032	2031 *
Peaking (500 MW - 2033 PSA)	Peaking	500.00	180,000.00	Feb 26, 2033	Jul 25, 2033	2032 *

Note: Publication dates with (\*) are indicative dates and still subject to change

The first wave of supply procurement under the 2024 PSPP will be for (i) 100MW peaking supply, (ii) 500MW intermediate RE supply, (iii) 600MW baseload supply, and (iv) 400MW intermediate supply.

- The 100MW peaking CSP shall be for the required capacity due to the increase in captive demand brought by the decreasing growth of contestable demand. It will have a contract term from May 26, 2024 to November 25, 2024.
- For the 500MW intermediate CSP for RE supply, it will have the following capacity and COD: 350MW by February 26, 2025 and additional capacity of 150MW by February 26, 2026. Its contract term is 10 years. This CSP will be for Meralco's RPS compliance.
- The 600MW baseload CSP and 400MW intermediate CSP shall be the replacement for the FGPC-Sta Rita PPA which will expire on August 17, 2025. The COD of both CSPs will be on August 26, 2025 with a contract term of 15 years.

For the other CSPs, they will have capacity, COD, and duration as indicated below:

- For the 260MW peaking CSP, it was already included in the 2023 PSPP and was conducted last January 2024. However, after two (2) rounds of failed bidding, it is currently undergoing direct negotiations.
- For the 900MW baseload CSP, it will have the following capacity and COD: 600MW by February 26, 2028 and additional capacity of 300MW by February 26, 2029. Its contract term is fifteen (15) years.
- For the 30MW RE baseload CSP, it will have its COD on February 26, 2028 with a contract term of twenty (20) years. This CSP will be for Meralco's RPS compliance.
- For the 600MW baseload CSP, it will have its COD on February 26, 2030 with a contract term of fifteen (15) years.
- For the 300MW baseload CSP, it will have its COD on February 26, 2033 with a contract term of fifteen (15) years.
- For the 300MW intermediate CSP, it will have its COD on February 26, 2029 with a contract term of fifteen (15) years.
- For the 500MW intermediate CSP, it will have its COD on February 26, 2032 with a contract term of fifteen (15) years.
- For the 300MW peaking – PSA CSP, it will have its COD on February 26, 2028 with a contract term of five (5) months only.
- For the 200MW peaking – PSA CSP, it will have its COD on February 26, 2029 with a contract term of five (5) months only.
- For the 200MW peaking – PSA CSP, it will have its COD on February 26, 2030 with a contract term of five (5) months only.
- For the 400MW peaking – PSA CSP, it will have its COD on February 26, 2031 with a contract term of five (5) months only.
- For the 500MW peaking – PSA CSP, it will have its COD on February 26, 2032 with a contract term of five (5) months only.
- For the 500MW peaking – PSA CSP, it will have its COD on February 26, 2033 with a contract term of five (5) months only.

Source: Meralco Power Supply Procurement Plan 2024

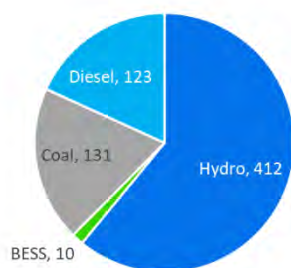
In the same document, Meralco lists 6,590 MW of planned competitive selection processes. This is composed of 2,430 MW in baseload supply, 1,700 MW in intermediate supply, and 2,460 MW in peaking supply.

Between February 2024 to April 2024, subsidiaries of the Company were awarded 3,100MW of contract capacity. Out of the 3,100MW total, 400MW was awarded to Limay Power Inc. (LPI), 1,200MW to South Premiere Power Corp. (SPPC), 1,200MW to Excellent Energy Resources Inc. (EERI), and 300MW to Mariveles Power Generation Corporation (MPGC).

## ANCILLARY SERVICES MARKET

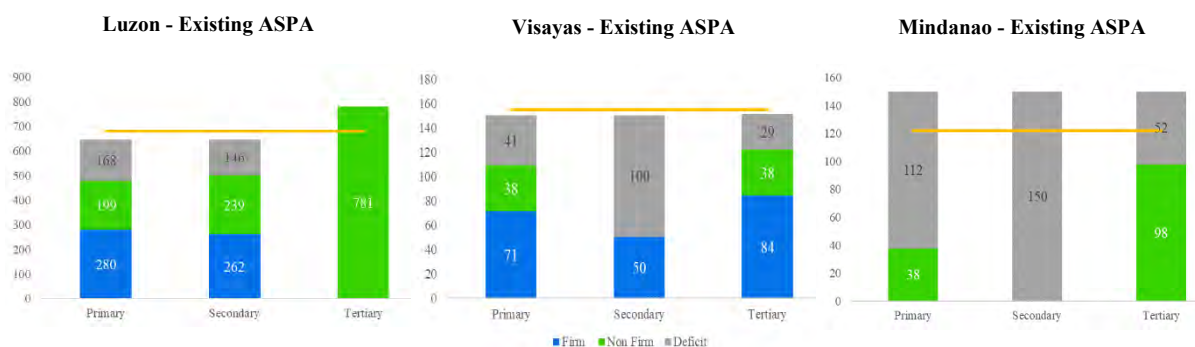
### Ancillary Services Mix

The chart below sets out the firm primary and secondary ancillary services mix per fuel based on various ancillary services procurement agreement (“ASPA”) applications with the ERC as of September 30, 2019.



*Note: Information derived by the Company based on ASPA applications publicly available on the ERC website.*

The charts below set out the primary, secondary and tertiary ancillary services mix per grid based on various ASPA applications with the ERC as of September 30, 2019.



*Note: Information derived by the Company based on ASPA applications publicly available on the ERC website.*

The Company estimates that the total uncontracted ASPA requirements and non-firm ASPA contracts amounts to 2,200 MW, of which 1,300 MW are for frequency regulating reserves.

### Ancillary Services and the Grid

Under the current market structure and expansion plan, two issues arise. First, the increase in the share of renewable capacities in the Philippine grid increases the susceptibility of the grid to reliability, stability, and power quality issues such as under-frequency load shedding and non-compliance to the Philippine Grid Code, which could include frequency violations. For instance, the Philippine grid operates under a 60.0Hz system, thereby requiring that frequency be maintained within a 59.7-60.3Hz band. The Frequency Response Obligation (“FRO”) requirement necessitates sufficient, fast-response reserves to arrest frequency fluctuations in the order of milliseconds to seconds timeframe. The increase in variable sources of energy in the grid increases the probability of frequency going above or below this frequency band, which may result to forced power outages for end-users. Compounding this first issue is that the quality of the national grid’s power supply is susceptible to supply outages — currently, a loss of 600 MW in the Luzon grid leads to a frequency drop of 1.0Hz in about 2.7 seconds. Overall,

unless sufficient fast-response reserves are available, significant long-term investment of an additional 6.5GW in flexible capacities to balance the grid's capacity mix, such as in BESS are needed.

In compliance with the ERC Order dated December 2022, NGCP has posted the Ancillary Service Requirements and the existing Firm and Non-Firm contracted capacities as of June 2024. Based on the NGCP data, there is a gap between the Ancillary Service Requirements and the Implemented ASPAs from CSP as of June 26, 2024. In summary, out of the thirty-six (36) ASPA Applications under the CSP, thirty-five (35) ASPAs have been approved by the ERC, with thirty-three (33) ASPAs implemented as of time of posting. Meanwhile, two (2) ASPAs have yet to be implemented as NGCP is awaiting the final decision of the AS Providers for the ASPA implementation in view of their filed Motions for Reconsideration with the ERC requesting for the immediate resolution of the issue on the modification of payment formula, AS rates and VOM indexation.

Prior to 2023, the Ancillary Services were sourced via direct negotiations and contracting by NGCP with certified power plants. The ASPA executed were then jointly filed by NGCP and the Contracted AS Provider with the ERC for approval of the arrangement and the rates to be passed on to consumers.

In March 2023, the first CSP was conducted in compliance with the DOE Circular No. 2021-10-0031, requiring NGCP to contract Ancillary Services through bidding. This resulted in the execution of ASPAs with 36 power plants nationwide. To date, the ERC has approved 33 of these ASPAs.

On January 26, 2024, the Reserve Market has started commercial operations. Following such commercial operations, all power generation companies with generating capacity/units capable of providing ancillary services may now offer and sell ancillary services even without an ASPA with the NGCP.

### **Battery Energy Storage Systems Technology**

BESS is a type of energy storage system, which utilizes various battery technologies to provide frequency regulation to improve reliability and stability of the transmission grid, capture electricity produced by renewable and non-renewable sources to store for discharge at a later time, among other applications.

BESS is capable of more dynamic regulation than traditional/analog generators, i.e., steam-based such as coal or natural gas. It offers instantaneous regulation support with almost zero lag from desired response.

BESS is believed to provide the following benefits:

<b>Economic</b>	<b>Environment</b>	<b>Technical</b>
<ul style="list-style-type: none"> <li>• High internal rate of return (estimated greater than 20%)</li> <li>• Short payback period (approximately two years)</li> <li>• Attractive EBITDA margins</li> <li>• Medium investment costs</li> <li>• Low operations and maintenance costs</li> <li>• No start-up costs</li> </ul>	<ul style="list-style-type: none"> <li>• Compensates for intermittency of renewables such as solar and wind</li> <li>• Renewable energy integration</li> <li>• Zero direct emissions</li> <li>• Improve efficiency of non-renewable</li> <li>• Displace less efficient generating units (e.g., diesel plants)</li> </ul>	<ul style="list-style-type: none"> <li>• Fast response time (less than 1 second to full dispatch)</li> <li>• Over 85% roundtrip efficiency</li> <li>• Over 97% availability</li> <li>• Modular design</li> <li>• Medium construction period</li> <li>• Useful life of 10-15 years</li> </ul>

*Source: ADB BESS Handbook, Company information*

BESS rose 40 GW in 2023, nearly doubling the total increase in capacity observed in the previous year, according to a special report published by the International Energy Agency on April 25.

According to the IEA's Batteries and Secure Energy Transitions published on April 25, the global market for BESS doubled in 2023, reaching over 90 GWh and increasing the volume of battery storage in use to more than

190 GWh. The report said that 65% of this growth in capacity came from utility-scale systems, while behind-the-meter battery storage accounted for 35%.

The increase was driven almost entirely by China, the EU and US, which collectively accounted for nearly 90% of the added capacity.

The IEA forecasts a rapid increase in the global deployment of battery storage, supported by falling costs and increasing government support. Under a Stated Policies Scenario, total global installed BESS is forecast to increase from 86 GW in 2023 to over 760 GW in 2030. Meanwhile, a Net Zero by 2030 Scenario forecasts a 14-fold increase over the same period, with BESS increasing to 1,200 GW by 2030.

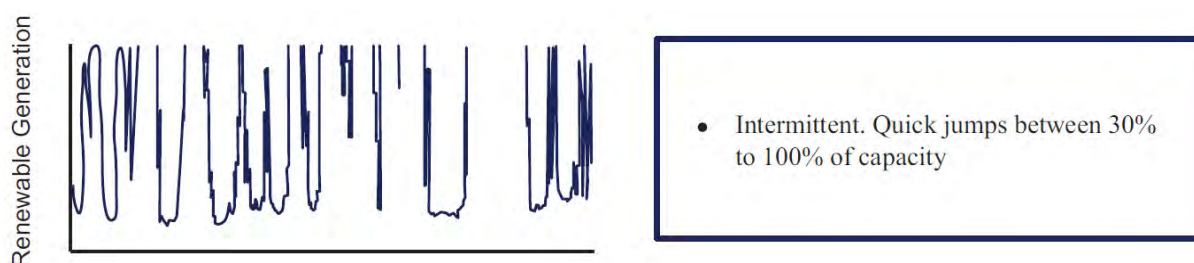
Source: S&P Global

### ***Integration of BESS with other Renewables***

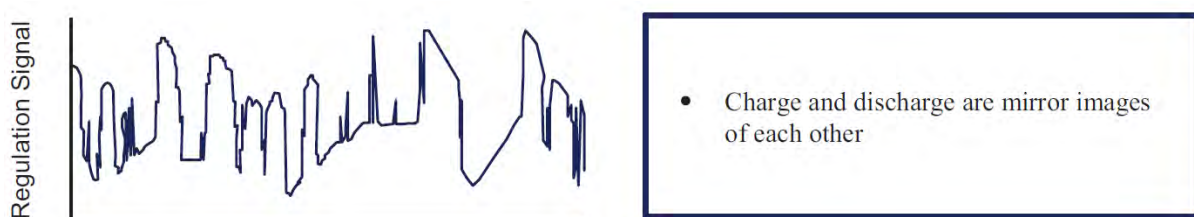
BESS technology is attractive to use together with other sources of technology, particularly with renewables, which is expected to become a larger component of the national grid.

The ADB BESS Handbook recognizes that BESS can provide flexibility which increases the volume of renewables that can be safely connected to the grid, through smoothing of renewable generation. Three scenarios are illustrated below — the quality of power delivered by an intermittent source of electricity, such as solar energy is improved when used in conjunction with BESS.

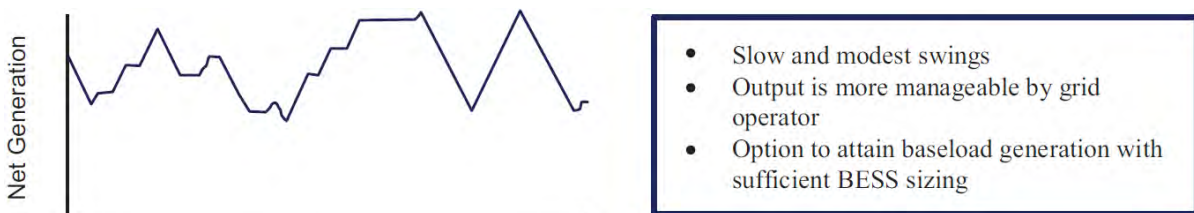
Scenario 1: Solar energy standalone



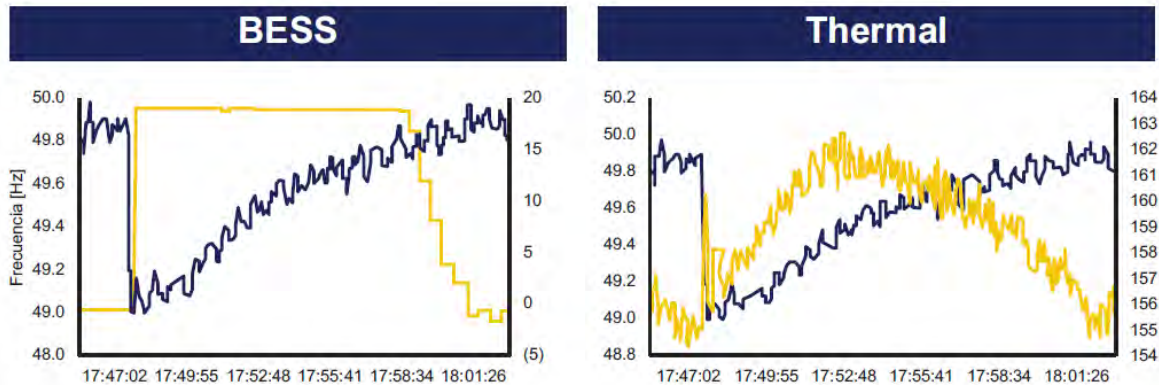
Scenario 2: BESS standalone



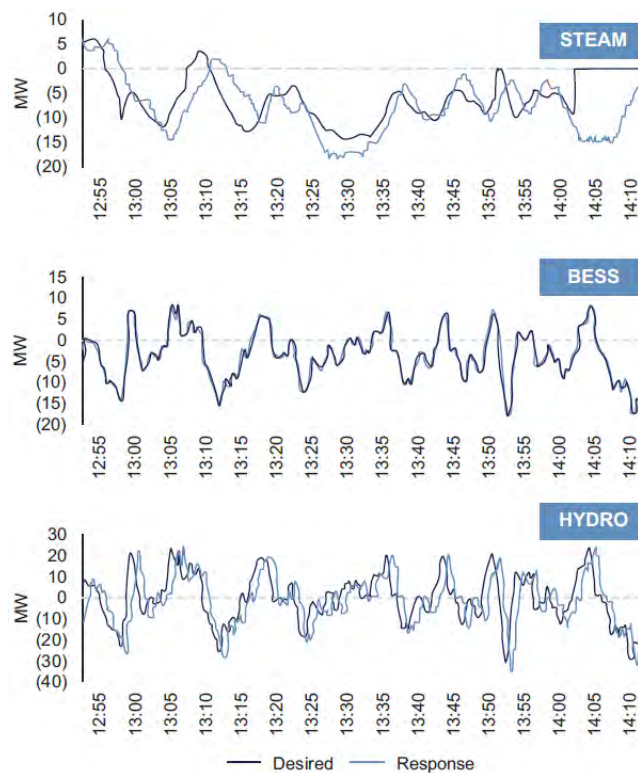
Scenario 3: Solar energy and BESS combined



According to the ADB BESS Handbook, the response time of BESS is faster than that of a conventional power plant (i.e., subseconds versus three to five seconds), which makes it very useful for grid frequency balancing. Such difference in response time, comparing BESS and thermal conventional power, is illustrated below.



The response time of BESS compared to steam and hydro power is also illustrated below. Notably, the response of BESS is instantaneous and provides more precise regulation support with almost zero lag from the desired response, as compared to the others.



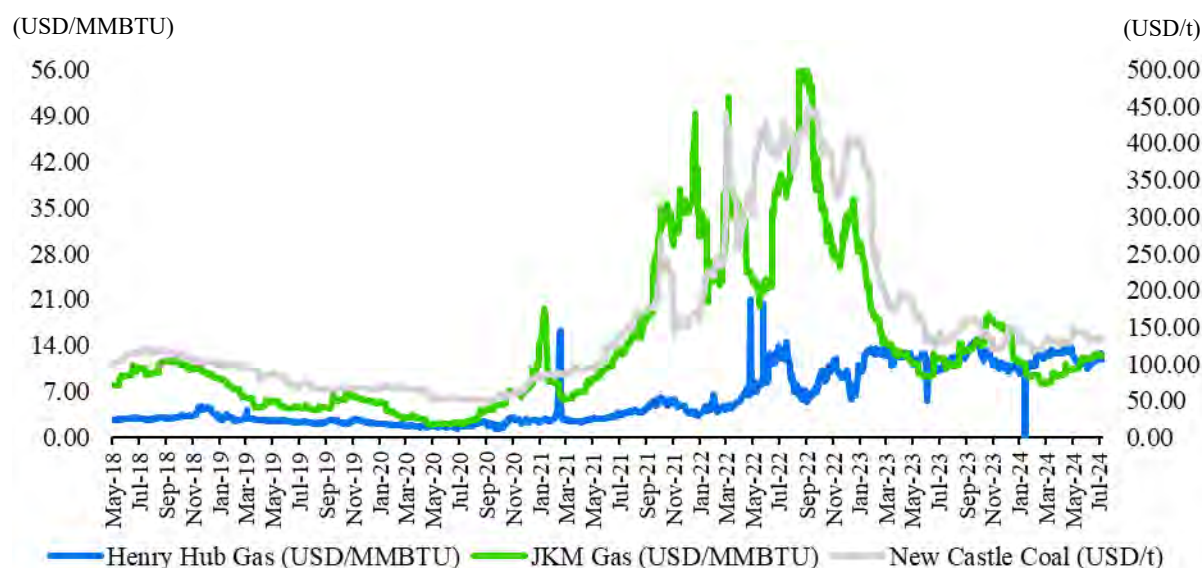
## Global Developments in BESS

Developments in BESS coincide with various global initiatives, particularly with regard to BESS technologies. Notable among these is the increasing support by the World Bank for BESS projects. To enable the rapid uptake of variable renewable energies, the World Bank is convening an Energy Storage Partnership (“ESP”). The stated goals of the ESP are international cooperation on technology (research and development, demonstration, and applications), system integration and planning tools, and policy making, among others. This project recognizes that among the energy storage options available, BESS is becoming a feasible solution for modern grids, primarily due to its fast response, easy deployment and cost reduction trends. Per Asian Development Bank estimates in its Handbook on Battery Energy Storage System dated December 2018, prices of lithium batteries have dropped by 77% from 2010 to 2016. Prices are expected to decline further by 50-60% until 2030. Special focus is given to BESS applications for developing countries, particularly in the adaptation of BESS for their capacity requirements integrating renewable sources while maintaining grid stability.

The ESP is complemented by the World Bank’s “Accelerating Battery Storage for Development” program, which will finance and de-risk BESS-related investments such as stand-alone batteries that can help stabilize and

strengthen grids, and off-grid applications. The World Bank Group is investing \$1 billion in funding from its own coffers towards this new program, and will fundraise another \$1 billion in concessional climate funds through channels such as the Climate Investment Funds' Clean Technology Fund. The program is expected to raise an additional \$3 billion from public and private funds and investors. Through these and other projects, the World Bank estimates global battery storage demand will reach 2,800 GWh by 2040.

## HISTORICAL LNG AND COAL SPOT PRICES



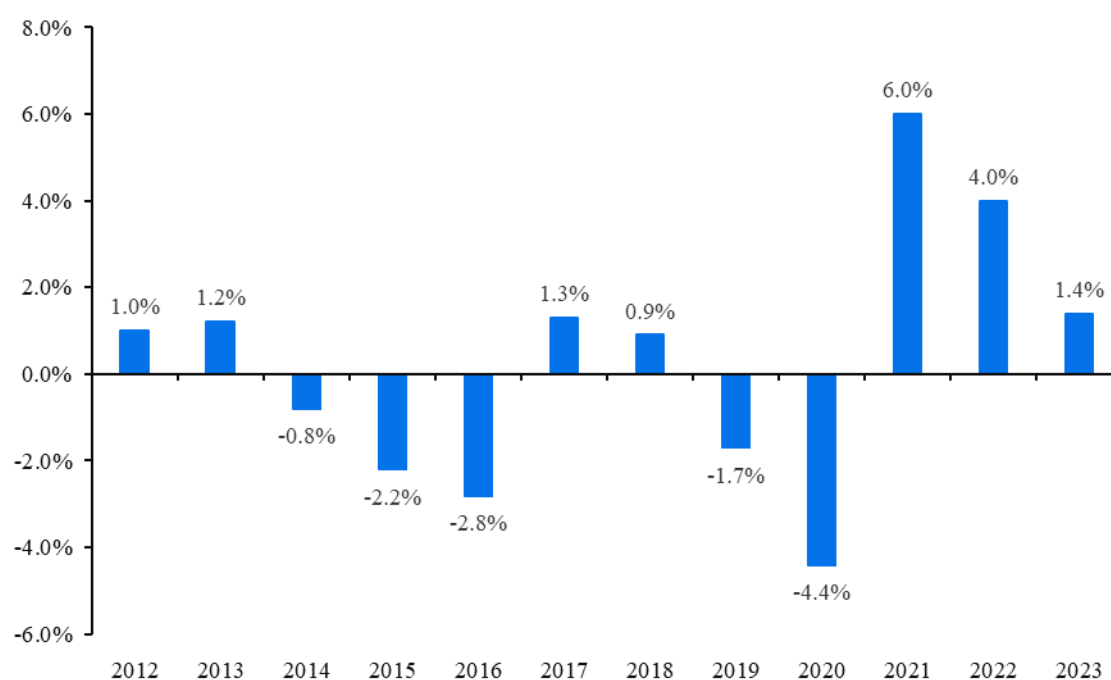
Source: Bloomberg

The Henry Hub natural gas price has been trending lower on an inflated-adjusted basis for the last several years up until March 2021 when the prices spiked. Prices then eased but rose steadily from March to October, hitting U.S.\$6.20/MMBTU in October 2021. Prices declined up until the sudden increase in April 2022 to U.S.\$21.06/MMBTU. Prices then eased again but spiked up to U.S.\$20.41/MMBTU in May 2022. Record-high natural gas production, flat consumption, and rising natural gas inventories contributed to the price volatility in 2023. Due to mild winter and muted demand, global gas prices gradually fell. Price dropped significantly in January 2024 to -U.S.\$0.07/MMBTU. JKM gas prices decreased in 2023. The average JKM price in 2023 was U.S.\$14.62/MMBTU as compared to the average JKM price in 2022 of U.S.\$34.15/MMBTU. Newcastle coal average reached U.S.\$173.8/t in 2023 as compared to U.S.\$357.8/t in 2022.

## Worldwide Coal Demand Expected to Decline Amid Higher Renewable Growth

In 2023, coal demand growth lost momentum due to lukewarm economic prospects paired with the weakening of the factors that pushed coal-fired power generation in 2022. Meanwhile, global coal demand is expected to continue moving eastwards, with China, India, and ASEAN countries combined consuming three-quarters of global demand. At the start of the century, that share was around 35%, lower than the combined share of the European Union and the United States at that time. With growth in India and ASEAN offsetting declines in the European Union and the United States, China remains the decisive player for setting the trend of global coal demand. Higher renewable growth than overall electricity demand growth is likely to push global coal consumption on a downward trajectory. This would imply that coal likely peaked in 2023.

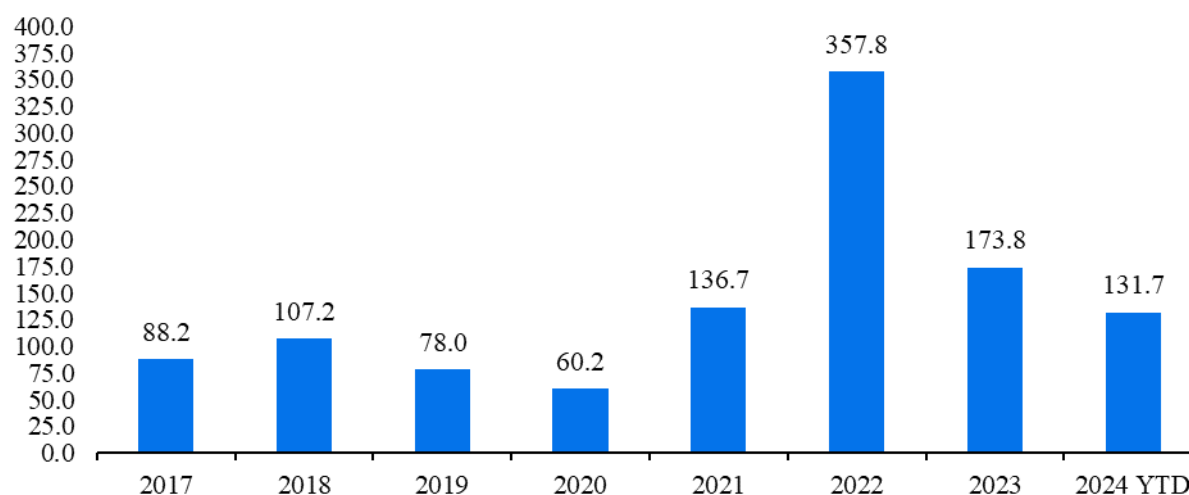
### Global Annual Change in Coal Demand, 2012 to 2023



Source: International Energy Agency

Global coal demand is anticipated to drop in 2024 and plateau through 2026 due to higher renewable growth than overall electricity demand growth. In the three-year period, coal-fired generation is expected to decrease by 5%, falling to 10,067 TWh in 2026. By then, coal's share of global electricity mix would have dropped to just over 30%, the lowest share in IEA records.

### Newcastle Coal Historical Average Price (U.S.\$/t)



Source: Bloomberg

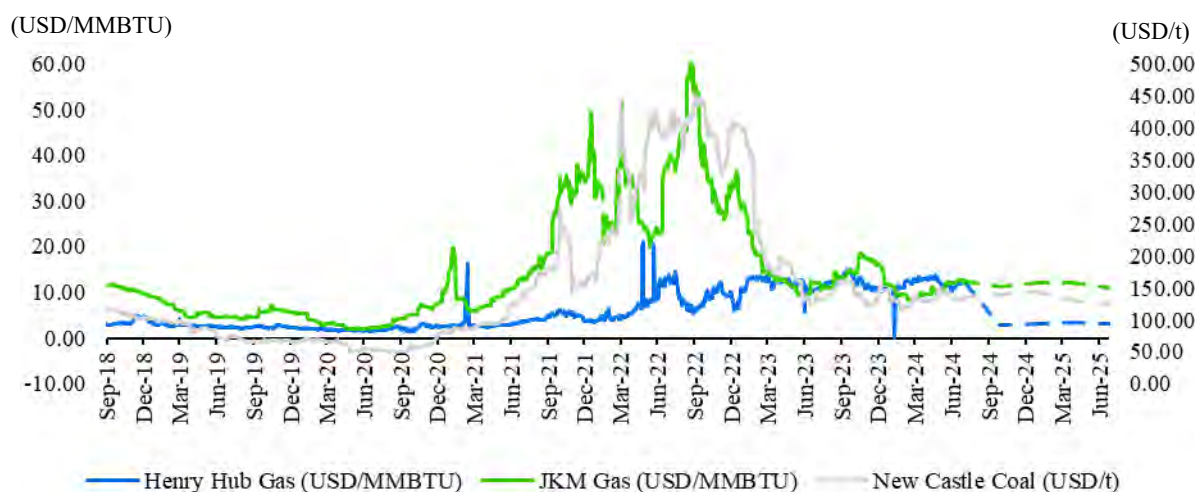
Following the rebound in coal prices in 2021 supported by China's policies, coal prices surged to a record high of U.S.\$357.8/t in 2022. In China, low hydropower output in the summer amid a big heat wave pushed coal power generation significantly higher. Coal prices started to decline to U.S.\$173.8/t in 2023 and is forecasted to present a trend of continuous decrease.

## Gas Prices Expected to Ease in 2024

Global natural gas demand saw minimal growth in 2023. In the Asia-Pacific region, natural gas demand was driven primarily by China and India's power and industrial sectors, while North America's consumption increased marginally. In contrast, demand in Europe was 22 percent below its 2005 peak. Following two years of stagnation, global demand is expected to increase by about 2 percent in 2024 and 2025. This modest growth is expected to be driven by China and the Middle East in 2024. In 2025, however, flat demand in advanced economies will temper an expected rise in consumption in EMDEs.

Global supplies remained relatively stable in 2023. Record-high U.S. natural gas production offset declines in Russia and Europe. Russia's output dropped significantly. While LNG exports increased and remained unaffected by sanctions, they only partially made up for reduced pipeline flows to Europe. The natural gas market is expected to remain tight in 2024 and 2025, with production increases just matching demand. Supply is poised to expand in all major producing regions except the U.S., where previous expectations of continued supply growth are now being revised.

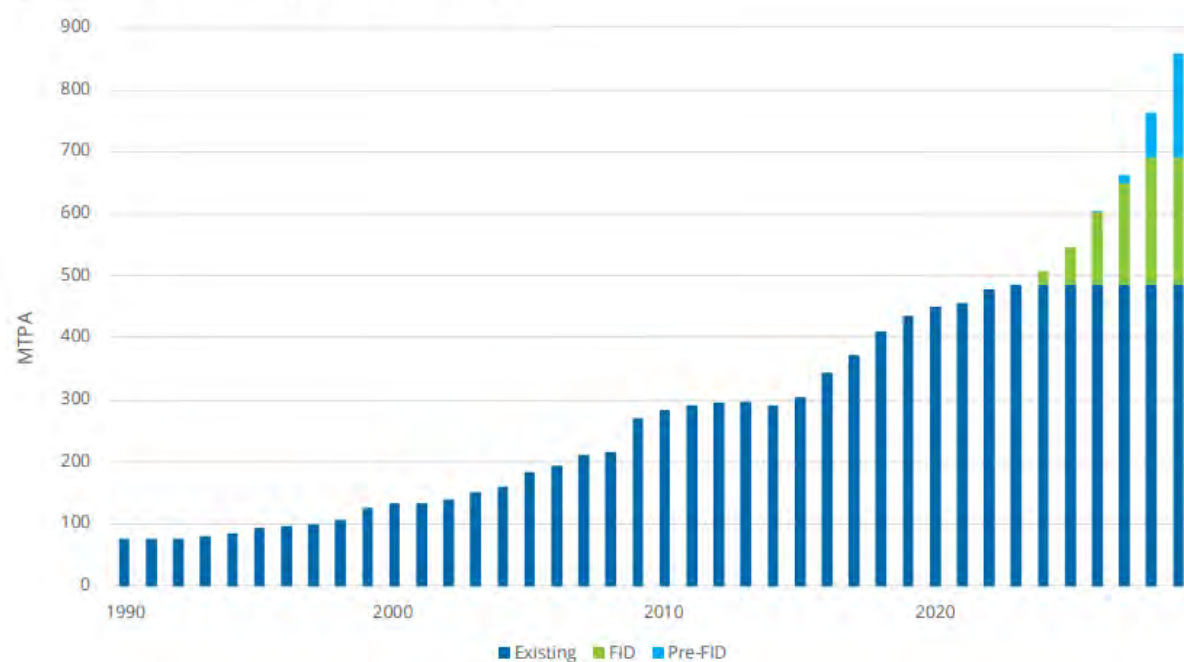
Natural gas prices are forecast to be significantly lower in 2024 compared to the previous two years, with a recovery anticipated in 2025. However, prices could be higher than projected due to geopolitical developments, reduced U.S. exports, and adverse weather conditions. Conversely, a weaker-than-expected global growth outlook, particularly in East Asia and the Pacific, could result in lower prices. The forecast assumes a planned 50 percent increase in U.S. LNG export capacity by 2025. Any delay in this expansion could exert upward pressure on global LNG and European gas prices. Lower-than-expected U.S. exports would imply downward pressure on domestic U.S. prices. Additionally, a key risk for the European market is the expiration of the transit deal for Russian gas through Ukraine, set for December 2024.



Source: Bloomberg

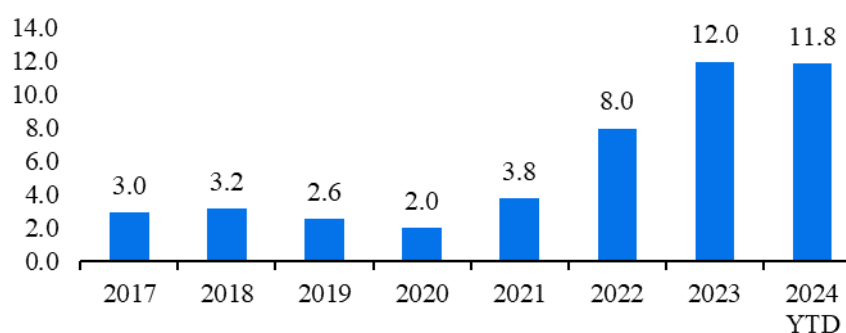
## Global Liquefaction Capacity Development, 1990 to 2029

Figure 5.4: Global liquefaction capacity development, 1990-2029



Source: Rystad Energy, IGU World LNG 2024 Report (Released June 2024)

## Henry Hub Gas Historical Average and Forecast Prices (U.S.\$/MMBTU)

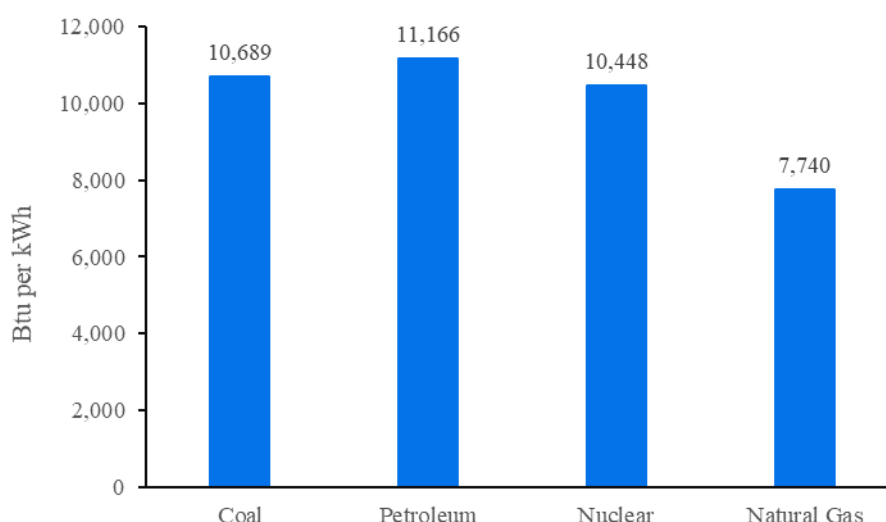


Source: Bloomberg

Prices came down significantly in 2023, although they remained well above their historical averages, both in Asia and Europe. Natural gas markets are expected to see a return to strong growth in 2024, primarily driven by the industrial and power sectors in fast-growing economies in Asia and gas-rich countries in Africa and the Middle East. High inventory levels together with an improving supply outlook are providing gas markets with some reassurance for 2024. However, geopolitical tensions, rising shipping constraints, LNG project delays and adverse weather conditions could renew market tensions and fuel price volatility. The U.S. benchmark Henry Hub natural gas spot price is expected to average higher in 2024 and 2025 than in 2023.

The forecasted increase in gas prices in the near- to medium-term and as developers add more generating capacity from solar- and wind-powered generators, those generators' incremental generation may reduce the need to dispatch natural gas-fired power plants.

### Average Annual Heat Rates for Generators by Fuel Type (2022)



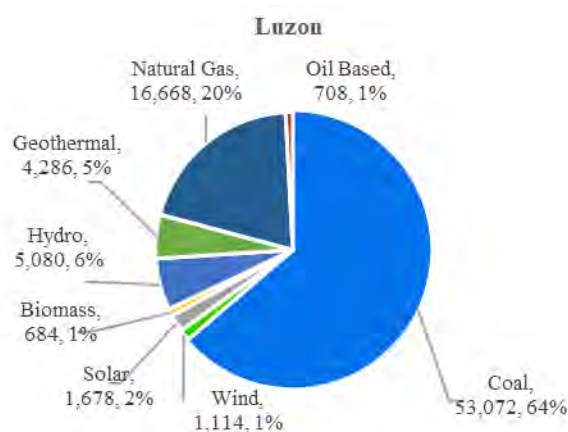
Source: Energy Information Administration

According to the International Finance Corporation (“IFC”), combined-cycle gas power plants are significantly more thermal efficient (~50% to 60%) compared to other types of generators. This is in contrast to single-cycle gas power plants (~35 to 40%), subcritical coal-fired power plants (~30 to 35%) and supercritical coal-fired power plants (up to 42%). A higher efficiency power plant increases the amount of energy that can be extracted per unit of resource and can have a positive effect on emissions. Based on data from the U.S. Energy Information Administration, combined cycle power plants have less than half the carbon dioxide emissions of coal technologies, with a carbon dioxide emissions intensity of 0.91 lb/KWh compared to 2.23 lb/KWh for coal-fired power plants in 2020.

### DOWNSTREAM NATURAL GAS INDUSTRY IN THE PHILIPPINES

Natural gas comprises a significant portion of the power generation requirements in the Philippines, particularly for the Luzon grid. In 2023, 20% or about 16,668 GWh of the electricity generated in the Luzon grid came from power plants utilizing natural gas. This fuel source was second only to coal.

#### 2023 Luzon Grid Generation (GWh, %)



Source: DOE Power Statistics 2023, Released July 12, 2024

This generation accrues primarily to the five natural-gas-fired power plants, all located in Batangas province in the Luzon Grid (the “**Philippine Natural Gas Plants**”). The Philippine Natural Gas Plants have a gross installed dependable capacity of 3,286 MW, of which the largest installed capacities are attributable to the Ilijan Power Plant, the Santa Rita Power Plant, and the San Lorenzo Power Plant.

<b>Power Plant</b>	<b>Gross Installed Dependable Capacity (MW)</b>
Ilijan .....	1,200
Santa Rita .....	1,000
San Lorenzo .....	500
San Gabriel.....	414
Avion.....	97
Own-Use Shell Tabangao Refinery .....	17
<b>Total.....</b>	<b>3,200</b>

*Source: DOE Oil Industry Management Bureau – Natural Gas Management Division*

According to a presentation by the DOE in September 2020 entitled “The Philippine Downstream Natural Gas Industry”, Malampaya supplies the Philippine Natural Gas Plants through several gas supply and purchase agreements. Malampaya had initial gas reserves of 2.7 trillion cubic feet, and has average production levels of 450 million standard cubic feet per day (“**mmscfd**”). The DOE also notes that the concession of Malampaya expires in 2024, with a drop in supply starting as early as 2022. It further notes that Malampaya does not have enough gas for further expansion, and that there is no existing indigenous replacement for the natural gas supply it provides. Such uncertainty on continuing supply from Malampaya, as well as lack of progress on other potential gas fields, has constrained the ability to further develop the downstream LNG market. Luzon might initially require 5 MTPA of LNG for the existing gas fired power plants, industrial, conversion of off-grid power plants and transport sector. The logical source of new gas would be the imported LNG to ensure supply security and sustainability of natural gas in the country. However, there are currently no existing or operational LNG import facilities. Such LNG import facilities would have allowed the importation of LNG from the global market, as the Philippines is located in the path of existing Asian LNG trade routes.

According to the DOE, it has issued notices to proceed with LNG terminal projects to FGEN LNG Corporation, Excelerate Energy L.P., Batangas Clean Energy, Inc., and Energy World Gas Operations Philippines, Inc. It should be noted that these proposed LNG terminal projects have proponents with power plants who are not yet operational (as is the case with Energy World Gas Operations Philippines, and Batangas Clean Energy, Inc.), or have power plants which have existing gas sales and purchase agreements valid until 2024 (FGEN LNG Corporation for the Philippine Natural Gas Plants except the Ilijan Power Plant). AGP International Holdings Pte. Ltd. (“**AG&P**”), through its subsidiary Atlantic Gulf and Pacific Company of Manila Inc. (“**AG&P Manila**”), has been issued a notice to proceed by Philippines DOE for its proposed LNG import terminal in Batangas Bay.

In November 2022, Shell completed its sale of interest in Malampaya, Philippines to Malampaya Energy XP Pte Ltd (MEXP), a subsidiary of Prime Infrastructure Capital Inc (Prime Infra).

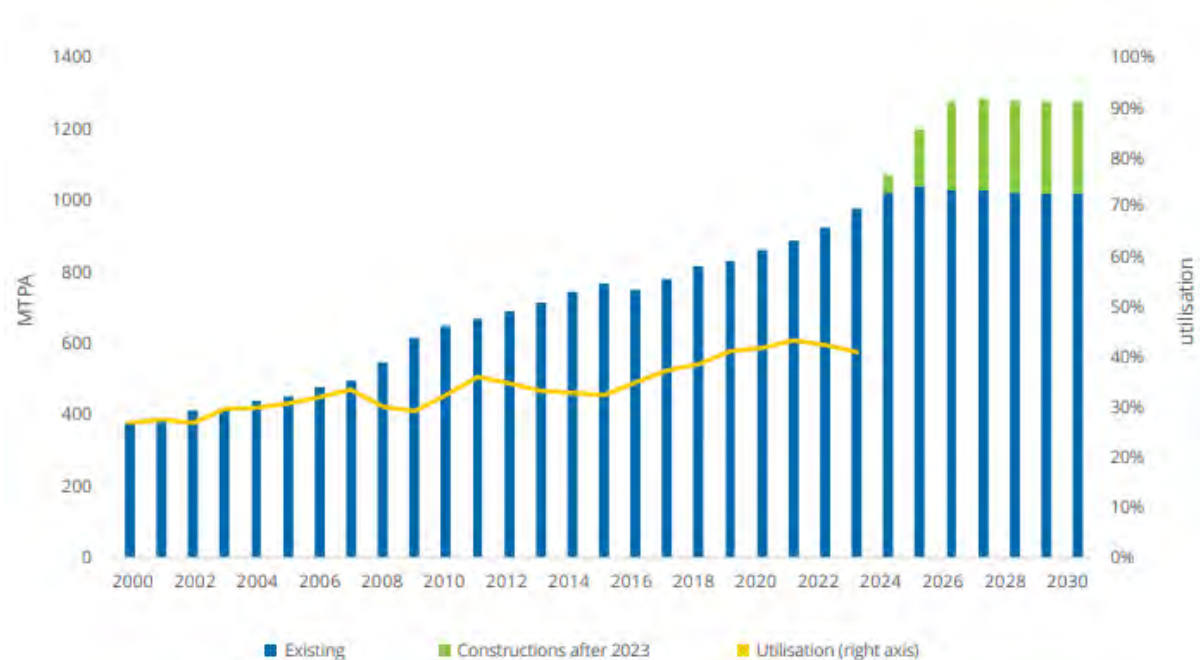
According to a presentation by the DOE on the updated status of The Philippine Downstream Natural Gas Industry, the Philippines has begun importing LNG to ensure supply and security given the insufficient supply from Malampaya or other potential developments.

## **LNG REGASIFICATION AND STORAGE TERMINALS**

**Regasification capacity:** Global LNG regasification capacity reached 850.1 MTPA across 37 markets as of February 2021, according to the IGU. In 2020, four new terminals and four expansion projects at existing terminals were completed, amounting to a 19.0 MTPA increase in global regasification capacity. Most additions in global receiving terminal capacity in 2020 came from the Asia and Asia Pacific markets, where India and Myanmar each added a new terminal, affirming the regions’ stand-out growth. Notably, floating regasification terminals are on the rise as well through the commissioning of two new terminals in Brazil and Croatia in late 2020 and early 2021, respectively.

Historically, the growth in regasification capacity was driven by floating storage and regasification unit (“**FSRU**”) solutions. According to “The Outlook for Floating Storage and Regasification Units” report (dated July 2017) by the University of Oxford, close to 50 FSRUs could be in operation by 2025. This growth is partially driven by cheaper costs, i.e., an FSRU newbuild would cost ~U.S.\$300-450 million compared to an onshore terminal at U.S.\$750-1,000 million. The growth is also supported by the trend toward modular regasification units, with companies such as AG&P and Wartsila offering such solutions. These more diverse and flexible solutions allow for quicker construction at lower costs.

## Global Receiving Terminal Capacity and Utilization



Source: Rystad Energy, IGU World LNG 2024 Report (Released June 2024)

**Regasification utilization:** Global regasification utilisation across global LNG markets has seen a downward trend in 2023, from 43% on average in 2022 to 41%, according to IGU. Tepid demand in the main regional markets, including Europe and Asia Pacific, and sizable new startups of regasification terminals in 2023 dragged down the world’s average utilisation.

### Comparison of Onshore Terminals and FSRUs

The majority of the existing regasification terminals globally are land-based, with floating and offshore terminals making up around 20% of global regasification capacity as of end-February 2024. FSRU-based terminals have become preferable in new markets, although onshore terminals still dominate market share. However, the proportion of floating regasification terminals has grown steadily in recent years, as an increasing number of new FSRU-based projects came online.

#### Onshore Terminals

Provides a more permanent solution

Offers longer-term supply security

Greater gas storage capacity

Requires lower operating expenditures

#### FSRUs

Allows for quicker fuel switching or complementing domestic production

Greater flexibility in land and port requirements

Requires lower capital expenditures or obtained via medium- to long-term charter

Depending on location, fewer regulations

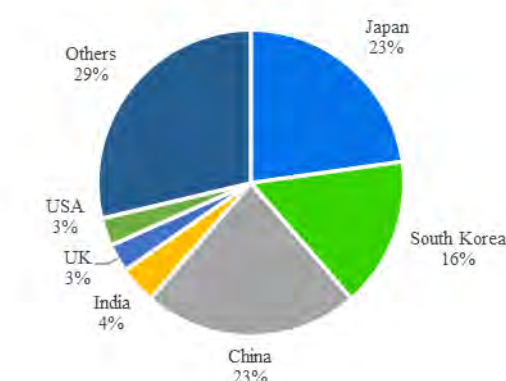
Source: International Gas Union

Onshore terminals typically support the installation of larger storage tanks and regasification capacity relative to a floating terminal. Onshore projects are also less exposed to location and geological dependent risk factors and allow for on-site storage and regasification capacity expansions. In contrast, FSRUs’ trades stability in favor of shorter construction times and ease of relocation compared to an onshore terminal. This allows for FSRUs to be deployed on a charter-basis. FSRUs are more flexible and less capex-intensive than land-based terminals.

Hybrid terminals combines the best of both land-based and floating systems. LNG can be stored through a combination of onshore facilities and floating storage units (“FSU”). The regasification system can also be installed either on a jetty, on a separate floating storage regasification barge (“FSRB”) or on a land-based terminal.

Hybrid terminals can provide the longer-term stability of an onshore terminal while maintaining the flexibility to meet operational requirements.

### LNG Storage Tank Capacity by Market



Source: Rystad Energy, IGU World LNG 2024 Report (Released June 2024)

**LNG storage capacity:** In line with the pace of global regasification terminal constructions, global LNG storage capacity witnessed strong growth in 2023 and reached 81.39 million cubic meters (mmcm). 16 new terminals and 2 expansion projects commissioning last year brought a total LNG storage capacity of 7.15 mmcm. Mainly driven by China, Asia added the highest storage capacity in 2023 at 5.14 mmcm across 8 regasification projects, making up 72% of global capacity addition. Europe followed, with 1.4 mmcm of storage capacity commissioning last year across six markets.

The three largest markets by regasification capacity, namely Japan, China, and South Korea, have the highest share of existing global LNG storage capacity at 62%. 74% of global LNG storage capacity comes from Asia and Asia Pacific, as LNG has become essential to ensure regional gas supplies and energy security for the two regions.

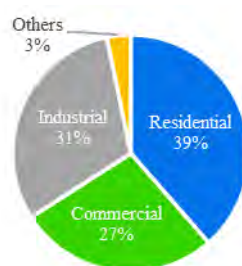
### Outlook in LNG Regasification and Storage

As of February 2024, per IGU World LNG 2024 report, 271.2 MTPA of new regasification capacity was under construction globally. Global floating and offshore regasification capacity increased to 200.9 MTPA as of February 2024. There are 49 floating and offshore terminals around the world that make up around 20% of global regasification capacity. Nine new floating-based projects were commissioned in 2023, with a capacity addition of 40.3 MTPA.

### CUSTOMER SEGMENTS IN THE PHILIPPINES

In 2023, the residential, industrial and commercial segments accounted for 38.6%, 30.8% and 27.4%, respectively, of total power used in the Philippines, with the remainder consumed by other users. The following table provides data for electric power consumption in the Philippines, with each sector's percentage of sales presented as a percentage of total sales in 2023:

## Electricity Sales by Customer Sector in 2023 (GWh)



**Total: 95,808 GWh**

Source: DOE Power Statistics 2023, Released July 12, 2024

Note: Others include street lights, public buildings, irrigation, energy recovered and others not elsewhere classified. Does not include system losses and utilities own use

## INDEPENDENT POWER PRODUCER ADMINISTRATORS

IPPAs are qualified private sector independent entities that administer and manage the contracted energy from energy conversion agreements and power purchase agreements that NPC entered into with the IPPs. IPPAs are appointed through public bidding conducted by PSALM.

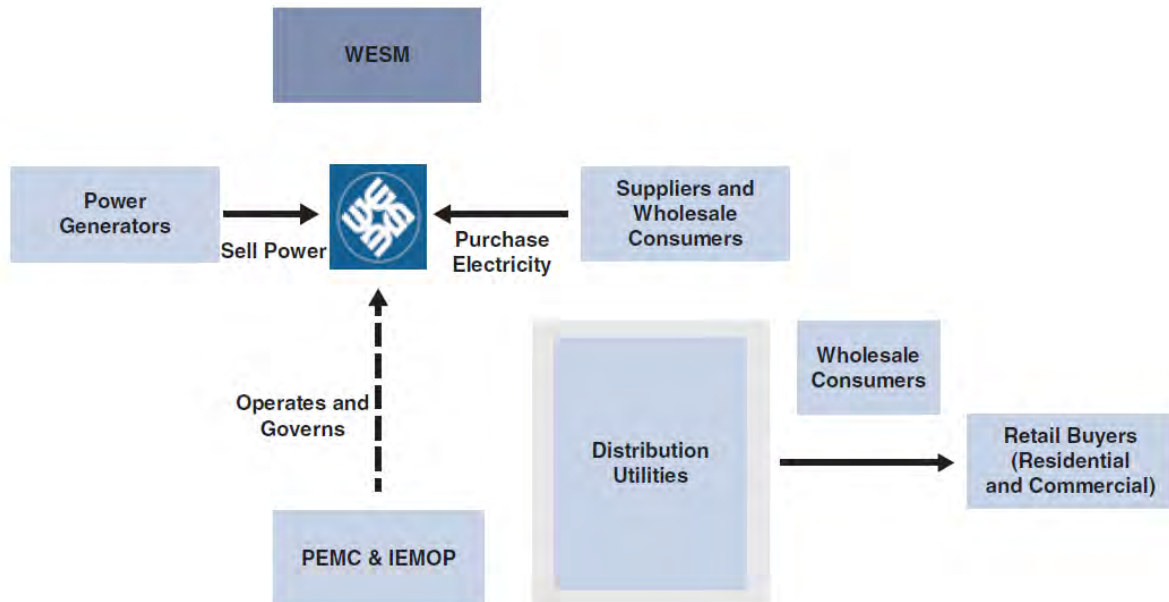
The IPPA process provides successful bidders a way to enter and trade in the WESM for a minimal capital outlay without the expense of building a new plant. This is a unique way to enter the WESM. This alternative also allows investors to partake in the benefits of owning generating stations when the IPPA agreement expires. Among these benefits are: (1) controlling the fuel and its dispatch and (2) trading and contracting of the plant's capacity without the maintenance costs or capital upgrades associated with actual ownership of the plant.

NPC entered into several long-term contracts with IPPs to build or rehabilitate and/or operate power generation plants prior to the implementation of the EPIRA. A typical contract between NPC and an IPP requires fixed and variable payments from NPC to the IPP in return for electrical power output. In some of the contracts, NPC also is required to furnish fuel supplies to the IPP. NPC sells the power purchased under these contracts to distribution utilities or end-users.

Under a typical IPPA agreement, the energy offtake, which would have been delivered to NPC in the absence of an IPPA agreement, is instead delivered to the IPPA. The IPPA has the right to sell the power generated by the related IPP either to the WESM or pursuant to supply contracts with specific customers and often (but not invariably) is obligated to supply fuel to that IPP. IPPAs pay PSALM a fixed monthly payment and a variable energy or generation fee. IPPA agreements provide relief for IPPAs in the event that the associated IPPs are unable to dispatch power for a certain period of time for reasons other than the fault of the IPPA. PSALM/NPC in turn makes capacity and energy payments to the IPPs pursuant to the relevant IPP contract.

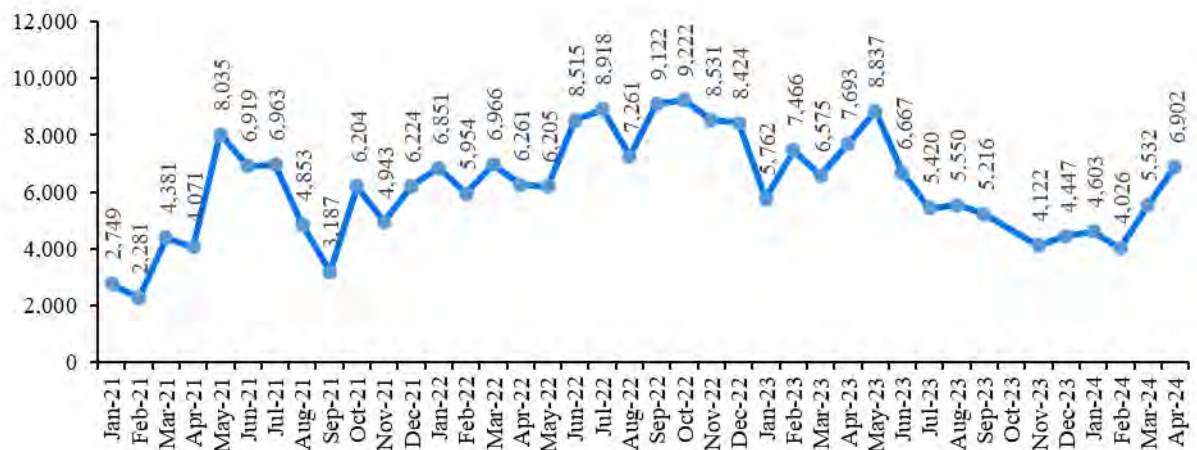
## WHOLESALE ELECTRICITY SPOT MARKET

The WESM was established as part of EPIRA. The WESM provides a market in which IPPAs and other generators can sell power, and at the same time suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two. The aim of the WESM is to provide transparent and efficient dispatch pricing. Its design is similar to the electricity markets in Australia, Singapore and New Zealand. The PEMC is the governing body of the WESM, while the IEMOP is responsible for operating the WESM. The PEMC membership is comprised of representatives from the electricity industry and is chaired by the Secretary of the DOE. The diagram below illustrates how the WESM operates:



Source: DOE, ERC

### Historical WESM Average Market Prices (PHP per MWh)



Source: WESM Monthly Market Assessment Reports

In the WESM, although generators are allowed to transact through bilateral contracts, these contracts will have to be “offered” to the market for the purpose of determining the appropriate merit order of generators. Settlement for bilateral contracts will, however, occur outside the market between the contracting parties. Traded electricity not covered by bilateral contracts will be settled through the market on the basis of the market clearing prices for each of the trading periods. Typically, the output of cost-efficient plants, such as hydroelectric plants, is dispatched first, due to a lack of corresponding fuel cost.

## BUSINESS

### OVERVIEW

SMGP, together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 5,207 MW of combined capacity as of June 30, 2024. 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 June 30, 2024. 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 retail electricity services, invested in distribution services and has various power projects in the pipeline.

The following table sets forth selected data in respect of the Company’s primary operating power generation assets and interests as of the date of this Offering Circular.

	IPPA Plants		Greenfield Plants			JV Plant	IPP Plants	
	Sual	San Roque	Davao	Limay	Mariveles	Angat	Ilijan	Masinloc and Masinloc BESS
Type.....	Coal	Hydro	Coal	Coal	Coal	Hydro	Natural Gas	Coal and Battery
Commercial Operations Date .....	1999	2003	2017 (150 MW); 2018 (150 MW)	2017 (300 MW); 2018 (150 MW); 2019 (150 MW)	2024 (150 MW) <sup>(5)</sup>	1967 (112 MW); 1968 (100 MW); 1978 (6 MW)	2002	1998 (660 MW); 2018 (additional 28 MW) <sup>(6)</sup> ; 2018 and 2023 (10 MWh); 2020 (335 MW) <sup>(7)</sup> 2018
Year of Acquisition	2009	2010	—	—	—	2014	2010	2018
Capacity (MW) .....	1,000	345	300	600	600	218	1,200	1,035.75 <sup>(8)</sup>
Technology .....	Pulverized Coal	Storage Hydropower	Circulating Fluidized Bed	Circulating Fluidized Bed	Circulating Fluidized Bed	Storage Hydropower	Combined Cycle	Pulverized Coal <sup>(9)</sup> and Battery Energy Storage System
Emission Levels <sup>(1)</sup>								
NOx(ppm)	157.3	—	61.9	71.8	74.9 <sup>(13)</sup>	—	—	140.9
SOx (ppm)	285.7	—	163.4	67.9	310.8 <sup>(13)</sup>	—	—	355.8
PM (mg/Nm <sup>3</sup> ) .	15.5	—	12.8	4.6	10.8 <sup>(13)</sup>	—	—	85.4
Operator .....	TeaM Sual Corp.	SRPC	VPDSI <sup>(11)</sup>	LPDSI <sup>(12)</sup>	LPDSI	AHC	KEILCO	LPDSI
Offtakers <sup>(2)</sup> .....	Meralco, ECs, DUs, DCCs, RES, WESM	Inter-company <sup>(4)</sup> DU, WESM, RES	ECs, DCCs, WESM, RES	Meralco, DCCs, ECs, DUs, CCs, WESM, RES	Meralco, WESM, Inter-company	Inter-company, <sup>(4)</sup> WESM	Meralco, WESM, Inter-company <sup>(4)</sup>	DUs, CCs, WESM, NGCP, RES
IPPA Expiry / Asset Transfer Date <sup>(3)</sup> .....	2024	2028	N/A	N/A	N/A	N/A	2022 <sup>(10)</sup>	N/A

Notes:

(1) See “Business—Safety, Health and Environmental Regulation” for information on DENR emission standards. Emission levels for the Masinloc Power Plant exclude the Masinloc BESS. Emissions as of June 30, 2024.

(2) DUs: Distribution Utilities; ECs: Electric Cooperatives; CCs: Contestable Customers; DCCs: Directly Connected Customers; RES: Retail Electricity Supplier.

- (3) Under the respective IPPA Agreements of SPI and SRHI, these subsidiaries of SMGP have the right to acquire the Sual Power Plant in October 2024 and the San Roque Power Plant in April 2028. See “Business—IPPA Framework.”
- (4) Within the SMGP group.
- (5) Mariveles Greenfield Power Plant Unit 1.
- (6) The retrofit of Masinloc Power Plant Unit 2 completed in 2018 and the retrofit of Masinloc Power Plant Unit 3 completed in 2023 resulted in an increase in capacities for each of the Units.
- (7) Masinloc Power Plant Unit 3.
- (8) Includes the capacity of Units 1, 2 and 3 of Masinloc Power Plant and Masinloc BESS.
- (9) Masinloc Power Plant Unit 3 utilizes supercritical boiler technology. Units 1 and 2 of the Masinloc Power Plant utilize pulverized technology.
- (10) In June 2022, the Ilijan Power Plant was turned over to SMGP pursuant to the terms of the IPPA Agreement between SPPC and PSALM.
- (11) VisMin Power Dynamics Services Inc. (“VPDSI”, formerly, Safetech Power Services Corp.)
- (12) Luzon Power Dynamics Services Inc. (“LPDSI”, formerly, Mantech Power Dynamics Services Corp.)
- (13) For the period April to June 2024.

SMGP 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 (collectively, the “SMC Group”). The Company believes that its relationship with San Miguel Corporation allows it to draw on the extensive business networks, local business knowledge, relationships and expertise of San Miguel Corporation and its key executive officers.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, SMGP sold 24,708 GWh, 25,057 GWh, 21,565 GWh, 9,947 GWh and 14,156 GWh of power pursuant to bilateral offtake agreements and 2,513 GWh, 2,345 GWh, 3,640 GWh, 738 GWh and 3,301 GWh of power through the WESM, respectively. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, SMGP purchased 2,520 GWh, 5,158 GWh, 2,519 GWh, 1,051 GWh and 1,413 GWh of power from the WESM, respectively.

For the year ended December 31, 2023, the total consolidated revenues, net income and EBITDA of SMGP was ₱169,590.2 million (U.S.\$2,893.5 million), ₱9,903.0 million (U.S.\$169.0 million) and ₱34,510.6 million (U.S.\$588.8 million), respectively.

For the six months ended June 30, 2024, the total consolidated revenue, net income and EBITDA of SMGP was ₱98,944.2 million (U.S.\$1,688.2 million), ₱7,438.2 million (U.S.\$126.9 million) and ₱22,195.8 million (U.S.\$378.7 million), respectively. As of June 30, 2024, SMGP had total consolidated assets of ₱801,201.4 million (U.S.\$13,670.0 million).

## IPPA Projects

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 IPP Administrator (“IPPA”) of the following plants: (1) Sual Power Inc. (“SPI”, formerly San Miguel Energy Corporation) became the IPPA for the Sual Power Plant, a coal-fired thermal power plant located in Sual, Pangasinan, in November 2009; (2) San Roque Hydropower, Inc. (“SRHI”, formerly Strategic Power Devt. Corp.) 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”); and (3) South Premiere Power Corp. (“SPPC”) 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 in accordance with the terms of the IPPA agreement.

An IPPA under the relevant IPPA agreement has the right to sell electricity generated by the power plants owned and operated by the relevant IPPs without having to bear any of the large upfront capital expenditures for power plant construction or maintenance. As an IPPA, each of SPI and SRHI also has the ability to manage both market and price risks by entering into bilateral contracts with offtakers while capturing potential upside from the sale of excess capacity through the 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 SMGP. SMGP also became a wholly-owned subsidiary of San Miguel Corporation. Since then, SMGP has controlled the 1,345 MW combined contracted capacity of the IPPA Power Plants through the IPPA Agreements as well as the 1,200 MW Ilijan Power Plant.

### **Greenfield, IPP and JV Power Projects**

Building on its experience as an IPPA since San Miguel Corporation's transfer of interests in SPI, SRHI and SPPC, SMGP embarked on the development of its own greenfield power projects. In 2013, SMGP 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. ("**MPI**", formerly San Miguel Consolidated Power Corporation), its wholly-owned subsidiary, and the 4 x 150 MW Limay Greenfield Power Plant which is owned by Limay Power Inc. ("**LPI**", formerly SMC Consolidated Power Corporation), 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.

SMGP also pursued strategic acquisitions to increase its energy portfolio. In November 2014, SMGP, 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 (the "**AHEPP**").

In March 2018, SMGP 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. ("**MPCL**", formerly Masinloc Power Partners Co. Ltd) and SMGP Kabankalan Power Co. Ltd. ("**SMGP Kabankalan**", formerly SMCGP Philippines Energy Storage Co. Ltd.) (SMCGP Masin and its subsidiaries are collectively referred to as the "**Masinloc Group**"). MPCL owns the 1 x 344 MW (Unit 1), 1 x 344 MW (Unit 2) coal-fired power plant and 1 x 335 MW (Unit 3) expansion project (together, comprising the "**Masinloc Power Plant**"), and the 10 MWh battery energy storage system project (the "**Masinloc BESS**"), all located in Masinloc, Zambales while SMGP Kabankalan holds the 30 MWh battery energy storage system facility in Kabankalan, Negros Occidental (the "**Kabankalan BESS**"). On September 19, 2018, Prime Electric Generation Corporation ("**PEGC**"), and Oceantech Power Generation Corporation ("**OPGC**"), both wholly-owned subsidiaries of SMGP, purchased the entire partnership interests in SMGP Kabankalan from subsidiaries of SMCGP Masin. SMGP was admitted as an additional limited partner of SMCGP Masinloc Partners Co. Ltd. in 2019 (a limited partnership under the Masinloc Group) and of MPCL in June 2020. In 2022, SMGP 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 SMGP following the approval of SMCGP Masin's petition for withdrawal of its license to operate by the Philippine SEC in August 2022. The capacity of Phase 1 of Kabankalan BESS (20 MWh) is contracted under an ancillary service procurement agreement ("**ASPA**") with the NGCP with a term of five years which commenced in January 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, SMGP now effectively owns 100% of Alpha Water through its subsidiaries PEGC and MPCL. Alpha Water is the owner of the land on which the Masinloc Power Plant and Masinloc BESS in Zambales Province are located.

On June 2, 2022, SMGP 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.

SMGP, through its subsidiaries SPI, SRHI, SPPC, AHC, LPI, MPI and MPCL, sells power through offtake agreements directly to customers, including Meralco and other distribution utilities, electric cooperatives and industrial customers, or through the WESM. The majority of the consolidated sales of SMGP 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.

## Retail and Distribution

SMGP has also expanded its sale of power to a broader range of customers, including retail customers. In particular, certain of the Company's subsidiaries were issued retail electricity supplier ("**RES**") licenses, allowing it to enter into contracts with contestable customers and expand its customer base. See "*Business—Retail Services—Retail Electric Supply*."

In addition, SMGP has invested in distribution services through SMC Power Generation Corp. ("**SPGC**"), which acquired 35% equity stake in Olongapo Electric Distribution Company, Inc. ("**OEDC**") in April 2013.

## Expansion Projects

### Power Plant Portfolio

SMGP, through its subsidiary Mariveles Power Generation Corporation ("**MPGC**"), is constructing a 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities in Mariveles, Bataan (the "**Mariveles Greenfield Power Plant**") using high efficiency low emission technologies ("**HELE Technologies**") with an installed capacity of 600 MW and net load of 528 MW and, we believe, approximately 36% to 37% in thermal efficiency. Unit 1 commenced commercial operations on March 28, 2024, while Unit 2, 3 and 4 are undergoing testing and commissioning and are expected to commence commercial operations in 2024. As of June 2024, overall project completion is 99.9% with equity-backed capital expenditures of ₱34.4 billion.

The Company, through MPCL, intends to further expand the Masinloc Power Plant by constructing additional units utilizing supercritical pulverized coal technology (Units 4 and 5) with a planned gross installed capacity of 350 MW each (with a Pmin of 2 x 87.5 MW), a net load of 630 MW and, we believe, approximately 42% in thermal efficiency. 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 and 2026. As of June 2024, overall project completion of Unit 4 and Unit 5 are 41% and 9%, respectively, with equity-backed capital expenditures of ₱15.6 billion.

In addition and as part of the Company's diversification of its power portfolio away from traditional coal technologies, the Company, through its subsidiary, EERI, is constructing the 1,320 MW (with a Pmin of 3 x 195 MW) combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas ("**BCC Power Plant**") with a net load of 1,275 MW and, we believe, approximately 60% in thermal efficiency. The BCC Power Plant will utilize regasified liquefied natural gas ("**LNG**"). The EPC contract with Black & Veatch and other local contractors 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. As of June 2024, overall project completion is 95.3% with equity-backed capital expenditures of ₱36.4 billion.

The Company has executed a TUA for the use of the LNG terminal in Ilijan (the "**Batangas LNG Terminal**") for its LNG power plants in Batangas and has commenced retrofitting activities for the Ilijan Power Plant to improve efficiency and reliability after it was turned over to SPPC in June 2022 pursuant to the Ilijan PPA.

The Company also intends to construct and develop small-scale LNG units in strategic locations in Mindanao consisting of 50 MW to 100 MW, to boost rural electrification. The Company is evaluating the timing on progressing the project depending on market conditions, the general state of the Philippine economy and demand, among others.

### Solar Power Project Portfolio

In line with the Company's decision to significantly reduce its carbon footprint and transition to cleaner sources of energy, SMGP, through its wholly-owned subsidiary, SMC Global Light and Power Corp. ("**SGLPC**"), is developing a portfolio of solar power projects together with potential partners. The first phase of the solar power projects has an aggregate initial capacity of 1,300 MWp across various sites in Luzon including in the provinces of Bataan, Bulacan and Isabela by 2028. The second phase of the planned solar projects is expected to have an aggregate initial capacity of 1,100 MWp by 2039 across Pagbilao, Bohol, and various locations in Mindanao, including Davao. We target the completion of these solar power projects between 2028 and 2039.

The proposed solar projects will be situated in areas with moderate to high photovoltaic potential using N-type solar panels supplied by Trina Solar Co. Ltd and LONGi Green Energy Technology Co. Ltd., with inverters from ABB / Sungrow Renewable Energy Investment Pte. Ltd. In February 2022, SGLPC entered into Solar Energy Operating Contracts (130.005 MWdc) for a solar project located in Bataan (the “**Bataan Solar Project**”) and thereafter, obtained a Certificate of Registration from the DOE as a renewable energy (“**RE**”) developer for the Bataan Solar Project. The lease agreement for the property in Bataan where the solar project will be located has been executed and as of the date of this Offering Circular, the Bataan Solar Project already secured its system impact studies and facilities studies approval from the NGCP. The generation output of the proposed solar power projects is intended to be offered to various contestable customers.

The Company continues to participate in the Government-mandated competitive selection processes (“**CSP**”) for power supply agreements (“**PSAs**”) with distribution utilities (“**DUs**”), and negotiate for retail supply contracts (“**RSCs**”) with contestable customers for these expansion plans.

On June 28, 2024, SGLPC signed an investment and shareholders agreement with Citicore Renewable Energy Corporation for the 150 MW solar power plant to be constructed in Barangay Lucanin, Mariveles, Province of Bataan, that is expected to be completed in 2025. The solar power plant shall be located in a property with an area of approximately 158 hectares owned by an SMGP affiliate. Upon commencement of operations, all capacity to be generated by the solar power plant shall be supplied to SMGP or any of its affiliates under long-term energy supply contracts.

In line with SMGP’s commitment to the diversification of its power generation portfolio through the development of solar-based power projects, SMGP will handle pre-development activities and land acquisition and will lease the sites to third-party owner of plants. SMGP entities will also be offtakers for a minimum fixed period of 20 years.

### ***BESS Portfolio***

The Company, through its subsidiaries SMGP BESS Power Inc. (“**SMGP BESS**”, formerly Universal Power Solutions Inc.), MPCL and SMGP Kabankalan, is undertaking the expansion of its portfolio of BESS projects by ~1,000 MWh. Of these ~1,000 MWh BESS projects, 630 MWh across 18 sites attained substantial completion as of June 2024, including the 30 MWh Kabankalan (Phase 1 and 2) and 20 MWh Masinloc (Phase 2). Three BESS facilities with a combined capacity of 120 MWh located in the provinces of Tarlac, Leyte and Misamis Oriental commenced operations in March 2024 while a total of 30 MWh across two sites are expected to be substantially completed in 2024. One of the BESS projects was inaugurated on March 31, 2023, in Limay, Bataan. We have entered into EPC contracts with ATE Energy and we target to complete our 320 MWh BESS project in Mariveles between 2024 and 2025.

## **RECENT DEVELOPMENTS**

### **Concurrent Exchange and Tender Offers**

SMGP is concurrently making separate invitations to eligible holders of its outstanding Senior Perpetual Capital Securities issued on 5 November 2019 with an initial distribution rate of 5.95% (the “**5.95% Securities**”) and Senior Perpetual Capital Securities issued on 21 October 2020 with an initial distribute rate of 7.00% (the “**7.00% Securities**”) and together with the 5.95% Securities, the “**Existing Securities**”) to exchange their Existing Securities for U.S.\$-denominated Senior Perpetual Capital Securities (the “**Exchanged New Securities**”) to be issued by SMGP (the “**Concurrent Exchange Offers**”) and to tender their Existing Securities for cash up to a maximum acceptance amount (the “**Concurrent Tender Offers**”, and together with the Concurrent Exchange Offers, the “**Concurrent Exchange and Tender Offers**”).

The Concurrent Exchange and Tender Offers are being made available on the terms and subject to the conditions in an offer memorandum dated August 27, 2024 (the “**Offer Memorandum**”), including a financing condition which provides that the Concurrent Exchange and Tender Offers are subject to the successful settlement and completion of this offering.

The Concurrent Exchange and Tender Offers will expire on September 4, 2024, unless extended, re-opened, amended or terminated in the sole discretion of the Company. Settlement of the Concurrent Exchange and Tender Offer is expected to occur on or around September 12, 2024.

## **Chromite Agreements**

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 (MGen and Aboitiz Power shareholdings at 60% and 40% each, respectively), Chromite Gas Holdings, Inc. (“**Chromite Gas**”) entered into binding agreements with SMGP and its relevant subsidiaries (the “**Chromite Agreements**”) for Chromite Gas to jointly invest in and acquire a 67% equity interest in each of the following SMGP gas-fired power plants and assets: (i) the operating Ilijan Power Plant owned by SPPC, (ii) the adjacent BCC Power Plant currently under construction owned by Excellent Energy Resources, Inc. (“**EERI**”), and (iii) land owned by Ilijan Primeline Industrial Estate, Inc. where the BCC Power Plant, the Batangas LNG Terminal and their respective related facilities are located.

On the same day, SMGP entered into a share purchase agreement with Eurodite Universal Power Incorporated for the purchase of approximately 33% of the outstanding common shares of Linseed Field Corporation, the owner of the Batangas LNG Terminal (under construction with skeletal operations to service the Ilijan Power Plant), which will process LNG for SPPC and once the BCC Power Plant is completed, for EERI.

The transactions are subject to customary closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission. On May 17, 2024, Top Frontier Investment Holdings, Inc., the ultimate parent company of SMGP, filed with the Philippine Competition Commission the relevant notification forms in relation to the joint investment by SMGP and Chromite Gas.

## **Financing Transactions**

On July 17, 2024, SMGP executed a ₱10,000 million term loan facility agreement with a local bank, which was fully drawn on July 19, 2024. The proceeds from this 5-year facility were used for refinancing purposes.

## **Other Recent Developments**

In the most recent CSP conducted by Meralco for renewable energy contract capacity on July 17, 2024, SRHI emerged as the winning bidder for a 340 MW power supply contract for a period of 10 years commencing on February 26, 2025.

## **COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES**

### **Competitive Strengths**

#### ***Industry leader with a strong growth platform.***

SMGP, together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 5,207 MW of combined capacity as of June 30, 2024. SMGP controls the capacities of among the largest baseload plants in the Philippines, including the Sual Power Plant (the largest coal-fired power plant in the Philippines in terms of installed capacity), the Ilijan Power Plant (the largest natural gas power plant in the Philippines in terms of installed capacity) and the Mariveles Power Plant. The subsidiaries of SMGP, namely SPI and SRHI, are the IPPAs for the Sual and San Roque Power Plants, respectively, which have a combined contracted capacity attributable to SMGP of 1,345 MW. SMGP also owns a 60% stake in AHC, the owner and operator of the 218 MW AHEPP, and wholly owns LPI, MPI and MPCL, the owners of the Limay Greenfield Power Plant, the Davao Greenfield Power Plant and the Masinloc Power Plant and Masinloc BESS, respectively. 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 June 30, 2024. 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 IPPA business model provides SMGP, through the IPPA subsidiaries, with the benefit of having the right to sell electricity generated by the IPPs without having to incur large upfront capital expenditures for power plant construction, or to bear any related development risk or ongoing preventive maintenance capital expenditures. The IPPA subsidiaries of SMGP manage the amount of power to be produced by the IPP for supply to the customers of the IPPA and sell the power generated by the IPPs either pursuant to bilateral offtake agreements directly with customers or through the WESM. This business model provides SMGP the ability to manage both

market and price risk by entering directly into bilateral contracts with established customers while capturing potential upside through the sale of excess capacity through the WESM when spot market prices are attractive.

SMGP's experience in acting as IPPA and its history of power plant ownership and operation has enabled it to gain significant expertise in the Philippine power generation industry. With this experience, SMGP embarked on its own greenfield power projects and pursued strategic acquisitions. It believes that it is in a strong position to participate in the expected future growth of the Philippine power market, through both the development of greenfield power projects and the acquisition of existing power generation capacity, including NPC-owned power generation plants that are scheduled for privatization as asset sales or under the IPPA framework, cost competitive baseload plants and renewable energy power plants.

To capitalize on changes in the Philippine regulatory structure, SMGP, through certain subsidiaries, holds RES licenses from the ERC, allowing the entry into offtake agreements with contestable customers.

SMGP is expected to expand its market leadership with its ongoing and future expansion that is anchored on cost competitive baseload plants. In addition, SMGP is actively pursuing battery energy storage technology investments and initiatives in the Philippines that will help regulate the transmission grid over the Philippine archipelago, which is inherently prone to voltage and frequency instability.

#### ***Well-positioned to capture future demand growth.***

Demand for electricity in the Philippines is expected to continue to grow. According to the Philippine Energy Plan 2023-2050 published by the DOE, to meet the projected electricity demand including reserve requirements by 2050, the power system capacity addition that the Philippines will need is 122,708 MW under the reference scenario and an additional 129,681 MW under the clean energy scenario with the expected entry of more renewable energy power projects, which is broken down as follows: 2,305 MW for coal, 21,881 MW for natural gas, 20 MW for oil-based and 98,503 MW for renewable technology under the reference scenario and 2,305 MW for coal, 15,989 MW for natural gas, 20 MW for oil-based and 106,569 MW for renewable technology, and 4,800 MW for nuclear and other technologies under the clean energy scenario. Moreover, based on the Company's estimates, despite the continuing build-up of installed capacity, net reliable capacity remains insufficient to meet peak demand. This considers the entry of variable capacities, composed primarily of intermittent renewable energies such as solar and wind, as well as the introduction of flexible technologies, such as BESS, which compensate for the intermittency of the variable capacities.

Given the gap between projected electricity demand and committed power projects, SMGP expects that there will be a power supply shortage in the medium term until new capacity is built to meet the growing consumption.

SMGP believes it is well-positioned to take advantage of opportunities from continued growth in the Philippine electricity market, as well as from the expected power supply shortage. According to the DOE, more than 4,700 MW of dependable coal capacities are between 11 and 30 years old, while 592 MW are 36 years and older. As such, these coal generation capacities may be more prone to unscheduled shutdowns. To meet this need, SMGP has a defined roadmap to increase capacity by developing greenfield power plants and pursuing opportunities to invest in renewable energy projects, particularly in hydroelectric power and solar power projects and complementary technologies such as BESS.

SMGP's expansion projects include the construction and installation of the ~1,000 MWh BESS facilities with a leading global battery EPC contractor, of which 360 MWh have commenced commercial operations. SMGP, through MPGC, is currently constructing the 600 MW Mariveles Greenfield Power Plant – Unit 1 commenced commercial operations in March 2024 and Units 2, 3 and 4 are undergoing testing and commissioning as of the date of this Offering Circular. Overall project completion is 99.9% as of the date of this Offering Circular. The Company plans to expand its power portfolio through the development and construction of the 1,320 MW BCC Power Plant and further expansion of the Masinloc Power Plant (Units 4 and 5) by 700 MW. The Company also intends to construct and develop small-scale LNG power plants to boost rural electrification and to develop a portfolio of solar power projects to significantly reduce its carbon footprint. In addition, SGLPC is developing a portfolio of solar power projects together with potential partners. The first phase of the solar power projects has an aggregate initial capacity of 1,300 MWp across various sites in Luzon including in the provinces of Bataan, Bulacan and Isabela. The second phase of the planned solar projects is expected to have an aggregate initial capacity of 1,100 MWp across southern Luzon, Visayas and Mindanao.

SMGP believes that the increase in demand for electricity will also lead to growth in the ancillary reserve requirements of the country, which creates significant opportunities for BESS projects. SMGP believes that it is

well-positioned to capture growth in the reserve market through the expertise it has gained from operating the Masinloc BESS, the first of its kind in the Philippines. The Masinloc BESS provides more efficient ancillary services compared to other technologies, particularly for frequency regulating reserves, because of its instantaneous response time and ability to charge and discharge power. SMGP plans to utilize advanced lithium-ion battery technologies such as nickel-cobalt-manganese (NCM) based lithium-ion batteries which generally have longer useful lives (estimated at 8,200 cycles), high voltage capabilities, large storage capacity and improved roundtrip efficiencies.

Finally, as a leading power company in the Philippines with a large customer base, SMGP believes that it is in a strong position to leverage its relationships with its existing customers to service their expected increase in electricity demand.

#### ***Stable and predictable cash flows.***

SMGP, through its subsidiaries, sells power through offtake agreements directly to customers, including Meralco and other distribution utilities, electric cooperatives and industrial customers, or through the WESM. A substantial portion of the combined installed capacity of SMGP is covered by bilateral contracts that cover the term of the IPPA Agreements, where applicable. Revenue from bilateral contracts with offtakers contributed 92%, 90%, 86%, 91% and 81% of total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. For the six months ended June 30, 2024, approximately 38% and 43% of the Company's consolidated sales volumes were to (i) Meralco and (ii) other distribution utilities, electric cooperatives, directly connected customers, contestable customers, and ancillary services, respectively. Based on the publicly available disclosures of Meralco, the largest distribution utility in the Philippines, SMGP is one of Meralco's largest power suppliers as of June 30, 2024, supplying approximately 4,097 GWh or 22% of Meralco's power purchases. In addition and based on data obtained from the ERC, the Company believes that it is one of the major players in the RES markets where it operates, as of June 2024.

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 capacity, 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 27, 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 a full fuel pass-through scheme. In the most recent CSP conducted by Meralco for renewable energy contract capacity on July 17, 2024, SRHI emerged as the winning bidder for a 340 MW power supply contract for a period of 10 years commencing on February 26, 2025.

Meralco is expected to continue to bid out additional greenfield requirements in the next few years. The Company believes this is an opportunity for SMGP to contract its ongoing and planned expansion projects with Meralco and plans to participate in the future bidding of the greenfield requirements.

These offtake agreements provide SMGP, 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, SMGP 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 SMGP to pass through these costs to its offtakers. In addition, SMGP's diversified portfolio of baseload and peaking power plants helps mitigate market risks through long-term, intercompany, replacement power contracts.

#### ***Control over baseload and versatile capacities.***

SMGP 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 June 30, 2024, the major power assets of SMGP consist of (i) the IPPA Power Plants administered by the Company, through its subsidiaries, as the IPPA (comprising the Sual Power Plant with SPI as IPPA representing

19% of SMGP's capacity and the San Roque Power Plant with SRHI as IPPA representing 7% of SMGP's capacity), (ii) the AHEPP, through AHC, which represents 2% of the capacity of SMGP, (iii) the power plants owned by SMGP, particularly the Ilijan Power Plant of SPPC which represents 23% of SMGP's capacity the Limay Greenfield Power Plant of LPI, which represents 12% of the capacity of SMGP, the Davao Greenfield Power Plant of MPI, which represents 6% of the capacity of SMGP, the Masinloc Power Plant (with the Masinloc BESS), which represents another 20% of the capacity of SMGP, the Mariveles Greenfield Power Plant which represents 3% of the capacity of SMGP, and (iv) the BESS facilities located in different parts of the country which represents 4% of SMGP's capacity.

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 mostly sold through the WESM or as replacement power to affiliates. The BESS facilities provide regulating and contingency reserve to the 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 340 MWh were contracted by NGCP after MPCL and SMGP BESS were declared as winning bidders in the CSPs conducted by NGCP in 2023 and 2024 for its ancillary services requirement. Out of the 340 MWh, 230 MWh commenced operations in 2023 and 110 MWh commenced operations in March 2024, following the provisional authority granted by the ERC on the relevant Ancillary Services Procurement Agreement (“**ASPA**”). The 20 MWh (Phase 1) of Kabankalan BESS in Negros Occidental also has an existing ASPA with NGCP. As of June 30, 2024, we had a total of 360 MWh contracted capacities for our BESS projects, which includes 20 MWh of existing BESS capacities.

As of June 30, 2024, SMGP's coal-fired plants accounted for approximately 62% of its capacity. In addition to the baseload coal-fired plants, the Company intends to increase its LNG capacities and BESS capacities, which together contribute to increasing the diversity of its generation portfolio. This is guided by the existing energy policy of the Government to provide relatively inexpensive and reliable power to residential and commercial customers without the need for subsidies or escalating tariffs. Feed-in-tariffs for renewable energy projects have been phased out by the Government, which makes it more challenging to embark on large-scale renewable energy projects. SMGP continues to closely monitor all relevant fuel options, including renewables. The planned expansion of its BESS portfolio and gas-fired generation capacity, development of its solar power project portfolio and decision not to pursue the previously planned coal-fired power plant to be located in Pagbilao, Quezon, with planned installed capacity of 600 MW, reflects the Company's objective to reduce its overall carbon emissions and support the Government's climate policies and objectives, including the Philippines' commitments under the Paris Agreement.

SMGP 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. SMGP believes that its management of the capacity of this diverse portfolio of power plants allows it to respond efficiently to market requirements at each point of the electricity demand cycle. This diversity helps it to improve the profitability of its portfolio by flexibly dispatching electricity in response to market demand and fuel cost competitiveness. SMGP and its subsidiaries can enter into bilateral contracts and trade in the WESM for the balance of its contracted capacities and energy. By managing the IPPA Power Plants as a single portfolio and actively managing the energy output of the plants, SMGP seeks to offer more competitive electricity rates compared to other power companies with smaller and less diverse portfolios.

***Established relationships with world class partners and major participants in the Philippine power industry.***

The IPPA Power Plants are owned, operated and maintained by world-class partners, including Marubeni Corporation, Tokyo Electric Power Corporation and Mitsubishi Corporation. Since entering the power business, SMGP has established relationships with internationally recognized fuel suppliers in Indonesia and Australia, as well as with its customers, including Meralco, its largest customer. The Company also has strong working relationships with world-class EPC providers, such as Formosa Heavy Industries for its greenfield power plants, and battery EPC providers such as Fluence Energy, Inc. (“**Fluence**,” a joint venture between Siemens and AES) for the Masinloc BESS and Kabankalan BESS and ABB, Inc. (“**ABB**”), Wartsila Finland Oy (“**Wartsila**”) and ATE Energy International Co. Ltd. (“**ATE Energy**”) for BESS projects in the pipeline. The Company has also entered into and is forging new and strategic relationships with MGEN and Aboitiz Power for the Ilijan Power Plant and the BCC Power Plant, Linseed Field Corporation, for the Batangas LNG Terminal through the terminal user agreements, and other LNG players, particularly for LNG supply and for EPC of the BCC Power Plant

SMGP believes that these well-established relationships provide a strong foundation for its existing business and a platform of potential partners for future expansion.

***A member of the San Miguel Corporation group of companies.***

The principal shareholder of SMGP, San Miguel Corporation, together with its subsidiaries, is one of the largest and most diversified conglomerates in the Philippines, by revenues and total assets, with sales equivalent to approximately 6.0% of Philippine GDP in 2023.<sup>1</sup> In addition to its power business, San Miguel Corporation has market-leading businesses in vital industries that support the economic development of the country, including food and beverages, packaging, fuel and oil, infrastructure, property development and leasing, cement, car distributorship and banking.

Under the stewardship of San Miguel Corporation, SMGP has become one of the market leaders in the Philippine power industry in a relatively short period of time. San Miguel Corporation provides SMGP with key ancillary and support services in areas that promote operational efficiency, such as human resources, corporate affairs, legal, finance and treasury functions. SMGP believes it will continue to benefit from the extensive business networks of San Miguel Corporation, its in-depth understanding of the Philippine economy and expertise of its senior management to identify and capitalize on growth opportunities. Given the substantial electricity requirements of the other businesses of San Miguel Corporation, SMGP believes that it can benefit from potential revenue and operational synergies and potentially provide a large captive energy demand base for SMGP.

***Experienced and highly competent management team.***

The senior management of SMGP has extensive experience in the Philippine power industry and has a deep understanding of the Philippine electricity markets with respect to the operational, financial, regulatory, and business development aspects of the operation and management of power plants. The senior management team of SMGP has strong professional relationships with key industry participants, such as the DOE, PSALM, NPC, TransCo, NGCP, PEMC and ERC, as well as other government offices and agencies. The employees of SMGP include experienced energy traders who pioneered WESM trading and marketing executives who have established strong relationships with the extensive customer base of NPC. The members of the Executive Committee of SMGP have an average of more than 25 years of experience in executive management and related government experience in the power industry, including strengths in key areas of engineering and finance. The executive and senior management have displayed a strong track record of growth and delivery since SMGP commenced operations in November 2009.

***Strong commitment to stringent environmental policies and pollution controls.***

SMGP closely supervises, controls and processes improvements in the power plants it owns and operates to ensure that regulated emissions are within and below applicable environmental compliance standards. For example, the Company uses CFB technology in its Mariveles Greenfield Power Plant, Limay Greenfield Power Plant and Davao Greenfield Power Plant. CFB technology is a technology employed to transform coal into a fuel source that is relatively low in pollutant emissions. These low emissions are made possible by processes that are not used in non-CFB coal-fired power plants, such as burning coal at low temperature and pressure, chemically washing minerals and impurities from the coal, gasification, treating the flue gases with steam to remove sulfur dioxide, carbon capture and storage technologies to capture the carbon dioxide from the flue gas and dewatering lower rank coals (brown coals) to improve the calorific value, thereby improving the efficiency of the conversion into electricity. In addition, CFB plants have other elements that reduce emissions, such as fine coal grinders, limestone injections, and electrostatic precipitators to capture dust particles that escape the boiler. See “—*Safety, Health and Environmental Regulation.*”

The Company is committed to further reduce its emissions. Masinloc Power Plant Unit 3 uses supercritical boiler technology which, relative to an ordinary PC boiler (subcritical), has a significantly better combustion process resulting to improved heat rate of coal, which means less coal is required to produce a megawatt of electricity. The technology also allows the use of lower calorific value (“CV”) and lower sulfur coal, which is a key factor to lower SO<sub>x</sub> emissions.

In 2023, the Limay Greenfield Power Plant won the Water Conservation Initiative of the Year for the Philippines during the Asian Water Awards. The Limay Greenfield Power Plant was recognized for its program that started

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<sup>1</sup> Based on data from the SMC consolidated revenues in 2021 divided by the Philippines' total revenue sourced from the Philippine Statistics Authority.

in 2018 and has since allowed it to save 3.7 million cubic meters of water, translating to an accumulated savings of ₱122 million.

Moreover, SMGP has dedicated teams who monitor environmental compliance with international standards. For example, the Sual Power Plant has an Environmental and Management System Certificate (ISO 14001), Occupational Health and Safety Management System (ISO 45001) and Quality Management System Certificate (ISO 9001). The same ISO certifications were received by the Davao Greenfield Power Plant and Limay Greenfield Power Plant. The Masinloc Power Plant (Units 1 and 2) has an Environmental Management System Certificate and Occupational Health and Safety Management System, and the Asset Management System (ISO 55001). 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. See “—*Safety, Health and Environmental Regulation*” for further details.

## **Business Strategies**

### ***Optimize the installed capacity of its power portfolio and strategically contract capacity to enhance margins.***

SMGP (a) proactively manages its sales in order to achieve a balanced mix of power sales through (i) contractual arrangements with electricity customers including distribution utilities, industrial and commercial customers, and the contestable market and (ii) engaging in power trading through the WESM, and (b) optimizes the operations of its power plant portfolio through maximizing plant utilization, improving individual account and plant margins and minimizing the impact of supply interruptions. This approach provides SMGP with the certainty and predictability of sales from its contracted capacity while being able to realize trading opportunities from the WESM to enhance its margins. The objective of SMGP is to supply power based on the least cost, and to sell available excess power through the WESM at favorable prices.

Specifically, in case of high prices in the WESM, SMGP can optimize its portfolio and take advantage of such pricing and sell the excess output of its power plants to the WESM after delivering the contractual amounts required under its offtake agreements. Alternatively, in case of low prices in the WESM, SMGP can minimize the generation output of its power plants and deliver the contractual amounts required under its offtake agreements either with output from the San Roque Power Plant or with energy purchased from the WESM. In the event of tripping or shutdown of any of its power plants, SMGP can maximize the dispatch of its remaining units by lowering the bid prices so that the bilateral contract quantity requirements will be served without buying at high prices from the WESM.

The Company plans to utilize capacity from its planned BESS for ancillary services to the grid, particularly frequency regulating reserves, through long-term ASPAs, which have terms of up to 10 years. The Company may also contract, as applicable, for other applications such as renewables integration, power quality improvement and arbitrage.

SMGP also leverages on the diversity of its portfolio to create operational synergies and improve its supply offers to offtakers. Having a portfolio of baseload and peaking power plants utilizing different fuel sources allows SMGP to actively respond to the needs of its offtakers and the market, particularly with regard to replacement power and pricing competitiveness.

### ***Well-positioned as a leading baseload power generator utilizing clean power technologies.***

The Company’s greenfield projects in the pipeline include BCC Power Plant as well as clean coal-fired plants utilizing CFB (e.g., Mariveles Greenfield Power Plant) and supercritical coal (e.g., Units 4 and 5 of Masinloc Power Plant) technologies. These technologies generally have lower emissions compared to the applicable benchmarks, as well as higher thermal efficiency levels, particularly for natural gas and supercritical coal plants. Capacities from these greenfield plants are well-suited to providing baseload generation to the Philippines, have high availability factors, and are generally strong contenders for securing downstream PSAs, which require HELE technologies.

The Company believes that the location of the BCC Power Plant adjacent to the existing Ilijan Power Plant creates significant operational benefits given the newly established Batangas LNG Terminal. The Batangas LNG Terminal is capable of receiving, storing, and regasifying LNG from the global market and supplying the LNG volume requirements of the Ilijan Power Plant and the BCC Power Plant.

The Company believes that its existing and planned natural gas power plant capacities serve as an anchor to its further diversification into clean power technologies and provide a strong foothold for the growth of natural gas

power in the Philippines. When the planned 1,320 MW BCC Power Plant is completed, the Company (together with Chromite Gas) are expected to have in operation 2,520 MW of natural gas power plants requiring the equivalent of about 2.2 million tons of LNG per annum or approximately three to four full load LNG carriers per month, which LNG can be sourced from the global market.

***To be a leading player in the ancillary reserve market and renewable energy initiatives through strategic establishment of battery energy storage systems across the Philippines.***

SMGP believes that it has a strong competitive advantage on BESS as ancillary services provider and plans to leverage on its experience operating the Masinloc BESS, the first of its kind in the Philippines, and become a leading BESS player in the Philippines by expanding its portfolio of BESS projects to about ~1,000 MWh. Of these ~1,000 MWh BESS projects, 630 MWh across 18 sites attained substantial completion as of June 2024, including the 30 MWh Kabankalan (Phase 1 and 2) and 20 MWh Masinloc (Phase 2). Three BESS facilities with a combined capacity of 120 MWh located in the provinces of Tarlac, Leyte and Misamis Oriental commenced operations in March 2024 while 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. We have entered into EPC contracts with ATE Energy and we target to complete our 320 MWh BESS project in Mariveles between 2024 and 2025.

Integral to this expansion plan is the strategic locations of BESS facilities across Luzon, Visayas and Mindanao. The Company has identified key locations where there are power quality problems or renewable energy projects and plans to install facilities in close proximity to the substations of the grid. For example, the Kabankalan BESS is located in Negros Island in the Visayas region. Negros has a demand of 360 MW, but the majority of the capacity in the island comes from solar plants with a total capacity of 330 MW. As such, the Company identified the area next to Kabankalan substation, as an ideal location for the Kabankalan BESS project.

The Company believes that given the increasing entry of renewable energy sources, which by their nature are susceptible to inconsistent and sometimes unreliable output, coupled with the sustained growth of electricity demand over the medium to long term, the market for reserve power and ancillary services will grow significantly. For example, the Masinloc BESS currently provides intra-hour instantaneous frequency regulating reserves to the grid, which helps maintain the grid frequency, or the balance between supply and demand in the electricity networks. Compared to other technologies, BESS provide frequency regulation reserves by charging and discharging from and to the grid, effectively doubling its ability to regulate grid frequencies.

BESS can complement renewable technologies, such as solar and wind, by compensating for sudden drops in generation of these plants due to natural phenomena, or by storing energy from these renewable sources for use during those periods where energy demand from the grid is highest. As such, BESS can support and complement the entry of renewable energy projects. SMGP also envisions maximizing the sites of future BESS projects by evaluating the possibility of establishing renewable technologies such as solar and wind (based on the availability of the resource for the area) alongside the planned BESS facilities. Such integrated renewable energy sources and BESS facilities are expected to provide clean, reliable, and resilient sources of energy and reserves to the grid.

***Continue to grow its power portfolio through the development of greenfield power projects, acquisition of power generation capacity in line with regulatory and infrastructure developments and development of renewable energy projects.***

SMGP intends to utilize its strong platform, extensive relationships and experienced management team to address the growing demand for power in the Philippines. The Company plans to continue its strategic development of greenfield power projects in parallel with its plan to acquire existing power generation capacity. The Company balances the need for reliable and cost-efficient operations with environmental performance, and views clean coal technologies and LNG power plants as viable and sustainable options for its greenfield power projects.

SMGP 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 analysis. The Company is developing a portfolio of solar power projects the first phase of which has an aggregate initial capacity of 1,300 MWp across various sites in Luzon including in the provinces of Bataan, Bulacan and Isabela. The second phase of the planned solar projects is expected to have an aggregate initial capacity of 1,100 MWp across southern Luzon, Visayas and Mindanao. The proposed solar projects will be situated in areas with moderate to high photovoltaic potential. In February 2022, SGLPC entered into Solar Energy Operating Contracts (130,005 MWdc) with the DOE for the development and operation of the Bataan Solar Project, and thereafter, obtained a Certificate of Registration from the DOE as RE developer for the Bataan Solar Project. This is in line with the Company's objective to operate in

an environmentally-responsible manner, while taking into consideration energy security and affordability to its consumers.

SMGP 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 Grid and Visayas Grid, as well as the eventual interconnectivity of the Mindanao Grid. In addition, SMGP seeks to maintain the cost competitiveness of these new projects by strategically locating them in high-demand areas and in areas with the closest proximity to the grid. SMGP is considering the further expansion of its power portfolio of new capacity nationwide through greenfield power plants over the next few years, depending on market demand. See “—Overview—Expansion Projects.” SMGP plans to carry out the expansion of its power portfolio in phases across Luzon, Visayas and Mindanao. SMGP is confident from its experience in building the Limay and Davao Greenfield Power Plants that it will be able to build new cost competitive plants.

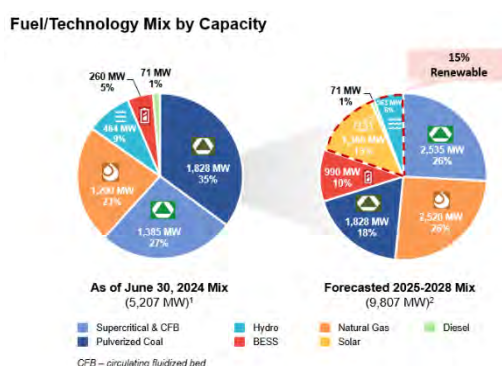
***Vertically integrate complementary businesses in order to diversify its energy portfolio.***

SMGP continues to expand into businesses along the power sector value chain that complement its current power generation business. The Company has obtained RES licenses, through certain subsidiaries, to expand its customer base and diversify its sales. With the open access and retail competition fully implemented, the RES licenses allow SMGP to enter into retail electricity supply agreements with contestable customers. In addition, SMGP has invested in distribution services through OEDC, which create a competitive advantage through integrated generation and distribution operations.

***Continue to pursue and develop measures to reduce emissions and operate power plants within and below applicable environmental compliance standards.***

SMGP continuously supervises, controls and improves processes in the power plants it owns and operates to ensure that regulated emissions from operations are within and below applicable environmental compliance standards. With the addition of its BESS capacities, development of renewable energy projects and planned LNG generation capacities, the Company anticipates improvements in its emissions performance, including carbon emissions intensity, on a portfolio basis. Moreover, SMGP has dedicated technical teams to monitor environmental compliance with international standards. See “—Safety, Health and Environmental Regulation.”

With its current mix of greenfield power projects, the Company anticipates to significantly reduce the proportion of power generated from traditional pulverized coal technologies in its portfolio by 2025 as it transitions towards high growth, low emission, viable frontier technologies, such as its ~1,000 MWh BESS projects, planned solar power projects and LNG initiatives. The Company expects this to result in the proportion of power generated from pulverized coal technologies to decrease from 35% to 18% by 2027. Below is the projected combined capacity of the Company from 2025 to 2027.



Notes:

- (1) IASCO Modular Peaking Power Plant represent 1% of installed capacity.
- (2) Expected fuel/technology mix of the Company takes into account the c.1,000 MWh BESS Projects, 600 MW Mariveles Power Plant, 1,320 MW Batangas Combined Cycle Power Plant, 700 MW Masinloc Power Plant Units 4 & 5 and 1,300 MWp Solar Power Projects (Phase 1).

***Leverage operational synergies with San Miguel Corporation group of companies.***

SMGP creates operational synergies within and among its subsidiaries by performing key management functions at the holding company level under management agreements. Key management functions include sales and marketing, energy trading, finance, legal, human resources, and billing and settlement. This allows all the subsidiaries to benefit from the wealth of experience of the management team of SMGP while optimizing initiatives at a portfolio level. SMGP also intends to establish customer relationships with the other subsidiaries and affiliates of San Miguel Corporation for the sale and supply of power.

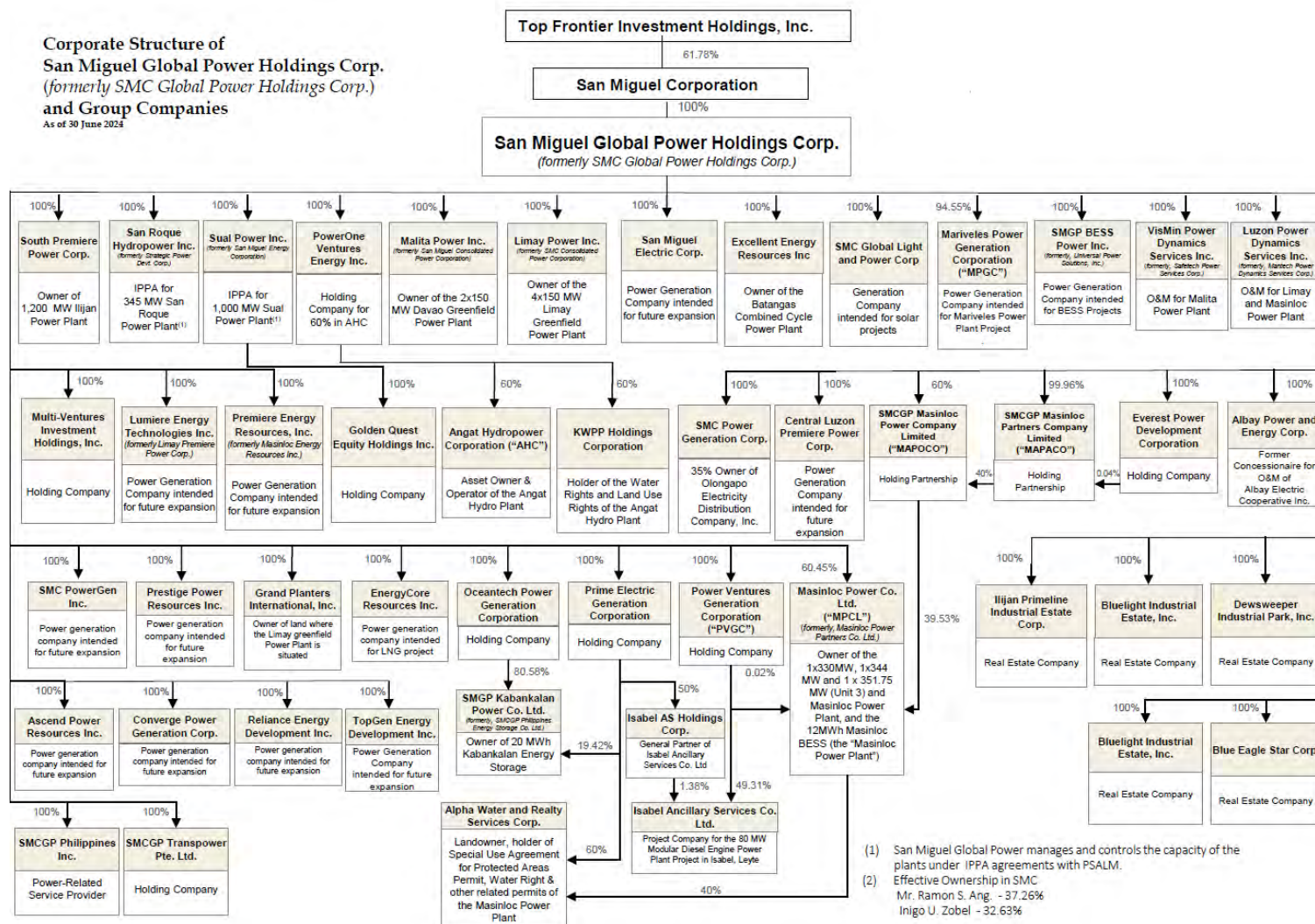
**SMGP PORTFOLIO**

The map below sets out the locations of the major power plants which SMGP owns, operates or for which it acts as IPPA and the intended locations for its planned expansion as of the date of this Offering Circular.



## CORPORATE STRUCTURE

The chart below provides an overview of the ownership structure of SMGP and its major operating subsidiaries as of June 30, 2024.



Notes:

(1) SMGP manages and controls the capacity of the plants under IPPA agreements with PSALM.

## CORPORATE HISTORY AND MILESTONES

San Miguel Corporation entered the power business in 2009, when it successfully acquired, through privatization auctions by PSALM, the IPPA rights for the Sual Power Plant. In order to consolidate its power generation business, San Miguel Corporation eventually transferred these assets into SMGP. In September 2010, SMGP became a wholly-owned subsidiary of San Miguel Corporation.

The following timeline sets forth key events in the corporate history of SMGP:

January 2008 .....	SMGP is incorporated under the name Global 5000 Investment Inc. (renamed SMC Global Power Holdings Corp. in October 2010).
January 2009 .....	SMGP acquires a 6.13% equity interest in Meralco, which was eventually sold in December 2013.
November 2009.....	A San Miguel Corporation subsidiary, SPI, becomes the IPPA for the Sual Power Plant.  SMGP acquires a 60% equity interest in SPI.
January 2010 .....	A San Miguel Corporation subsidiary, SRHI, becomes the IPPA for the San Roque Power Plant.  SPI acquires a 100% equity interest in Bonanza Energy and Daguma Agro, the companies having coal mining rights over approximately 10,000 hectares in Lake Sebu, South Cotabato and Tuanadatu, Maitum, Sarangani Province in Mindanao.
March 2010 .....	SMGP acquires from San Miguel Corporation a 60% equity interest in SRHI, the IPPA for the San Roque Power Plant.
May 2010 .....	SPI acquires a 100% equity interest in Sultan Energy, with coal mining rights over approximately 7,000 hectares in Lake Sebu, South Cotabato and Bagumbayan, Sultan Kudarat in Mindanao.
June 2010 .....	A San Miguel Corporation subsidiary, SPPC becomes the IPPA for the Ilijan Power Plant.
September 2010 .....	SMGP becomes a wholly-owned subsidiary of San Miguel Corporation, and acquired from San Miguel Corporation, among others: <ul style="list-style-type: none"> <li>• a 100% equity interest in SPPC, the company that is the IPPA for the Ilijan Power Plant; and</li> <li>• the remaining 40% equity interests in SPI and SRHI.</li> </ul>
January 2013 .....	Execution of EPC Contract with Formosa Heavy Industries, for the construction of the Limay and Davao Greenfield Power Plants.
August 2011 .....	San Miguel Corporation transfers to SMGP its 100% equity interest in SMELC, which held a RES license from the ERC.
July 2013 .....	Groundbreaking of the 2 x 150 MW Davao Greenfield Power Plant.
September 2013 .....	SMGP is awarded as the winning concessionaire for the rehabilitation, operations and maintenance of ALECO. Effective November 21, 2022, the concession agreement between APEC and ALECO was terminated.  SMGP, through SMC PowerGen, Inc. (a wholly-owned subsidiary), acquires the 140 MW Limay Cogeneration Plant from Petron Corporation.  SMGP agreed to sell its 6.13% interest in Meralco. The sale was completed in March 2014.

October 2013.....	Groundbreaking of the 4 x 150 MW Limay Greenfield Power Plant.
February 2014 .....	Start of APEC's concession of ALECO's distribution franchise.
November 2014.....	SMGP acquired 60% of AHC, the owner and operator of the AHEPP.
July 2015 .....	Groundbreaking of the AHEPP rehabilitation.
August 2016 .....	LPI was granted a RES license by the ERC.
December 2016 .....	SMGP, through SMC PowerGen, Inc., sold the 140 MW Limay Cogeneration Plant back to Petron Corporation.
May 2017 .....	Commercial Operations of Unit 1 of the Limay Greenfield Power Plant.
July 2017 .....	Commercial Operations of Unit 1 of the Davao Greenfield Power Plant.
September 2017 .....	Commercial Operations of Unit 2 of the Limay Greenfield Power Plant.
February 2018 .....	Commercial Operations of Unit 2 of the Davao Greenfield Power Plant.
March 2018 .....	Commercial Operations of Unit 3 of the Limay Greenfield Power Plant.
	Acquisition of the Masinloc Power Plant and Masinloc BESS from The AES Corporation and Electricity Generating Public Company Limited.
April 2018 .....	Completed Masinloc Power Plant Unit 2 retrofit and performance tests.
August 2018 .....	Angat Dam & Dykes Strengthening Project completed.
July 2019.....	Commercial Operations of Unit 4 of the Limay Greenfield Power Plant.
November 2019.....	Commenced construction and installation of key components of Kabankalan BESS.
March 2020 .....	Completed construction and installation of the Kabankalan BESS.
October 2020.....	Commercial Operations of Unit 3 of the Masinloc Power Plant.
December 2020 .....	Attained substantial completion (including testing and commissioning with NGCP) of the Kabankalan BESS.
May 2021 .....	Limited Notice to Proceed issued to Black & Veatch for the construction of the BCC Power Plant.
August 2021 .....	Notices of Award and Notices to Proceed issued to Formosa Heavy Industries for the construction of Masinloc Units 4 and 5.
December 2021 .....	Executed the EPC contract for the BCC Power Plant with Black & Veatch and other local contractors.
January 2022 .....	Commercial Operations of the Kabankalan BESS (Phase 1).
April 2022 .....	Executed the Terminal Use Agreement ("TUA") for SPPC and EERI with the Batangas LNG Terminal.
June 2022 .....	Turnover of the Ilijan Power Plant to SPPC.
December 2022 .....	SMGP disposes its ownership interests in Bonanza Energy, Daguma Agro and Sultan Energy
August 2023 .....	Commercial Operations of Lamao, Limay, San Manuel, Toledo and Maco BESS.

November 2023 .....	Commercial Operations of Malita BESS.
December 2023 .....	Commercial Operations of Ubay BESS.
January 2024 .....	Awarded the 2,700 MW (out of 3,000 MW) Meralco CSP bid.
February 2024 .....	Awarded the 400 MW Meralco CSP bid.
March 2024 .....	Commercial Operations of Unit 1 of the Mariveles Greenfield Power Plant
	Commercial Operations of Concepcion, Ormoc and Jasaan BESS.
July 2024 .....	Awarded the 340 MW Meralco renewable energy CSP bid.

## IPPA POWER PLANTS

The table below summarizes information regarding the power plants whose generation capacity is managed and sold by SMGP, through its subsidiaries, under IPPA rights.

	Plant Name	
	Sual	San Roque
<b>Subsidiary</b> .....	SPI	SRHI
<b>IPPA Acquisition Date</b> .....	11/2009	3/2010
<b>Plant Commercial Operation Date</b> .....	1999	2003
<b>Ownership</b> .....	Marubeni Corporation, Tokyo Electric Power Corporation <sup>(1)</sup>	Marubeni Corporation, Kansai Electric Company Ltd. <sup>(2)</sup>
<b>Capacity (MW)</b> .....	2 x 647	3 x 137
<b>Net Contracted Capacity (MW)<sup>(3)</sup></b> .....	1,000 <sup>(4)</sup>	345 <sup>(5)</sup>
<b>Fuel</b> .....	Coal	Hydroelectric
<b>Fuel Supply</b> .....	Vitol, Banpu, Bayan, Asian Trade Commodities Pte. Ltd. (“ATC”)	N/A
<b>Revenue Mix (as of June 30, 2024)</b> .....	37% WESM; 63% bilateral contract <sup>(6)</sup>	21% WESM; 79% bilateral contract
<b>Net Capacity Factor (%)</b>		
<b>December 31, 2021</b> .....	53%	34%
<b>December 31, 2022</b> .....	62%	20%
<b>December 31, 2023</b> .....	57%	29%
<b>June 30, 2024</b> .....	60%	13%
<b>Availability Factor (%)</b>		
<b>December 31, 2021</b> .....	64%	96%
<b>December 31, 2022</b> .....	85%	97%
<b>December 31, 2023</b> .....	89%	95%
<b>June 30, 2024</b> .....	98%	94%
<b>Offtakers</b> .....	Meralco, ECs, DUs, DCCs, WESM, RES <sup>(8)</sup>	Intercompany, DU, WESM, RES
<b>IPPA Expiry / Asset Transfer Date</b> .....	October 2024	April 2028

Notes:

- (1) Through TeaM Sual Corporation (“TeaM Energy”).
- (2) Through San Roque Power Corporation.
- (3) Based on the IPPA capacity awarded SPI and SRHI.
- (4) SPI is entitled to dispatch up to 1,000 MW, which is the net contracted capacity of the Sual Power Plant. The owner of the plant has the right to generate power in excess of the dispatch instructions of SPI and sell such excess generation.
- (5) SRHI expects the San Roque Power Plant to generate power at levels below its contracted capacity due to water levels in the reservoir and downstream irrigation requirements.

- (6) *The capacity of the Sual Power Plant is contracted to (i) Meralco (DU) under a long-term offtake agreement expiring in December 2029, (ii) Meralco (RES), and (iii) various distribution utilities, electric cooperatives, directly connected customers and third-party RES under existing PSCs. The supply agreement pursuant to the 330 MW Meralco PSC ceased effective July 24, 2023. The 290 MW PSA of SPPC with Meralco which will expire on December 25, 2024 has been assigned by SPPC to SPI effective January 19, 2024.*
- (8) *ECs: Electric Cooperatives; DUs: Distribution Utilities; and DCCs: Directly Connected Customer.*

## **Sual Power Plant**

The Sual Power Plant is a 2 x 647 MW coal-fired thermal power plant, using HELE technologies, 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 ECA with 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 Sual IPPA Agreement.

## **Sual IPPA**

### *Power Plant Capacity and Fuel Supply*

SMGP, 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. TeM (Philippines) Energy Corporation, an affiliate of TeM Energy, is allowed to sell the remaining balance of 200 MW. Accordingly, for purposes of this Offering Circular, the contracted capacity of the Sual Power Plant is 1,000 MW.

SPI must supply and deliver, at its own cost, the fuel that is necessary for the power plant to generate the power that SPI requires TeM Energy to produce. TeM Energy is responsible for supplying fuel at its own cost to the Sual Power Plant to produce power in excess of the dispatch instructions of SPI.

### *IPPA Fees*

SPI pays PSALM a monthly fee that consists of a fixed payment and a variable energy fee.

The fixed payment consists of agreed amounts (in U.S. dollars and Pesos) for the applicable month set out in the Sual IPPA Agreement. The specific amount of the fixed monthly payments under the Sual IPPA Agreement increases over the life of the agreement, and the amounts and timing of such increases are specified in a schedule to the agreement. In any month in which a unit of the Sual Power Plant is unable to produce power for at least three non-delivering days, these agreed amounts are reduced in proportion to the number of non-delivering days in that month. A non-delivering day means a 24-hour period during which a unit is unable to produce power for reasons specified in the Sual IPPA Agreement, including planned and unplanned outages arising from causes not attributable to SPI.

In addition, SPI must pay monthly energy fees that are periodically adjusted for inflation and that consist of (i) a fixed base energy rate for power actually delivered by the Sual Power Plant comprising both a U.S. dollar and Peso component plus (ii) a variable energy rate for power actually delivered by the Sual Power Plant, in U.S. dollars only, that takes into account the cost and efficiency of fuel supplied to the Sual Power Plant as well as the efficiency (unit heat rate) of the Sual Power Plant, which is measured on an annual basis.

### *Other Provisions*

Offtake agreements with certain customers were also assigned to SPI by NPC/PSALM. SPI was required to perform the obligations of NPC under the NPC-assigned offtake agreements, including the obligation to procure power at its own cost to meet deficiencies, in cases where the Sual Power Plant is unable to supply the contracted power. SPI is also required to maintain a U.S.\$58 million performance bond in favor of PSALM. PSALM remains responsible to TeM Energy for the payment obligations of NPC under the Sual ECA.

While SPI is granted the right to coordinate with TeM Energy, on behalf of NPC, on matters relating to management of the generation capacity of the Sual Power Plant, SPI cannot directly enforce the Sual ECA against

TeaM Energy or NPC. Any claims for damages for breach, or other entitlement, benefit or relief under the Sual IPPA Agreement arising from the breach by TeaM Energy of its Sual ECA obligations must be claimed by SPI against PSALM through an equivalent relief claim (“**ER Claim**”). PSALM will then include the ER Claim in its claims against TeaM Energy (the “**PSALM ER Claim**”). The Sual IPPA Agreement does not permit set-off of claims, and SPI is only entitled to payment of its ER Claim after PSALM has received payment from TeaM Energy of its corresponding PSALM ER Claim.

Under the Sual IPPA Agreement, SPI has the option to acquire the Sual Power Plant in October 2024 without any additional payment by SPI. Discussions among PSALM, TeaM Energy and SPI on the turnover of the Sual Power Plant in October 2024 are ongoing. Moreover, 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 Energy of its obligations under the Sual ECA. 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.

The Sual IPPA Agreement may be terminated by either SPI or PSALM due to certain force majeure events. In case of such termination, SPI is entitled to receive from PSALM a termination payment equal to the aggregate agreed monthly payments paid by SPI up to the date of termination less the aggregate capital recovery fees, fixed operating and maintenance fees, infrastructure fees and service fees paid or payable by PSALM up to the termination date of the Sual IPPA Agreement.

### **Power Offtakers**

The capacity of the Sual Power Plant was contracted to (i) Meralco (DU) under a 10-year 330 MW offtake agreement (“**330 MW Meralco PSC**”) expiring in December 2029 as a result of the CSP conducted by Meralco in 2019, (ii) Meralco (RES) covering 60 MW and 170 MW, or a total of 230 MW, (iii) various distribution utilities, electric cooperatives covering 376 MW, and (iv) directly connected customers and third-party RES under existing PSCs covering 125 MW. The supply agreement pursuant to the 330 MW Meralco PSC ceased effective July 24, 2023. Effective January 19, 2024, SPPC’s PSA with Meralco for the supply of 290 MW and expiring on December 25, 2024 was assigned by SPPC to SPI.

For energy-based contracts entered into by SPI directly with offtakers on a bilateral basis, pricing is based on a reasonable return over the cost structure of SPI.

For capacity-based contracts, pricing is based on a fixed and variable payment. The fixed payment represents the monthly fixed payments to PSALM and fixed operating and maintenance expenses. The variable payment represents the energy fee, fuel and variable operating and maintenance expense.

### **Operations Review**

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

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Actual Energy Generated (GWh) .....	4,676	6,374	5,957	3,577	3,125
Electricity sold (GWh):.....	7,932	8,532	9,496	5,222	5,013
of which: bilateral offtake agreements.....	7,730	7,566	8,228	4,978	3,432
of which: WESM sales.....	202	967	1,268	244	1,581
Average realized electricity prices(₱/MWh):					
for electricity sold under bilateral offtake agreements .....	4,845	8,699	6,719	7,607	5,300
for electricity sold on WESM .....	3,491	8,835	8,641	15,519	6,720
Net Capacity Factor (%) .....	53	62	57	69	60
Availability Factor (%) .....	64	85	89	98	98
Reliability Factor (%) .....	89	97	99	99	98
Average Net Dependable Capacity (MW).....	781	1,000	1,000	1,000	1,000
Average Net Heat Rate (Kcal/KWh) .....	2,496	2,519	2,542	2,534	2,566

## Fuel Supply

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

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Metric tons (thousands).....	1,894	2,609	2,467	1,462	1,294
Average calorific value (kcal/kg).....	6,133	6,138	6,069	5,367	6,110
(in millions ₱).....	12,183	47,812	28,441	20,019	10,235
Average price per metric ton (₱).....	6,431	18,325	11,527	13,694	7,909

SPI has existing coal supply agreements with Vitol, Banpu, Bayan and ATC for the period until December 31, 2024, to ensure a steady supply of coal for SPI. Further, negotiations with the existing suppliers are regularly done for additional volume to cover balance-year quantities and contract base volume for forward years and SPI continues to accredit coal supply acceptable for plant operations for more optionality and supply security. Pricing under the coal supply agreements is linked to the Global Coal Newcastle index, subject to adjustment based on agreed standards applicable to the quality of the coal delivered. Sual Power Plant continuously monitors coal market activity for future contracting of supply in succeeding periods.

## Operations and Maintenance

The Sual Power Plant is operated by TeaM Energy, the successor-in-interest of CEPA Pangasinan Electric Limited. Under the Sual ECA, TeaM Energy 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 Energy 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.

The maintenance plan for the Sual Power Plant is agreed upon annually between SPI, NPC, PSALM, NGCP and TeaM Energy. The maintenance plan includes scheduled inspections and overhauls, including scheduled periods of outage. Planned outages for preventive maintenance are scheduled in such a way that only one unit is scheduled for shut down at any given time. The maintenance plan is established with consideration given to the dispatch requirements of SPI and recommendations of the plant manufacturer. TeaM Energy is required to execute the maintenance plan in accordance with the recommendations of the original equipment manufacturer and good utility practice. TeaM Energy performs periodic preventive maintenance activities on the generating units of the Sual Power Plant during the course of the operations of the plant. The Sual ECA requires TeaM Energy to conduct an annual test to check the capacity and heat rate of the generating units of the Sual Power Plant, if requested by SPI.

Each of the generating units of the Sual Power Plant historically has been, and is expected to continue to be, shut down for routine preventive maintenance for approximately 30 days per calendar year. SPI also expects that TeaM Energy will shut down these units for more significant preventive maintenance and repair work for a total of approximately 60 days in every fifth calendar year.

The table below sets forth actual planned outages of the Sual Power Plant for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Unit 1.....	88 days	29 days	45 days	—	—
Unit 2.....	134 days	60 days	25 days	1 day	—

In 2021, Unit 1 was shut down for 88 days mainly for preventive maintenance outage, while Unit 2 was on extended shut down from September 2020 due to major turbine repairs. Unit 2 resumed operations on May 12, 2021.

In 2022, Units 1 and 2 were shut down for 29 days and 60 days, respectively, mainly for preventive maintenance outage.

In 2023, Units 1 and 2 were shut down for 45 days and 25 days, respectively, mainly for preventive maintenance outage.

The table below sets forth unplanned outages of the Sual Power Plant for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Unit 1.....	7 days	3 days	—	—	3 days
Unit 2.....	37 days	14 days	13 days	13 days	3 days

In 2021, Unit 1 was shut down for seven days primarily due to turbine repairs and boiler tube leaks, while Unit 2 was shut down for 37 days primarily due to repair of intermediate pressure turbine blades and diaphragm and steam and condenser tube leaks.

In 2022, Unit 2 was shut down for 14 days mainly due to high temperatures observed in generator.

In 2023, Unit 2 was shut down for 13 days mainly due to boiler tube leaks.

### ***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 the TransCo and operated and maintained by its concessionaire, NGCP.

### **San Roque Power Plant**

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 PPA with NPC under a BOT scheme (the “**San Roque PPA**”).

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. The San Roque Power Plant produced an annual average energy generation of 732 GWh for the calendar years 2013 through 2023, irrigates approximately 39,553 hectares of agricultural land, stores water that would otherwise flood the Pangasinan plains, and improves water quality of the Agno River which, otherwise, would pollute the downstream rivers.

On December 15, 2009, SRHI, a wholly owned subsidiary of SMGP, 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.

### ***San Roque IPPA***

#### ***Power Plant Capacity***

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 San Roque Power Corporation (“**SRPC**”).

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.

### *Minimum Run Rate*

The San Roque PPA requires NPC to take-or-pay for a minimum amount of power from the San Roque Power Plant. The minimum amount required increases from 85 MW through April 2007, 95 MW from May 2007 through April 2013, 110 MW from May 2013 through April 2017 and 115 MW from May 2017 through April 2028. Under the San Roque IPPA Agreement, SRHI is contractually obligated to purchase the minimum amount of power that NPC is obligated to take-or-pay for under the San Roque PPA.

### *IPPA Fees*

SRHI pays PSALM a monthly fee that consists of a fixed payment and a variable energy fee.

The fixed payment consists of agreed amounts (in U.S. dollars and Pesos) for the applicable month as set out in the San Roque IPPA Agreement. The specific amount of the fixed monthly payments under the San Roque IPPA Agreement increases over the life of the agreement, and the amounts and timing of such increases are specified in a schedule to the agreement. In any month that the San Roque Power Plant is unable to produce power for at least three non-delivering days, these fixed amounts are reduced in proportion to the number of non-delivering days in that month. A non-delivering day means a 24-hour period during which the San Roque Power Plant is unable to produce power for reasons specified in the San Roque IPPA Agreement, including unplanned outages arising from causes not attributable to SRHI. No reduction in the fixed payment is made if the San Roque Power Plant is unable to produce power due to planned outages.

The energy fee is computed based on the actual energy delivered by the San Roque Power Plant at a fixed price of ₱1.30 per KWh. The actual energy delivered and dispatched by the San Roque Power Plant at any given time is dependent on the water levels in the reservoir and downstream irrigation requirements at that time.

### *Other Provisions*

The San Roque IPPA Agreement requires SRHI to maintain a performance bond in favor of PSALM equivalent to U.S.\$20 million. 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 under the San Roque PPA.

While SRHI is granted the right to coordinate with SRPC, on behalf of NPC, on matters relating to management of the generation capacity of the San Roque Power Plant, SRHI cannot directly enforce the San Roque PPA against SRPC or NPC. Any claims for damages for breach, or other entitlement, benefit or relief under the San Roque IPPA Agreement arising from the breach of SRPC of its San Roque PPA obligations must be claimed by SRHI against PSALM through the ER Claim and the PSALM ER Claim mechanism. Under the San Roque IPPA Agreement, SRHI has the option to acquire the San Roque Power Plant in May 2028 without any additional payment by SRHI. SRHI may exercise the option to acquire the San Roque Power Plant prior to May 2028 under certain circumstances, such as changes in applicable law or non-performance by SRPC of its obligations under the San Roque PPA. 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 San Roque IPPA Agreement.

The San Roque IPPA Agreement may be terminated by either SRHI or PSALM due to certain force majeure events. In case of such termination, SRHI is entitled to receive from PSALM a termination payment equal to the aggregate agreed monthly payments paid by SRHI up to the date of termination less the aggregate capital recovery, operating and watershed management fees paid or payable by NPC/PSALM to SRPC from the effective date of the San Roque IPPA Agreement up to the termination date of the San Roque IPPA Agreement.

### *Power Offtakers*

SRHI primarily sells its generated capacity to the WESM at the prevalent spot price. SRHI also periodically supplies replacement power to the subsidiaries of SMGP. On October 23, 2020, SRHI and Clark Electric Distribution Corporation executed a 25 MW power supply agreement for five years beginning December 26, 2020, which is subject to ERC final approval. In the meantime, SRHI received a letter from the ERC allowing the parties to implement the contracted rates under the power supply agreement. In the most recent CSP conducted by Meralco for renewable energy contract capacity on July 17, 2024, SRHI emerged as the winning bidder for a 340 MW power supply contract for a period of 10 years commencing on February 26, 2025.

## Operations Review

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

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Actual Energy Generated (GWh) .....	1,036	619	874	261	202
Electricity sold (GWh):.....	1,096	918	1,920	803	694
of which: bilateral offtake agreements .....	700	654	1,571	700	563
of which: WESM sales.....	396	264	349	103	131
Average realized electricity prices(₱/MWh):					
for electricity sold under bilateral offtake agreement .....	4,779	8,362	11,706	9,468	4,977
for electricity sold on WESM .....	6,755	9,548	2,170	8,255	5,591
Net Capacity Factor (%) .....	34	20	29	17	13
Availability Factor (%) .....	96	97	95	90	94
Reliability Factor (%) .....	100	100	100	100	100
Average Net Dependable Capacity (MW)...	373	318	373	336	304

## Water Rights

The generated output energy of the San Roque Power Plant is limited by the “Irrigation Diversion Requirements” set by the NIA of the Philippines. Water allocation is usually dictated by a rule curve that is derived from historical data of river flows and water demands. A rule curve shows the minimum water level requirement in the reservoir at a specific time to meet the needs for which the reservoir is designed. The rule curve must generally be followed except during periods of extreme drought and when public interest requires.

In general, the rule curve dictates the following:

- *Water Level Above the Upper Rule Curve* — All demands for water supply and irrigation are met and electricity can be generated at the full capacity of the turbine units. Excess inflow is discharged through the spillway. Water released through the spillway is controlled and regulated by the NPC Dam Office personnel.
- *Between the Upper and Lower Rule Curves* — All demands for water supply and irrigation are satisfied. Generation of electricity is limited to the released water for water supply and irrigation.
- *Water Level Below the Lower Rule Curve* — The remaining water in the reservoir is reserved for water supply and irrigation. Generation of electricity is limited to these water releases. If necessary, no further water release for power generation is allowed.

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 NWRB.

## Operations and Maintenance

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. As operator, SRPC is entitled to conduct the normal inspection, regular preventive maintenance, repair and overhaul for a period of 15 days for each unit comprising the San Roque Power Plant. In addition, SRPC has the right to enter into contracts for the supply of materials and services, including contracts with NPC; appoint and remove consultants and professional advisers; purchase replacement equipment; appoint, organize and direct

staff; manage and supervise the power plant; establish and maintain regular inspection, maintenance and overhaul procedures; and otherwise run the power plant within the operating parameters set out in the San Roque PPA.

The maintenance plan for the San Roque Power Plant is agreed upon annually between SRHI, NPC, PSALM, NGCP and SRPC. The maintenance plan includes scheduled inspections and overhauls, including scheduled periods of outage and details as to the personnel required to complete each inspection. Planned outages for preventive maintenance of the generating units are scheduled in such a way that only one unit is shut down at any given time. The power tunnel that delivers water from the reservoir to the generating units also undergoes routine annual preventive maintenance inspections, during which all units are shut down. The maintenance plan is established with consideration given to the dispatch requirements of SRHI and recommendations of the plant manufacturer. SRPC is required to execute the maintenance plan in accordance with the recommendations of the original equipment manufacturer and good utility practice. SRPC performs periodic preventive maintenance activities on the generating units of the San Roque Power Plant during the course of the operation of the plant. The San Roque PPA requires SRPC to conduct an annual test to check the capacity of the generating units of the San Roque Power Plant. As of the date of this Offering Circular, the generating units of the San Roque Power Plant have attained and maintained the required contracted capacity specified in the San Roque PPA.

Each of the generating units of the San Roque Power Plant historically has been, and is expected to continue to be, shut down for routine preventive maintenance for approximately 15 days per calendar year sometime between April to June of each year, when water levels at the reservoir are low. Since 2010, during periods when a generating unit is shut down for routine preventive maintenance, the San Roque Power Plant has historically been, and is expected to continue to be, able to generate power at the applicable minimum run rate from the other generating units. The San Roque Power Plant does not have a regular schedule for significant preventive maintenance and repair work.

The power tunnel that delivers water from the reservoir to the generating units also undergoes routine preventive maintenance inspections for approximately 15 days per calendar year. Power tunnel inspections historically have been, and are expected to continue to be, conducted between April to June of each year, after the end of the irrigation period and when water levels at the reservoir are low.

The table below sets forth the actual planned outages of the power tunnel for the San Roque Power Plant for the periods indicated.

For the year ended December 31,			For the six months ended June 30,	
2021	2022	2023	2023	2024
15 days	10 days	—	—	10 days

The San Roque Power Plant was shut down for 15 days for power tunnel inspection in 2021 and for 10 days in each of 2022 and 2023 for switch yard inspection.

### ***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.

## **GREENFIELD, IPP AND JOINT VENTURE PROJECTS**

### **Limay Greenfield Power Plant**

The Limay Greenfield Power Plant, owned by SMGP through its subsidiary, LPI, is a 4 x 150 MW CFB coal-fired power plant, using HELE technologies, located in Limay, Bataan, which commenced construction in October 2013. 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 all of the rights and obligations on the completion of Units 3 and 4 of the Limay Greenfield Power Plant from another wholly-owned subsidiary, Limay Premiere Power Corp. Mantech Power Dynamics Services Inc., another wholly-owned subsidiary of SMGP, is responsible for the operation and maintenance of the Limay Greenfield Power Plant.

### Power Offtakers

The Limay Greenfield Power Plant is substantially contracted to various distribution utilities (86 MW), electric cooperatives, directly connected customers and contestable customers (560 MW), including facilities of SMC subsidiaries (17 MW), under long-term fuel pass-through offtake agreements mostly expiring in 10 years from its effective date. In a CSP conducted by Meralco on February 26, 2024, Limay Power Inc. emerged as the winning bidder for the latter's 400 MW power requirement. For the six months ended June 30, 2024, 92% of revenues were from bilateral contracts while the remaining 8% was attributable to revenue from WESM. LPI was granted a RES license which is valid until September 29, 2028. The RES license gave LPI the ability to directly contract with contestable customers.

### Fuel Supply

The table below sets forth certain information regarding the supply of coal to the Limay Greenfield Power Plant for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Metric tons (thousands).....	2,679	2,546	2,532	1,313	1,287
Average calorific value (kcal/kg).....	4,325	4,376	4,298	4,291	4,244
(in millions ₱).....	7,555	19,614	13,730	8,242	5,240
Average price per metric ton (₱).....	2,820	7,703	5,423	6,279	4,072

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

### Operations Review

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

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Actual Energy Generated (GWh).....	4,177	4,144	3,976	2,084	1,989
Electricity sold (GWh): .....	4,591	4,356	4,281	2,183	2,499
of which: bilateral offtake agreements .....	4,447	4,245	3,924	2,093	2,297
of which: WESM sales .....	144	111	357	90	202
Average realized electricity prices(₱/MWh):					
for electricity sold under bilateral offtake					
agreement.....	5,181	8,583	6,564	7,070	5,982
for electricity sold on WESM.....	5,490	7,631	5,573	5,073	5,652
Net Capacity Factor (%).....	89	88	85	90	85
Availability Factor (%) .....	93	91	91	92	92
Reliability Factor (%).....	98	98	97	97	97
Average Net Dependable Capacity (MW) .....	528	528	536	536	536
Average Net Heat Rate (Kilo-Calorie/Kilowatt hour or "Kcal/KWh").....	2,777	2,761	2,726	2,697	2,753

The table below sets forth unplanned outages of the Limay Greenfield Power Plant for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Unit 1.....	2 days	13 days	11 days	11 days	—
Unit 2.....	4 days	3 days	6 days	1 day	9 days
Unit 3.....	10 days	17 days	10 days	1 day	5 days
Unit 4.....	3 days	2 days	4 days	4 days	10 days

In 2021, Unit 3 was shut down for 10 days mainly to conduct replacement of expansion bellows.

In 2022, Unit 1 was shut down for 13 days due to power tripping caused by a loose fuse at the control wiring, and for soot blower lance repair. Unit 3 also experienced boiler tube leaks in the same year.

In 2023, Unit 1 was shut down for 11 days due to high furnace temperatures, while Unit 3 was shut down for 10 days due to sudden closing of control valve and thermowell leaks.

In 2024, Unit 2 was shut down due for 9 days mainly for removal of agglomerated bed material on furnace, while Unit 4 was shut down for 10 days due to boiler tube leaks.

### ***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.

### **Davao Greenfield Power Plant**

The Davao Greenfield Power Plant owned by SMGP through its subsidiary, MPI, is a 2 x 150 MW CFB coal-fired power plant, using HELE technologies, located in Malita, Davao Occidental, which commenced construction in September 2013. 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. Safetech Power Services Corp., another wholly-owned subsidiary of SMGP, is responsible for the operation and maintenance of the Davao Greenfield Power Plant.

### ***Power Offtakers***

Units 1 and 2 of the Davao Greenfield Power Plant are substantially contracted to various distribution utilities, electric cooperatives and industrial customers (189 MW) under long-term offtake agreements mostly expiring in 10 years from its effective date. Of the 189 MW contracted capacity, 117 MW is expiring in the fourth quarter of 2024 and the first quarter of 2025.

### ***Fuel Supply***

The table below sets forth certain information regarding the supply of coal to the Davao Greenfield Power Plant for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Metric tons (thousands).....	1,192	1,061	1,096	461	612
Average calorific value (kcal/kg).....	4,372	4,332	4,146	4,263	3,828
(in millions ₱).....	3,306	7,215	5,513	2,941	2,239
Average price per metric ton (₱).....	2,774	6,799	5,030	6,376	3,661

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

## Operations Review

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

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Actual Energy Generated (GWh) .....	1,835	1,586	1,557	659	853
Electricity sold (GWh):.....	1,954	1,958	1,581	680	858
of which: bilateral offtake agreements .....	1,954	1,958	1,100	591	443
of which: WESM sales.....	—	—	481	89	415
Average realized electricity prices(₱/MWh):					
for electricity sold under bilateral offtake agreement .....	5,572	9,234	8,492	9,293	7,187
for electricity sold on WESM .....	—	—	5,188	8,145	4,953
Net Capacity Factor (%) .....	79	69	67	57	74
Availability Factor (%) .....	92	93	97	95	84
Reliability Factor (%) .....	98	99	100	100	95
Average Net Dependable Capacity (MW) ..	264	264	264	264	264
Average Net Heat Rate (Kcal/KWh) .....	2,808	2,895	2,916	3,047	2,812

The table below sets forth unplanned outages of the Davao Greenfield Power Plant for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Unit 1 .....	5 days	1 day	22 days	—	—
Unit 2 .....	6 days	10 days	—	—	7 days

In 2021, Unit 1 was shut down for five days mainly due to boiler tube leaks, while Unit 2 was shut down for six days primarily due to a fire incident in the crusher building.

In 2022, Unit 2 was shut down for 10 days mainly due to extended preventive maintenance outage and boiler tube leaks.

In 2023, Unit 3 was shut down for 22 days to conduct repairs on its analog module and electrostatic precipitators.

## 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.

## Mariveles Greenfield Power Plant

The Mariveles Greenfield Power Plant owned by SMGP through its subsidiary, MPGC, is a 4 x 150 MW CFB coal-fired power plant located in Mariveles, Bataan, using HELE technologies which commenced construction in 2019. Unit 1 commenced commercial operations on March 28, 2024, while Units 2, 3 and 4 are undergoing testing and commissioning. As of the date of this Offering Circular, overall project completion is 99.9%.

The EPC contractors of the Mariveles Greenfield Power Plant is Formosa Heavy Industries Corp. LPDSI, another wholly-owned subsidiary of SMGP, is responsible for the operation and maintenance of the Mariveles Greenfield Power Plant.

## Power Offtakers

The capacity of the Mariveles Greenfield Power Plant is contracted to Meralco for 300 MW for a period of 15 years and MPGC intends to participate in future CSP of Meralco and other DUs and ECs for the remaining uncontracted capacity.

### ***Fuel Supply***

MPGC executed a long-term coal supply agreement with Bayan, effective until December 31, 2027. Pricing under the coal supply agreement is subject to adjustment based on certain standards applicable to the quality or grade of the coal delivered by the supplier. MPGC also executed spot coal supply contracts with local supplier.

### ***Operations Review***

As Unit 1 of the Mariveles Greenfield Power Plant commenced operations on March 28, 2024, there is no available summary of operating statistics for the period in review.

### ***Power Transmission***

Power from the Mariveles Greenfield Power Plant is transmitted through a 500-kV transmission line that connects to Mariveles Substation. The transmission line is owned by TransCo and operated and maintained by NGCP.

### ***Ilijan Power Plant***

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 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 rated capacity of 600 MW each which uses HELE technologies.

On April 16, 2010, SMC successfully bid for the appointment to be the IPP Administrator for the Ilijan Power Plant and received a notice of award on May 5, 2010. On June 10, 2010, SMC and SPPC, entered into an assignment agreement with assumption of obligations whereby SMC assigned all of its rights and obligations with respect to the Ilijan Power Plant to SPPC. SPPC assumed administration of the Ilijan Power Plant on June 26, 2010 in accordance with the Ilijan IPPA Agreement.

As an IPPA, SMGP, 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. Although the installed capacity of the Ilijan Power Plant totals 1,277.9 MW, ERC records attribute to SPPC a capacity of 1,200 MW for the Ilijan Power Plant. Accordingly, for purposes of this Offering Circular, the contracted capacity of the Ilijan Power Plant is referred to as 1,200 MW.

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.

### ***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. Power Offtakers

The capacity of the Ilijan Power Plant is contracted to Meralco under a long-term power supply agreement.

Meralco conducted CSP for its power supply, in accordance with the DOE CSP Policy. The Ilijan Power Plant was awarded two 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 each 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. SPPC currently provides Meralco its power requirement through this 1,200 MW PSC.

### **Operations Review**

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

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Actual Energy Generated (GWh) .....	5,999	2,681	2,512	134	3,326
Electricity sold (GWh):.....	7,328	6,128	5,822	1,901	3,864
of which: bilateral offtake agreements....	6,533	5,867	5,402	1,872	3,666
of which: WESM sales.....	795	261	420	29	198
Average realized electricity prices(₱/MWh):					
for electricity sold under bilateral offtake					
agreements .....	4,541	4,705	7,227	6,399	7,400
for electricity sold on WESM .....	3,075	5,538	6,081	8,651	4,354
Net Capacity Factor (%) .....	57	26	24	3	63
Availability Factor (%) .....	92	98	82	89	85
Reliability Factor (%) .....	99	100	99	97	99
Average Net Dependable Capacity (MW).....	1,109	1,168	979	1,200	1,200
Average Net Heat Rate (Kilo-Joule/KWh).....	7,230	6,978	7,600	8,454	7,093

### **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.

As early as March 2021, the NPC 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 GSPA also expired on the same date and PSALM was no longer required to supply fuel to the Ilijan Power Plant upon turnover of the same to SPPC.

Prior to the expiration of the Ilijan IPPA Agreement, SPPC executed a fuel supply agreement for imported LNG from an international supplier and contracted Linseed Field Corporation, the developer of the Batangas LNG Terminal, through the TUA for the receipt, regasification and storage of its imported LNG through the Batangas LNG Terminal.

With the Batangas LNG Terminal infrastructure, SPPC receives imported LNG from international suppliers Vitol, Trafigura Pte. Ltd and Shell Eastern Trading (Pte) Ltd.

The Batangas LNG Terminal started servicing the Ilijan Power Plant in May 2023.

### **Operations and Maintenance**

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 SMGP, became responsible for the operation and maintenance of the Ilijan Power Plant.

Each of the generating units of the Ilijan Power Plant historically has been, and is expected to continue to be, shut down for routine preventive maintenance for approximately 26 days per calendar year and it is also expected that the Ilijan Power Plant will shut down these units for more significant preventive maintenance and repair work for a total of 35 to 43 days in every fifth calendar year.

The table below sets forth actual planned outages of the Ilijan Power Plant for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Block 1 .....	54 days	4 days	—	—	21 days
Block 2 .....	42 days	14 days	—	—	40 days

In 2021, Block 1 and Block 2 were shut down for 54 days and 42 days, respectively, for preventive maintenance outage and for the Malampaya gas facility scheduled maintenance shutdown.

In 2022, Block 2 was shut down for 14 days mainly due to fuel oil system maintenance, transformer inspection, gas supply restriction and water line leak.

In 2024, Block 1 and Block 2 were shut down for 21 days and 40 days, respectively, for preventive maintenance outage.

The table below sets forth unplanned outages of the Ilijan Power Plant for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Unit 1 .....	1 day	1 day	1 day	—	10 days
Unit 2 .....	1 day	—	52 days	—	10 days

In 2023, Block 2 was shut down for 52 days mainly due to hydraulic cylinder leaks and fuel gas restrictions.

In 2024, Blocks 1 and 2 experienced shut down for 10 days each primarily due to loss of gas supply.

### ***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.

### ***Chromite Agreements***

On March 1, 2024, MGen and Aboitiz Power, through their joint venture entity, Chromite Gas, entered into binding agreements with SMGP and its relevant subsidiaries for Chromite Gas to jointly invest in and acquire a 67% equity interest in each of the following SMGP gas-fired power plants and assets as follows: (i) the operating Ilijan Power Plant owned by SPPC, (ii) the adjacent BCC Power Plant currently under construction owned by EERI, and (iii) land owned by Ilijan Primeline Industrial Estate, Inc. where the BCC Power Plant, the Batangas LNG Terminal and their respective related facilities are located.

The transactions are subject to customary closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission. See “—Recent Developments—Chromite Agreements.”

### **Masinloc Power Plant and Masinloc BESS**

#### ***Background***

The Masinloc Power Plant, using HELE technologies, 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 Masinloc BESS.

The Masinloc BESS (10 MWh) is a pioneer grid-scale BESS in the Philippines and Southeast Asia which, we believe, is the first of its kind in the region. The EPC Contractor for the Masinloc BESS is Fluence, which has installed 1,125 MW in BESS capacity in 95 projects across 20 countries and is a leading vendor for utility-scale energy storage systems, according to Navigant Research.

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

### ***Power Offtakers***

Units 1, 2 and 3 of the Masinloc Power Plant are substantially contracted through medium to long-term bilateral contracts with Meralco and other distribution utilities for 355 MW, contestable customers and third-party RES for 128 MW, and affiliates for 26 MW. The RES license of MPCL was renewed and is valid until September 29, 2028. The Masinloc BESS provides regulating reserve ancillary services to the Luzon Grid under an ASPA with NGCP, under a take-or-pay scheme for capacity payments for both charging and discharging capacity, subject to dispatch protocols and guidelines.

### ***Operations Review***

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

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Actual Energy Generated (GWh) .....	6,136	6,086	5,407	2,660	2,869
Electricity sold (GWh):.....	8,055	7,949	6,301	3,067	3,367
of which: bilateral offtake agreements.....	7,079	7,230	5,805	2,926	3,007
of which: WESM sales.....	976	719	496	141	360
Average realized electricity prices(₱/MWh):					
for electricity sold under bilateral offtake agreements ..	4,708	8,749	6,542	7,764	5,402
for electricity sold on WESM	4,719	7,538	5,929	7,940	4,606
Net Capacity Factor (%) .....	76	75	65	65	69
Availability Factor (%) .....	88	94	85	81	88
Reliability Factor (%) .....	90	87	82	82	84
Average Net Dependable Capacity (MW) .....	917	924	950	921	950
Average Net Heat Rate (Kcal/KWh) .....	2,458	2,537	2,454	2,431	2,402

### ***Fuel Supply***

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

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Metric tons (thousands) .....	2,708	2,919	2,599	1,285	1,323
Average calorific value (kcal/kg).....	5,583	5,346	5,123	5,153	5,254
(in millions ₱) .....	15,617	39,524	20,581	12,029	8,135
Average price per metric ton (₱).....	5,768	13,542	7,920	9,361	6,150

MPCL continues to maintain multiple supply agreements, from short- to long-term, and with various reputable mining companies and traders that can deliver the different qualities required by the Masinloc Power Plant with different boiler designs and required coal specifications. MPCL has two units of sub-critical boiler technology

and one unit of supercritical boiler technology that requires different qualities of coal for optimal operations. MPCL has contracts with KPC, Bayan, Vitol and a local supplier covering majority of the coal requirements of the Masinloc Power Plant. All contracts have standard adjustments based on a certain formula applicable to the quality or grade of the coal delivered.

### ***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.

### ***Angat Hydroelectric Power Plant***

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.

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. The Main Units 1 and 2, together with the Auxiliary Units 1 and 2 were commissioned in 1967. The Main Units 3 and 4 were commissioned in 1968. The Auxiliary Unit 3 was commissioned in 1978. The Auxiliary Unit 3 was manufactured by Allis-Chalmers and Ebara and all the other units were manufactured by Toshiba Corporation of Japan. All units are run by the 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 Agreement for Auxiliary Units 4 and 5 with combined capacity of 28 MW, owned by the 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 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.

### ***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.

### ***Power Offtakers***

AHC sells the 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. Auxiliary Units are operated as baseload units, as the water requirement from MWSS is continuous throughout the day, thus eliminating any discrete optionality to choose the hour of allocation. AHC periodically enters into short-term power supply contracts for the capacity of its auxiliary units, including replacement contracts with the subsidiaries of SMGP, and continues to explore options to contract this capacity.

## Operations Review

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

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Net Capacity Factor (%).....	23	10	12	16	17
Availability Factor (%).....	94	51	44	50	52
Reliability Factor (%).....	100	98	100	100	99
Average Net Dependable Capacity (MW) .....	187	95	91	104	104

## Operations and Maintenance

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

AHC has entered into technical services agreements with each of K-water and PVEI to ensure that the appropriate level of technical and management support will be provided to support the operation and maintenance requirements of AHC.

## RETAIL SERVICES

### Retail Electric Supply

SMGP 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 SMGP, through LPI and MPCL have a term of five years each and are valid until September 29, 2028.

The RES licenses allow the relevant subsidiary of SMGP to enter into RSCs with contestable customers and expand its customer base. As of March 31, 2024, LPI and MPCL supply an equivalent of 672 MW to various facilities of San Miguel Corporation subsidiaries and other contestable customers. Based on data obtained from the ERC, the Company believes that it is a major player in the RES markets where it operates, supplying over 120 contestable customers as of March 2024. The Company currently holds a direct market share of 12% of the contestable customer market, with Aboitiz, Meralco (RES), Ayala and the EDC group holding 30%, 26%, 8% and 8%, respectively, based on the Competitive Retail Electricity Market Report from the ERC as of March 2024. With our supply of electricity to contestable customers and to other RES, we believe that we are the largest supplier of retail electricity in the Philippines.

## SALES STRATEGY AND CUSTOMERS

SMGP seeks to sell substantially all the power generated by its portfolio of power plants to offtakers whether in the form of distribution utilities, electric cooperatives or contestable customers. For the six months ended June 30, 2024, approximately 38% and 43% of consolidated sales volumes were to (i) Meralco and (ii) other distribution utilities, electric cooperatives, directly connected customers, contestable customers and ancillary services, respectively. Based on publicly available disclosures of Meralco, SMGP believes that it is one of Meralco's largest power suppliers as of June 30, 2024, supplying approximately 4,097 GWh or 22% of Meralco's power purchases. Meralco is the largest distribution utility in the Philippines. With regards to the national distribution market, the Company believes that it holds a significant share of the other distribution utilities and electric cooperatives published in the DOE website and contracts filed with the ERC. SMGP is cautious to over-contract its capacities and seeks to leave at least 10% of its available capacity for merchant risk and for replacement power. SMGP prioritizes baseload and off-peak contracts with full fuel pass-through schemes and long tenor. SMGP capitalizes on organic and captive demand from San Miguel Corporation affiliates and strategic partners and suppliers. SMGP also seeks to dispatch capacity and offtake volume on a portfolio basis to optimize cost of generation.

Currently, the capacities of the Ilijan Power Plant, Masinloc Power Plant, Limay Greenfield Power Plant, Mariveles Greenfield Power Plant, BCC Power Plant and Sual Power Plant are contracted under medium to long-term offtake agreements with Meralco and its affiliates, various distribution utilities, electric cooperatives, and industrial customers under existing offtake agreements. These agreements typically include take-or-pay provisions

whereby a customer is required to pay for a minimum contracted amount of power, regardless of whether or not the customer takes delivery of the entire amount, with the result that revenue from these offtake agreements is relatively stable for the duration of the agreements.

If the generation output available to the subsidiaries of SMGP from these plants exceeds the amount deliverable under their offtake agreements, such subsidiaries of SMGP offer the excess power for sale through the WESM at the market clearing price. The Company believes that offtake agreements with distribution utilities and electric cooperatives, while subject to approval of the ERC, are relatively better in pricing compared to retail supply contracts with contestable customers.

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.

The Auxiliary Units of AHEPP are operated as baseload units, as the water requirement from MWSS is continuous throughout the day, thus eliminating any discretion to choose the hour of allocation. AHC is exploring options to contract the capacity of its Auxiliary Units.

The Company plans to contract a substantial portion of the capacity of BESS projects to provide ancillary services to the grid. It can also take advantage of arbitrage opportunities in the WESM, particularly during peak hours when prices may be more than double. BESS projects may also be contracted with other entities such as electric cooperatives or power plants.

In the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, approximately 91%, 91%, 86%, 93% and 81% respectively, of consolidated volume of power sold by the Company are to customers pursuant to bilateral offtake agreements. Sales to Meralco accounted for approximately 48%, 46%, 41%, 46% and 38% of the total consolidated sales volume of SMGP for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. Sales through the WESM accounted for approximately 9%, 9%, 14%, 7% and 19% of SMGP's total consolidated sales volume for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively.

## **COMPETITION**

SMGP is one of the largest power companies in the Philippines. 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 June 30, 2024. 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. Based on available data from the IEMOP as of the first quarter of 2024, we believe that we are the second largest and largest private generation company in terms of market share for installed generating capacity and actual generation, respectively, in the Philippines.

With the Government committed to privatizing the majority of NPC-owned power generation facilities and the establishment of WESM, the generation facilities of SMGP will face competition from other power generation plants that supply the grid during the privatization phase. SMGP will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as competition for financing for these activities. The performance of the Philippine economy and the potential for a shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects within the Philippines. Accordingly, competition for and from new power projects may increase in line with the long-term economic growth in the Philippines.

## **CUSTOMERS**

SMGP, 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.

	For the 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 ₱)	Revenues (in U.S.\$ millions)
<b>Customers</b>							
Meralco.....	12,967	53,313	12,713	82,050	10,456	70,420	1,252
WESM.....	2,513	11,221	2,345	21,656	3,640	24,054	428
<b>Total Major Customers.....</b>	<b>15,480</b>	<b>64,534</b>	<b>15,058</b>	<b>103,706</b>	<b>14,096</b>	<b>94,474</b>	<b>1,680</b>
Others <sup>(1)</sup> .....	11,742	69,176	12,344	117,683	11,109	75,116	1,336
<b>Total Sales .....</b>	<b>27,221</b>	<b>133,710</b>	<b>27,402</b>	<b>221,389</b>	<b>25,205</b>	<b>169,590</b>	<b>3,016</b>

	For the six months ended June 30,				
	2023		2024		
	Volume Sold (GWh)	Revenue (in millions ₱)	Volume Sold (GWh)	Revenue (in millions ₱)	Revenues (in U.S.\$ millions)
<b>Customers</b>					
Meralco.....	4,940	34,876	6,614	40,650	694
WESM.....	738	7,463	3,301	19,203	328
<b>Total Major Customers.....</b>	<b>5,678</b>	<b>42,339</b>	<b>9,915</b>	<b>59,853</b>	<b>1,022</b>
Others <sup>(1)</sup> .....	5,007	42,431	7,542	39,091	667
<b>Total Sales .....</b>	<b>10,685</b>	<b>84,770</b>	<b>17,457</b>	<b>98,944</b>	<b>1,689</b>

Note:

(1) Includes Non-Meralco DUs, ECs, retail electricity suppliers, Directly Connected Customers, Contestable Customers, Sales to Distribution Customers, sales to related parties and sales to NGCP for ancillary services.

## SAFETY, HEALTH AND ENVIRONMENTAL REGULATION

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 ensuring 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).

SMGP, through its relevant subsidiaries, complies for its company-owned generation plants, and it believes that the IPPs for each of the IPPA Power Plants whose capacities are managed by SMGP, 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, SMGP will comply with all applicable safety, health and environmental laws and regulations, including securing the necessary environmental compliance certificate (“ECC”) in accordance with Philippine law.

SMGP 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. SMGP 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 “NO<sub>x</sub>”) and the use of lower CV coal with lower sulfur content (reducing sulfur oxide or “SO<sub>x</sub>”). 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, SMGP’s power plants have the following environmental control equipment and features that ensure that its NO<sub>x</sub>, SO<sub>x</sub> 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 SMGP’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 NO<sub>x</sub> and material particulates.
- Limestone injection to the fuel as it goes to the boiler is used for SMGP’s plants to further reduce their SO<sub>x</sub> 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 SO<sub>x</sub> emissions.
- For Sual Power Plant and Unit 3 of the Masinloc Power Plant (the “**Masinloc PC units**”), SMGP uses Flue Gas Desulfurization (“FGD”) equipment that can remove up to 90% of the SO<sub>x</sub> 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<sub>x</sub> and particulate matter from the flue gases.
- For the greenfield plants, SMGP 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 smokestack.
- SMGP 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, SMGP 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.

SMGP also plans to explore the use of catalytic reduction technology on its PC plants to further improve its NOx 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 NOx emissions.

SMGP 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 NOx, SOx and PM emissions of the power plants owned and operated by the Company, as well as the applicable emission control standards, for the six months ended June 30, 2024:

Power Plant	NOx		SO <sub>x</sub>		PM	
	Emission level	DENR Standard	Emission level	DENR Standard	Emission level	DENR Standard
	(ppm)		(ppm)		(Mg/Nm <sup>3</sup> )	
Sual Power Plant*	157.3	732.0	285.7	524.0	15.5	200.0
Masinloc Power Plant	140.9	732.0	355.8	524.0	85.4	200.0
Limay Greenfield Power Plant	71.8	487.0	67.9	245.0	4.6	150.0
Davao Greenfield Power Plant	61.9	487.0	163.4	245.0	12.8	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 SMGP or the coal mines of SMGP may give rise to liabilities to the Government and to local Government units where such facilities are located, or to third parties. In addition, SMGP 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 SMGP 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.

## ENVIRONMENTAL, SOCIAL, GOVERNANCE AND SUSTAINABILITY INITIATIVES

### Roadmap to Net Zero

In line with the Company's decision to significantly reduce its carbon footprint and transition to cleaner sources of energy, SMGP has developed a roadmap to Net Zero by 2050 anchored on a decarbonization strategy that includes constructing and integrating greenfield projects that aim to increase its renewable energy portfolio to at least 35% by 2030 and at least 50% by 2040. This renewable power generation energy mix is aligned to DOE's commitment to cleaner energy transition. The renewable projects in our roadmap include expansion of Angat and San Roque hydropower plants, construction of solar power plants in multiple locations, and construction of new hydropower plants in the Visayas and Northern Luzon. We are also pursuing decarbonization of our thermal plants anchored on desulphurization, denitrification and carbon extraction to sequester our emissions. The Company may also adopt ammonia co-firing depending on the technology development. The Company also has plans to integrate BESS to its coal power plants (in Mariveles, Sual and Masinloc) for energy arbitrage application that will utilize the off-peak capacity of the coal plants to store energy to the BESS facilities and discharge during

peak hours to augment the power generation of the coal units. The BESS integration will maintain the carbon footprint of the Company while increasing a valuable peak capacity.

*Desulphurization* is simple, yet effective core technology. Seawater mist will be used as a washing medium to clean the exhaust flue gas of SO<sub>x</sub>. This simple process makes use of the natural alkalinity of the seawater in the chemical absorption of SO<sub>x</sub>. Discharge water from the power plant's sea water cooling will be used as a reagent input for the SO<sub>x</sub> absorption. The absorption process takes place by means of spray scrubbing. If the natural alkalinity is too low or discharging of effluent is not allowed, SO<sub>x</sub> scrubbing is performed in closed loop mode. In this mode, the washing medium is recycled, and a neutralizing agent (50% wt. NaOH, Na<sub>2</sub>CO<sub>3</sub>) is added in metered doses to obtain a certain absorption capacity.

*Denitrification* uses ammonia as key reducing agent. The technology that will be used for denitrification is a process called Selective Catalytic Reaction or SCR. This is a widely used technology in several industrial processes including power generation to scrub the NO<sub>x</sub> out of the gas emissions. NO<sub>x</sub> in exhaust flue gas is converted to Nitrogen (N<sub>2</sub>) and water (H<sub>2</sub>O) by using ammonia as a catalytic reagent. NO<sub>x</sub> emissions are however initially oxidized being mixed with ammonia. To effect the catalytic reaction using ammonia (NH<sub>3</sub>) as a reducing agent, the flue gas is maintained at a high temperature (~200 °C).

*Carbon extraction* systems utilize selective membranes that allow certain gases to pass through while blocking others. The polymer-based membranes are designed to have high permeability for CO<sub>2</sub> only. The CO<sub>2</sub>-rich permeate stream is then compressed and collected for further utilization or storage. The facilitated transport membranes take advantage of the reversible chemical reaction which takes place between the CO<sub>2</sub> molecules and the reactive amine carrier (ammonia-based), significantly promoting the transport of CO<sub>2</sub> across the membrane. Non-reactive components will only transport through the membrane via the physical solution-diffusion mechanism. Also to achieve high CO<sub>2</sub> flux, the permeate gas is connected to a vacuum to obtain a high driving force.

SMGP's initiatives have included not pursuing 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 and disposing of its ownership interests in Bonanza Energy, Daguma Agro and Sultan Energy, which have coal exploration, production and development rights over approximately 17,000 hectares of land in Mindanao in December 2022.

### **Verde Island Passage Ecosystem Preservation**

Verde Island is an island situated along the bodies of Verde Island Passage ("VIP") between the islands of Luzon and Mindoro. Recent independent dive expeditions both along the Ilijan shoreline and the Verde Island shoreline show pristine and flourishing coral farms and diverse marine life.

In May 2024, a Memorandum of Understanding ("MOU") was signed between DENR, DOE, Aboitiz Equity Ventures ("AEV"), Metro Pacific Investments Corporation ("MPIC") and SMC (our parent) to assume joint stewardship of the VIP. The MOU requires the three companies (shareholders of Ilijan power plants and LNG terminal) to collaborate with relevant local governments, NGO, international development agencies, coastal communities to protect and enhance the biodiversity and coastal marine resources of VIP. The MOU will be in effect for 5 years with possible extension and funding from the 5 stakeholders to ensure the protection of VIP. Part of the MOU requires the three companies to establish a marine science biological research station with facilities in VIP and at the five provinces nearby in partnership with higher educational institutions to work towards the improvement of the quality of life of people near VIP.

### **SMGP Foundation, Inc.**

The Company, through the SMGP Foundation, Inc. (the "**Foundation**"), has undertaken various projects and programs which is in line with the United Nations Sustainable Development Goals. The Foundation is focused on four thrusts: health, education, economic empowerment and environmental stewardship. One of its major initiatives is the "747 Program" with the goal of planting seven million trees in four thousand hectares in at least seven provinces through a combination of reforestation initiatives, protected forest reserves, biochar production and mangrove rehabilitation. In addition, the Foundation also has a strong focus on education with flagship initiatives such as scholarship programs prioritizing indigenous persons and youth from local communities where the Company operates. The Company also has an economic empowerment program called "Local Economy Acceleration and Progress (LEAP)" that creates job opportunities and fosters community-driven entrepreneurship, among others. Lastly, there are several health programs that look after the well-being of the relevant communities. The list below sets out the Company's key initiatives.

Foundation Thrusts	Sample Projects	United Nations Sustainable Development Goals
Health	<ol style="list-style-type: none"> <li>1. Mobile Health Clinic</li> <li>2. Medical Missions</li> <li>3. Brgy. Community Health Clinic Improvement</li> <li>4. Safe Water Access</li> <li>5. Barangay Health Workers Capacity Building</li> <li>6. Maternal Health Program</li> </ol>	UNSDG #3 — Good Health and Well Being
Education	<ol style="list-style-type: none"> <li>1. Scholarship Program (for Ips and non-Ips)</li> <li>2. School Facilities Improvement</li> <li>3. Apprenticeship</li> <li>4. Teacher Training</li> <li>5. Donation of School Supplies</li> <li>6. Reading Comprehension Program</li> </ol>	UNSDG #4 — Quality Education
Economic Empowerment	<ol style="list-style-type: none"> <li>1. Local Job Creation</li> <li>2. Technical Vocational courses</li> <li>3. Community-driven Entrepreneurship</li> <li>4. Processing Centers for Local Products</li> </ol>	UNSDG #1 — No Poverty UNSDG #8 — Decent Work and Economic Growth
Environmental Stewardship	<ol style="list-style-type: none"> <li>1. 747 Program (seven million trees in 4,000 hectares in at least seven provinces)</li> <li>2. Coral Reef Rehabilitation</li> <li>3. Carbon footprint mitigation (measurement of CO2 storage and sequestration)</li> <li>4. Watershed management</li> <li>5. Plastic Waste Recycling Facility</li> <li>6. Biochar Program</li> <li>7. Vegetative cover program in upland and coastal areas (in span of seven years)</li> </ol>	UNSDG #6 — Clean Water and Sanitation UNSDG #14 — Life Below Water UNSDG #13 — Climate Action UNSDG #15 — Life on Land

The Company collaborates with the indigenous peoples (“**IP**”) in the communities where it operates, particularly in the Davao and Angat Power Plants. The Company has conducted and supported numerous culturally-sensitive CSR activities (e.g., honey-processing, bread making, basket weaving, scholarship program, biochar community, community partners for 747 Program, school supplies donation and Christmas gift giving). The Company has also implemented programs in support of IP groups that are not directly impacted by its operations.

## Sustainability Report

In addition, the Company completed its first sustainability report (“**2018 Sustainability Report**”) using the Global Reporting Initiative (“**GRI**”) as a framework, demonstrating the Company’s commitment and awareness of the importance of sustainability and social responsibility to its stakeholders. The 2018 Sustainability Report covers the five power plants which the Company owns and operates namely the Angat Hydroelectric Power Plant, Limay Greenfield Power Plant, Davao Greenfield Power Plant, and the Masinloc Power Plant, along with its corporate office. The 2018 Sustainability Report has been published with the GRI organizational mark after undergoing the GRI materiality disclosures service, which granted the GRI organization mark to this report in June 2020.

In the process of completing its 2018 Sustainability Report, the Company conducted engagement and materiality testing to identify the specific GRI topics that are material to both the internal and external stakeholders of the Company. This resulted in 25 out of 33 topics identified as material or critical to stakeholders, translating into 102 disclosures across the economic, environmental, and social categories of the GRI.

The Company commissioned the University of Asia and the Pacific (“**UA&P**”) to assist it in writing the 2018 Sustainability Report in accordance with the process and principles of the GRI.

The Company, through UA&P, tapped three experts in the fields of economic, environment, and social to comprise its External Review Committee (ERC-GRI) members. The ERC-GRI reviewed and provided external assurance and validation to the 2018 Sustainability Report. This included the review of the content and data quality of the 2018 Sustainability Report in relation to the GRI Standards. A collective statement was written by the ERC-GRI members to provide their findings and recommendations.

In line with the principles of the GRI, the report was a collaborative effort by the employees of the Company. A sustainability core team, a steering council, and technical working groups across each plant site were formed with the goal of embedding the sustainability process across the Company’s operations. The sustainability mission of

the Company drives it to provide reliable, accessible, and affordable energy to the country through powering the economic progress of the country, constant support and partnership with our communities, protecting employee welfare, and the responsible stewardship of nature.

The Company released its second Sustainability Report covering the years 2019 and 2020 in March 2022.

Please refer to San Miguel Corporation's 2023 Sustainability Report for updates on the Company.

## **EMPLOYEES**

As of June 30, 2024, SMGP and its subsidiaries had 2,410 regular employees, of which 102 are executives and managers and 260 are supervisors. All employees are based in the Philippines.

Since 2008, employees of SMGP have not been members of any labor union. The Company has not experienced any work stoppages and considers its relationship with its employees to be good. Consistent with the goal of SMGP to be one of the Philippines' preferred employers, SMGP has adopted a rewards and recognition policy that is competitive with industry standards in the Philippines. In addition to the statutory benefits, SMGP 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. Salaries and benefits are reviewed periodically and adjusted to retain current employees and attract new talents. Tied to this is a performance management system that calls for the alignment of individual key results, competencies and development plans with the overall business targets and strategy of the Company. Performance is reviewed annually and employees are rewarded based on the attainment of pre-defined objectives. SMGP also has programs for its employees' professional and personal development.

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

## **INSURANCE**

Pursuant to the IPPA arrangements of SMGP, the IPPs associated with the power plants for which SMGP is the IPPA 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. SMGP is not a beneficiary of any of these insurance agreements. SMGP employs risk management for purposes of analyzing the risks faced by its business in determining the appropriate insurance policies. SMGP does not have business interruption insurance for its IPPA Power Plants and believes that there is no business interruption insurance available for the IPPA business model under which SMGP is currently operating. SMGP maintains the necessary policies to cover such insurable risks for the ownership and operation of the Ilijan Power Plant, Mariveles Greenfield Power Plant, Limay Greenfield Power Plant, Davao Greenfield Power Plant and Masinloc Power Plant and the construction of the BCC Power Plant and battery projects as are customary in the power generation industry, which are reviewed regularly. See *"Risk Factors—Risks Relating to the Company—Insufficient insurance coverage for generation plants."*

## **INTELLECTUAL PROPERTY**

SMGP owns exclusive rights to its corporate name. Management believes that the business of SMGP as a whole is not materially dependent on any trademark or on any other intellectual property.

## **DESCRIPTION OF PROPERTY**

SMGP owns the Ilijan Power Plant, Mariveles Greenfield Power Plant, Davao Greenfield Power Plant, Limay Greenfield Power Plant, Masinloc Power Plant and Masinloc BESS, Kabankalan BESS, all BESS owned by SMGP BESS and the BCC Power Plant under construction. However, SMGP does not own the IPPA Power Plants until it elects a transfer of ownership at the expiry of the IPPA Agreement.

On March 1, 2024, MGen and TNGP, through their joint venture entity, Chromite Gas, entered into binding agreements with SMGP and its relevant subsidiaries, for Chromite Gas to jointly invest in and acquire a 67% equity interest in each of the following SMGP gas-fired power plants and assets: (i) the operating Ilijan Power Plant owned by SPPC, (ii) the adjacent BCC Power Plant currently under construction owned by EERI, and (iii) land owned by Ilijan Primeline Industrial Estate, Inc. where the BCC Power Plant, the Batangas LNG Terminal and their respective related facilities are located. See *"Recent Developments—Chromite Agreements."*

The current principal office address of SMGP is 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila, Philippines. This office is leased by SMGP from Mabini Properties, Inc., a subsidiary of San Miguel Corporation.

## LEGAL PROCEEDINGS

The subsidiaries of SMGP are party to legal proceedings from time to time, including those set out below, and involving various parties, including the ERC. See “*Risk Factors—Risks Relating to the Company—ERC regulation of electricity rates of distribution utilities could have a material adverse effect on the Company.*” The outcome of these proceedings cannot be presently determined or predicted with certainty.

### Petition to stop the imposition of the increase in generation charge

On December 5, 2013, Meralco wrote to 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 ₱3,000 million, 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 per 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 Supreme Court issued an *Order* treating the Counter-Petition as in the nature of a third-party complaint and granting the prayer to include SPI, SPPC, SRHI and MPCL as respondents in the Petition.

On February 18, 2014, the Supreme Court extended the TRO issued on December 23, 2013 for another sixty (60) days or until April 22, 2014 and granted additional TROs enjoining PEMC and the generators from demanding and collecting the deferred amounts. In a Resolution dated April 22, 2014, the Supreme Court 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 Supreme Court 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*” below), 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 *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 are pursuing the implementation of the SC Decision as at June 30, 2024. SPPC, MPCL and SPI have aggregate outstanding receivables from Meralco estimated at ₱1,276.0 million as at June 30, 2024.

### **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 Supreme Court 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 through their respective *Petitions for Review*. After consolidating the cases, the Court of Appeals, in its *Decision* dated November 7, 2017 (the “**November 7, 2017 Decision**”), 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.

Motions for reconsideration of the November 7, 2017 Decision and several other motions which were filed by various intervenors were denied by the Court of Appeals through its *Omnibus Resolution* dated March 29, 2019. The intervenors filed *Petitions for Review on Certiorari* before the Supreme Court, which were also denied by the Supreme Court through its resolutions dated September 11, 2019 and October 1, 2019. Entries of judgment have been issued by the Supreme Court 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 Court of Appeals, 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 Supreme Court 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 Supreme Court handling the petition by the ERC.

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

The Supreme Court 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*” above) 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 ₱2,321.8 million will have to be settled by the IEMOP, the current operator of the WESM) in favor of the relevant SMGP subsidiaries.

### **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 (“RTC”) of Mandaluyong City. In its *Complaint*, SPPC requested the RTC that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld. The *Complaint* also 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 Court of Appeals a *Petition for Review on Certiorari* assailing the RTC’s order of denial. The Court of Appeals 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 Supreme Court praying for the reversal and nullification of the 2017 CA Decision and the 2018 CA Resolution but was denied by the Supreme Court 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 Supreme Court in a *Resolution* dated August 5, 2019 which became final and executory on the same date.

Prior to the 2017 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 Court of Appeals, 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 Court of Appeals’ directive, PSALM filed an *Amended Petition* on April 29, 2019 (the “**PSALM 2019 CA Petition**”).

On April 7, 2022, the Court of Appeals 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 Court of Appeals 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 Supreme Court, 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 that 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. PSALM has filed a *Motion for Reconsideration* of the SC’s *Resolution* of November 8, 2023.

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 Court of Appeals, which was denied by the Court of Appeals in its *Decision* dated May 30, 2022 (the “**May 30, 2022 CA Decision**”).

On October 3, 2022, the Court of Appeals 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 Supreme Court, 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 Supreme Court 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 Supreme Court of its discretionary appellate jurisdiction. PSALM has filed a *Motion for Reconsideration*. In a *Resolution* dated November 20, 2023, the SC denied PSALM's *Motion for Reconsideration* with finality, finding that there were no substantial arguments raised to warrant reconsideration. The SC's Resolution of January 25, 2023 thus became final and executory on November 20, 2023 and has been recorded in the Book of Entries of Judgments.

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 started the direct examination of 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 continued with the direct examination of its second witness. Pre-marking of the parties' additional evidence were held on April 5, 2024 (for SPPC) and May 17, 2024 (for PSALM). On July 22, 2024, SPPC finished with the direct examination of its second witness. The witness was also cross-examined on that date. The re-direct examination of SPPC's second witness and presentation of its third and last witness were held on August 12, 2024. SPPC was directed to complete the presentation of its evidence on August 30, 2024.

The RTC has directed PSALM to present its evidence on October 18, 2024, November 4, 2024, and November 15, 2024. PSALM informed the RTC and SPPC that it will present two witnesses.

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, Court of Appeals, and Supreme Court 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 Court of Appeals 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 ("**R.A. 3019**"), before the Department

of Justice (the “**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.

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 R.A. 3019, before the DOJ against a certain officer of PSALM, and certain officers of Team Philippines Energy Corp. (“**TPEC**”) and TeaM Energy, 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 R.A. 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 the RTC Pasig, the amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods December 26, 2015 to April 25, 2016.

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

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

On July 5, 2017, SPI consigned with the RTC Pasig the amount representing additional proceeds of Sale of the Excess Capacity for the billing period July 26, 2016 to August 25, 2016. SPI also filed a *Motion to Admit Second Supplemental Complaint* in relation to said 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* (the “**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 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 Energy 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 Team Energy 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 five 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. As at June 30, 2024, the case is still pending as the ERC has not issued any resolution granting the Joint Motion to Dismiss filed by the parties.

The total amount consigned with the RTC Pasig amounting to ₱491.2 million 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. As of the date of this Offering Circular, the joint Motion to Dismiss remains unresolved by the ERC.

### **Claim for Price Adjustment on the Meralco PSAs**

On October 22, 2019, SPI and SPPC each filed before the ERC a *Joint Application* with Meralco for the approval of their respective PSA with Meralco with prayer for provisional authority (the “**Application**”). The PSA of SPPC covers the supply of 670 MW baseload capacity to Meralco (“**SPPC PSA**”) while the PSA of SPI covers the supply of 330 MW baseload capacity to Meralco (“**SPI PSA**”) both for a period of 10 years. The SPPC PSA and SPI PSA 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 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 six 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 Court of Appeals Petition**

On November 10, 2022, SPPC filed with the Court of Appeals 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 Court of Appeals granted SPPC’s application for a 60-day TRO, conditioned upon the posting of a bond in the amount of ₱50 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 Court of Appeals as the SPPC CA Petition was transferred to this division of the Court of Appeals. This *Urgent Motion*

was granted by the 13th Division subject to the approval of the Court of Appeals 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 Court of Appeals 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 ₱100 million (the "**Preliminary Injunction Bond**"). The Court of Appeals 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 five days from receipt of the Respondents' comment. The ERC and Meralco filed motions for reconsideration of the Court of Appeals' *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 Court of Appeals 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 Court of Appeals for the SPPC CA Petition.

In a *Resolution* dated April 3, 2023, the Court of Appeals denied the *Motions for Reconsideration* of the Court of Appeals' *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 Court of Appeals 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 Court of Appeals 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 Court of Appeals' Resolutions dated January 25, 2023 and April 3, 2023.

On July 10, 2023, SPPC received the Court of Appeals' *Joint Decision* dated June 27, 2023 which granted the consolidated petitions of SPPC and SPI. The Court of Appeals: (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-NASECORE's *Motion for Reconsideration of the Court of Appeals' Joint Decision*. As directed by the Court of Appeals in its Resolution dated August 10, 2023, SPPC filed its *Comment/Opposition* on Respondents- 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 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 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 Court of Appeals dated December 28, 2023, denying the separate *Motions for Reconsideration* filed by NASECORE and the ERC. In its *Resolution*, the Court of Appeals 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 Supreme Court.

On May 21, 2024, SPPC and SPI received, through its external counsel, a copy of the Supreme Court's *Resolution* dated April 3, 2024 which denied the ERC's *Petition for Review on Certiorari* "for failure of petitioner [ERC] to sufficiently show that the Court of Appeals committed any reversible error in the challenged joint decision and resolution as to warrant the exercise of this Court's discretionary appellate jurisdiction."

On June 18, 2024, SPPC received a copy of the ERC's *Motion for Reconsideration* of the Supreme Court's *Resolution* dated April 3, 2024.

On June 20, 2024, SPPC received a copy of the Supreme Court's *Resolution* dated April 3, 2024 in G.R. No. 267518 which dismissed the ERC's *Petition for Certiorari* assailing the CA's *Resolutions* dated January 25, 2023 and April 3, 2023 in CA-G.R. SP No. 176036 (on the issuance of a writ of preliminary injunction in favor of SPPC) for being moot and academic.

### ***SPI Court of Appeals Petition***

On November 10, 2022, SPI also filed with the Court of Appeals 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 Court of Appeals 17th Division which was subsequently transferred to the Court of Appeals 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 Court of Appeals.

On December 27, 2022, SPI received a copy of the Court of Appeals 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 filed an *Opposition Ex Abundanti Ad Cautelam* to SPI's *Urgent Motion to Allow Consolidation of Cases*.

Meralco 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 Court of Appeals 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 Court of Appeals upheld its decision to consolidate the cases filed by SPI and SPPC thus denying the *Motion for Reconsideration* filed by the ERC.

The Court of Appeals likewise noted SPI's *Motion for Partial Reconsideration* (for the Court of Appeals 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.

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

In its June 9, 2023 Resolution, the Court of Appeals 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 Court of Appeals declared that the case (consolidated with the SPPC Petition) is deemed submitted for decision.

On July 10, 2023, SPI received the Court of Appeals' *Joint Decision* dated June 27, 2023 which granted the consolidated petitions of SPPC and SPI. The Court of Appeals: (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 Court of Appeals *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- NASECORE's *Motion for Reconsideration* of the Court of Appeals' *Joint Decision*. As directed by the Court of Appeals in its *Resolution* dated August 10, 2023, SPI filed its *Comment/Opposition* on Respondents- 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 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 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 Court of Appeals dated December 28, 2023, denying the separate *Motions for Reconsideration* filed by NASECORE and the ERC. In its *Resolution*, the Court of Appeals 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 Supreme Court.

On May 21, 2024, SPI received, through external counsel, a copy of the Supreme Court's *Resolution* dated April 3, 2024 which denied the ERC's *Petition for Review on Certiorari* "for failure of petitioner [ERC] to sufficiently show that the Court of Appeals committed any reversible error in the challenged joint decision and resolution as to warrant the exercise of this Court's discretionary appellate jurisdiction."

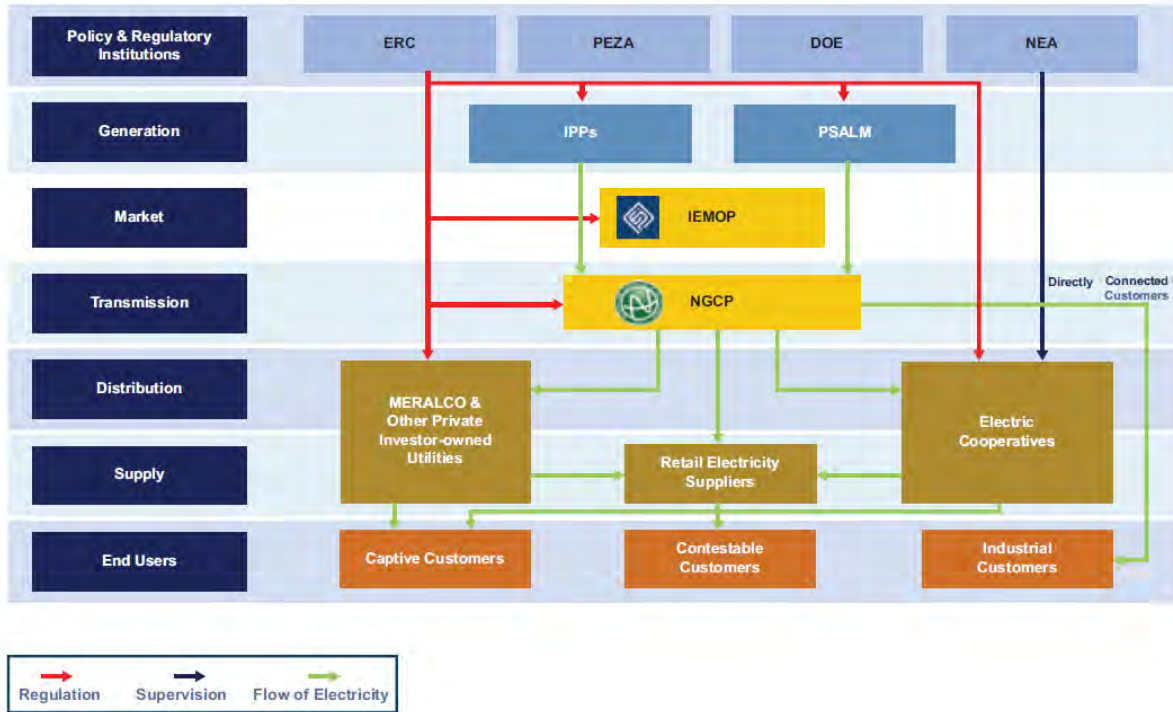
On June 18, 2024, SPI received a copy of the ERC's *Motion for Reconsideration* of the Supreme Court's *Resolution* dated April 3, 2024.

## REGULATION AND ENVIRONMENTAL MATTERS

### ORGANIZATION AND OPERATION OF THE POWER INDUSTRY

Republic Act No. 9136 or the EPIRA established a framework for the organization, operation and restructuring of the electric power industry, with the industry divided into four sectors: generation, transmission, distribution and supply. The following diagram shows the current structure of the electric power industry under the EPIRA.

Industry structure under the EPIRA:



Through the EPIRA, the Government instituted major reforms with the goal of fully privatizing all aspects of the power industry. The principal objectives of the EPIRA are:

- to ensure and accelerate the total electrification of the country;
- to ensure the quality, reliability, security and affordability of the supply of electric power;
- to ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market;
- to enhance the inflow of private capital and broaden the ownership base of the power generation, transmission and distribution sectors;
- to ensure fair and non-discriminatory treatment of public and private sector entities in the process of restructuring the electric power industry;
- to protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;
- to assure socially and environmentally compatible energy sources and infrastructure;
- to promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy;
- to provide for an orderly and transparent privatization of the assets and liabilities of NPC;

- to establish a strong and purely independent regulatory body and system to ensure consumer protection and enhance the competitive operation of the electricity market; and
- to encourage the efficient use of energy and other modalities of demand side management.

With a view to implementing these objectives, the DOE, in consultation with the relevant Government agencies, electric power industry participants, non-Government organizations and electricity consumers, promulgated the Implementing Rules and Regulations of the EPIRA (the “**EPIRA IRR**”) on February 27, 2002 (subsequently amended in 2007).

The EPIRA IRR governs the relations between, and respective responsibilities of, the different electric power industry participants as well as the particular Governmental authorities involved in implementing the structural reforms in the industry, including, but not limited to, the DOE, NPC, NEA, ERC and PSALM.

### **Reorganization of the Electric Power Industry**

Of the many changes initiated by the EPIRA, of primary importance is the reorganization of the electric power industry by segregating the industry into four sectors: (i) the generation sector; (ii) the transmission sector; (iii) the distribution sector; and (iv) the supply sector. The goal is for the generation and supply sectors to be fully competitive and open, while the transmission sector will be a regulated common electricity carrier business and the distribution sector will be a regulated common carrier business requiring a national franchise, thus both the transmission and distribution sectors will be regulated as public utilities. Prior to the EPIRA, the industry was regulated as a whole, with no clear distinctions between and among the various sectors and/or services.

#### ***The Generation Sector***

Under the EPIRA, power generation per se is not a public utility operation. Thus, generation companies are not required to secure congressional franchises, and there are no restrictions on the ability of non-Filipinos to own and operate generation facilities. However, generation companies must obtain a certificate of compliance from the ERC, as well as health, safety and environmental clearances from appropriate Government agencies under existing laws. Furthermore, PPAs and PSAs between generation companies and distribution utilities are subject to the review and approval of the ERC. Generation companies are also subject to the rules and regulations of the ERC on abuse of market power and anticompetitive behavior. In particular, the ERC has the authority to impose price controls, issue injunctions, require divestment of excess profits and impose fines and penalties for violation of the EPIRA and the IRR policy on market power abuse, cross-ownership and anti-competitive behavior.

The goal of the EPIRA is for the generation sector to be open and competitive, while the private sector is expected to take the lead in introducing additional generation capacity. Generation companies will compete either for bilateral contracts with various RESs, electric cooperatives and private distribution utilities, or through spot sale transactions in the WESM. With the implementation of Retail Competition and Open Access (“**RCOA**”) in Luzon, Visayas, and Mindanao, generation companies are already able to sell electricity to eligible end-users. “Open Access” is defined under the EPIRA IRR as the system of allowing any qualified person the use of electric power transmission and distribution systems and associated facilities subject to the payment of transmission and/or distribution retail wheeling rates; while “Retail Competition” is defined as the provision of electricity to a contestable market (which, under prevailing regulations, refer to electricity end-users with monthly average peak demand of at least 500 KW) by persons licensed by the ERC to engage in the business of supplying electricity end-users through Open Access.

To prevent monopolies and anti-competitive behavior several House Bills have been filed with the House of Representatives, such as House Bill No. 174 and House Bill No. 8079. House Bill No. 174, which seeks to prohibit cross-ownership among distribution utilities and generation companies, was filed on June 30, 2022 and has been pending with the House of Representatives Committee on Energy since July 26, 2022. House Bill No. 8079, which seeks to prohibit ownership by distribution utilities in generation companies and retail electricity suppliers, was filed on May 12, 2023 and has been pending with the House of Representatives Committee on Energy since May 16, 2023. Recovery by distribution utilities of their purchased power cost is subject to review by the ERC to determine reasonableness of the cost and to ensure that the distribution utilities do not earn any revenue therefrom. With the commencement of the RCOA, generation rates, except those intended for such end-users who may not have a choice on their supplier of electricity (the “**Captive Market**”), ceased to be regulated.

The generation sector converts fuel and other forms of energy into electricity. It consists of the following: (i) NPC-owned-and-operated generation facilities; (ii) NPC-owned plants, which consist of plants operated by IPPs, as

well as IPP-owned-and-operated plants, all of which supply electricity to NPC; and (iii) IPP-owned-and-operated plants that supply electricity to customers other than NPC.

Under the EPIRA, generation companies are allowed to sell electricity to distribution utilities or to RESs through either bilateral contracts or the WESM as described below. With the implementation of RCOA on December 26, 2013 through DOE Department Circular No. DC2013-01-0002, as supplemented by DOE Department Circular No. DC2015-06-0010, generation companies may likewise sell electricity to eligible end-users with an average monthly peak demand of 750 KW and certified by the ERC to be contestable customers. In 2016, the ERC issued the implementing rules governing the issuance and renewal of licenses to RESs and the rules governing contestability of qualified end-users (collectively, the “**2016 ERC RES Issuances**”). However, in February 2017, the Philippine Supreme Court, acting on the petition filed by certain entities, issued a temporary restraining order enjoining the DOE and the ERC from implementing 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 DC2017-12-0013 and DC2017-12-0014 encouraging eligible contestable customers to voluntarily participate in RCOA.

Subsequently, the DOE issued DC 2019-07-1 (Amending Various Issuances on the Implementation of the RCOA), which provides that contestable customers may voluntarily register as a trading participant in the WESM and that it shall source its electricity supply requirements from ERC-licensed/authorized suppliers.

The ERC, in its meeting held on October 3, 2019, approved the resumption of the issuance of RES licenses on the basis of ERC Resolution No. 1, Series of 2011 (the “**2011 RES Resolution**”) in light of the temporary restraining order issued by the Supreme Court of the Philippines.

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. As a result, the temporary restraining order, 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.

On November 17, 2021, the ERC revoked Resolution No. 17, series of 2014, which held in abeyance the evaluation of RES license applications and suspended the issuance of RES licenses in accordance 2011 RES Resolution until the issuance of the 2016 ERC RES Issuances. As of date of this Offering Circular, the ERC continues to process RES license applications on the basis of the 2011 RES Resolution, as it has yet to issue supporting guidelines to DC 2017-12-0013 and DC 2017-12-0014 in compliance with the directive of the Supreme Court.

The generation sector must observe the market share limitations set in the EPIRA which states that no generation company or related group is allowed to own more than 30% of the installed generating capacity of the Luzon, Visayas or Mindanao Grids and/or 25% of the national installed generating capacity. Also, no generation company associated with a distribution utility may supply more than 50% of the distribution utility’s total demand under bilateral contracts, without prejudice to the bilateral contracts entered into prior to the effectivity of EPIRA.

Historically, the generation sector has been dominated by NPC. To introduce and foster competition in the sector, and, more importantly, to lessen the debt of NPC, the EPIRA mandates the total privatization of the generation assets and IPP contracts of NPC, which exclude the assets devoted to missionary electrification through the small power utilities group of NPC. NPC is directed to transfer ownership of all the assets for privatization to a separate entity, PSALM, which is specially tasked to manage the privatization. Beginning early 2004, PSALM has been conducting public bidding for the generation facilities owned by NPC.

We believe that based on data from PSALM: (a) as of April 30, 2024, PSALM has privatized and turned over to the relevant successor generating companies a combined capacity of 5,581.43MW covering 34 generating assets and assigned seven IPP contracts to IPP administrators with a combined contracted capacity of 3,610.25 MW and (b) PSALM has transferred five decommissioned plants to winning bidders. Major generation assets sold include the 747.53 MW Tiwi-Makban geothermal power plant, the 650 MW Malaya thermal power plant, the 600 MW Batangas (Calaca) coal-fired thermal power plant, the 600 MW Masinloc coal fired power plant, the 620 MW Limay combined cycle power plant, 360 MW Magat hydroelectric power plant, and the 305 MW Palinpinon-Tongonan geothermal power plant. Among the capacities privatized through IPPA Agreements include the 95.25 MW Mindanao I and II (Mt. Apo 1 and 2) geothermal power plants, 1,000 MW Sual coal-fired power plant, the

700 MW Pagbilao coal-fired power plant, the 345 MW of the San Roque Power Plant, the 70 MW Bakun hydroelectric power plant, the 40 MW Unified Leyte Geothermal Power Plant, and the 1,200 MW Ilijan combined-cycle gas-fired power plant.

Section 47(j) of the EPIRA prohibits NPC from incurring any new obligations to purchase power through bilateral contracts with generation companies or other suppliers. Also, NPC is only allowed to generate and sell electricity from generating assets and IPP contracts that have not been disposed of by PSALM.

Generation companies which are not publicly listed are required to offer and sell to the public a portion of not less than 15% of their common shares of stock. Under prevailing regulations, any offer of common shares of stock for sale to the public through any of the following modes shall be deemed as public offering:

- listing in the PSE;
- undertaken in accordance with the Securities Regulation Code and its implementing rules and regulations; and
- listing in any accredited stock exchange or direct offer of a portion of registered enterprises' capital stock to the public and/or their employees, when deemed feasible and desirable by the BOI.

Senate Bill 217, filed in the Philippine Senate on July 7, 2022, and Senate Bill No. 486, filed in the Philippine Senate on July 13, 2022, aim to remove the public offering requirement of generation companies. The bills are currently pending in the Philippine Senate Committee on Energy and Public Services. A similar proposal, under House Bill No. 3601, was filed with the House of Representatives on August 15, 2022. As of the date of this Offering Circular, said bill is pending with the Committee on Energy of the House of Representatives.

On February 16, 2021, the ERC issued Resolution No. 03, series of 2021, dated November 11, 2020 entitled “A Resolution Adopting the Revised Guidelines for the Financial Capability Standards of Generation Companies” (the “**Revised Financial Guidelines**”). The Revised Financial Guidelines apply to all generation companies including IPPAs, except those which own only generation facilities exclusively for its own consumption or unless otherwise exempted by any law or statute. Under the Revised Financial Guidelines, a generation company is required, among others, to meet a minimum annual debt service capability ratio of 1.25 times throughout the period covered by its ERC certificate of compliance, provided that if its financial or loan agreements require a higher debt service capability ratio, then such higher ratio shall serve as its minimum requirement. A generation company performing below the benchmark is required to submit its program to comply, setting forth the specific activities to be undertaken in order to meet the financial capability benchmark, within 60 days from receipt of an ERC directive. A generation company that fails to comply with the requirements set forth under the Revised Financial Guidelines shall be subject to imposition of fines and penalties. In addition, non-compliance with financial capability standards may result in the disclosure by the ERC of such fact, together with any mitigating or aggravating circumstances related thereto, via periodic bulletins.

On September 13 2023, the ERC issued Resolution No. 17, series of 2023, which adopted revised rules for the issuance of Certificates of Compliance (“**COC**”) for generation facilities (the “**Revised COC Guidelines**”). The Revised COC Guidelines provides for, among others, the issuance of a provisional authority to operate in favor of a generation company pending its completion of the requirements for the issuance a COC, when the power demand and supply situation warrant the same and provided that the requirements for the grant of such interim authority have been complied with.

### ***The Transmission Sector***

Pursuant to the EPIRA, NPC has transferred its transmission and sub-transmission assets to TransCo, which was created pursuant to the EPIRA to assume, among other functions, the electrical transmission function of the NPC. The principal function of TransCo is to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the Philippine Grid Code (“**Grid Code**”). TransCo is also mandated to provide open and non-discriminatory access to its transmission system to all electricity users.

The transmission of electricity through the transmission grid is subject to transmission wheeling charges. As the transmission of electric power is a regulated common carrier business, TransCo's transmission wheeling charges are subject to regulation and approval by the ERC.

The EPIRA also requires the privatization of TransCo through an outright sale of, or the grant of, a concession over the transmission assets while the sub-transmission assets of TransCo are to be offered for sale to qualified distribution utilities. In December 2007, the NGCP, comprising a consortium of Monte Oro Grid Resources, Calaca High Power Corporation and State Grid Corporation of China, won the concession contract to operate, maintain and expand the TransCo assets with a bid of U.S.\$3.95 billion. On January 15, 2009, NGCP was officially granted the authority to operate the sole transmission system of the country pursuant to a legislative franchise granted by the Philippine Congress under Republic Act No. 9511.

The Grid Code establishes the basic rules, requirements, procedures and standards that govern the operation, maintenance and development of the Philippine Grid, or the high-voltage backbone transmission system and its related facilities. The Grid Code identifies and provides for the responsibilities and obligations of three key independent functional groups, namely: (a) the grid owner, or TransCo; (b) the system operator, or NGCP as the current concessionaire of TransCo; and (c) the market operator, or the PEMC. These functional groups, as well as all users of the grid, including generation companies and distribution utilities, must comply with the provisions of the Grid Code as promulgated and enforced by the ERC.

In order to ensure the safe, reliable and efficient operation of the Philippine Grid, the Grid Code provides for, among others, the following regulations:

- the establishment of a grid management committee, which is tasked with the monitoring of the day-to-day operations of the grid;
- performance standards for the transmission of electricity through the grid, as well as the operation and maintenance thereof, which standards shall apply to TransCo, NGCP, distribution utilities and suppliers of electricity; and
- technical and financial standards and criteria applicable to users of the grid, including generation companies and distribution utilities connected or seeking to connect thereto; and other matters relating to the planning, management, operation and maintenance of the grid.

### *The Distribution Sector*

The distribution of electric power to end-users may be undertaken by private distribution utilities, cooperatives, local Government units presently undertaking this function, and other duly authorized entities, subject to regulation by the ERC. The distribution business is a regulated public utility business requiring a franchise from the Philippine congress, although franchises relating to electric cooperatives remained under the jurisdiction of the NEA until the end of 2006. All distribution utilities are also required to obtain a certificate of public convenience and necessity from the ERC to operate as public utilities. Based on the latest available data from the DOE, there are over 152 distribution utilities composed of private distribution utilities and electric cooperatives in the Philippines.

They are also required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code (the “**Distribution Code**”) (which provides the rules and regulations for the operation and maintenance of distribution systems), the Distribution Services and Open Access Rules and the performance standards set out in the IRR of the EPIRA.

The distribution sector is regulated by the ERC, with distribution wheeling charges, as well as connection fees from its consumers, subject to ERC approval. The retail rate imposed by distribution utilities for the supply of electricity to its captive consumers is also subject to ERC approval. In addition, as a result of the policy of the Government in promoting free competition and Open Access, distribution utilities are now required to provide universal and non-discriminatory access to their systems within their respective franchise areas following commencement of the RCOA.

The Distribution Code establishes the basic rules and procedures that govern the operation, maintenance, development, connection and use of the electric distribution systems in the Philippines. The Distribution Code defines the technical aspects of the working relationship between the distributors and all the users of the distribution system, including distribution utilities, embedded generators and large customers. All such electric power industry participants in distribution system operations are required to comply with the provisions of the Distribution Code as promulgated and enforced by the ERC.

To ensure the safe, reliable and efficient operation of distribution systems in the Philippines, the Distribution Code provides for, among others, the following regulations:

- technical, design and operational criteria and procedures to be complied with by any user who is connected or seeking connection to a distribution system;
- performance and safety standards for the operation of distribution systems applicable to distributors and suppliers; and
- other matters relating to the planning, development, management, operation and maintenance of distribution systems.

### ***The Supply Sector***

The supply of electricity refers to the sale of electricity directly to end-users. The supply function used to be undertaken largely by franchised distribution utilities. However, with the commencement of the RCOA, the supply function has become competitive. The retail supply business is not considered a public utility operation and suppliers are not required to obtain franchises. However, the supply of electricity to a market of end-users who have a choice on their supplier of electricity is considered a business affected with public interest. As such, the EPIRA requires all RESs to obtain a license from the ERC and they are subject to the rules and regulations of the ERC on the abuse of market power and other anti-competitive or discriminatory behavior.

A RES may only sell up to 50% of its total capacity to all of its end-user affiliates.

With the RCOA already implemented, a RES license will allow a generation company to enter into retail electricity supply agreements with contestable customers. This will encourage competition at the retail level and it is planned that retail competition will gradually increase over time, provided that supply companies are sufficiently creditworthy to be suitable offtakers for generation companies.

The following table summarizes the power supply and demand highlights in the Philippines for 2023 based on data from the DOE:

<b>Grid</b>	<b>Installed capacity (MW)</b>	<b>Dependable capacity (MW)</b>	<b>Peak demand (MW)</b>
Luzon .....	19,883	17,478	12,550
Visayas .....	3,830	3,201	2,458
Mindanao .....	4,578	3,975	2,323
Philippines.....	28,291	24,654	17,331

### **Role of the ERC**

The ERC is the independent, quasi-judicial regulatory body created under the EPIRA that replaced the Energy Regulatory Board. The ERC plays a significant role in the restructured industry environment, consisting of, among others, promoting competition, encouraging market development, ensuring consumer choice and penalizing abuse of market power by industry participants.

Among the primary powers and functions of the ERC are:

- to determine, fix and approve, after conducting public hearings, transmission and distribution wheeling charges and retail rates and to fix and regulate the rates and charges to be imposed by distribution utilities on their captive end-users, as well as the universal charge to be imposed on all electricity end-users, including self-generating entities;
- to grant, revoke, review or modify the certificates of compliance required of generation companies and the licenses required of suppliers of electricity in the contestable market;
- to enforce the Grid Code and Distribution Code, which shall include performance standards, the minimum financial capability standards, and other terms and conditions for access to and use of transmission and distribution facilities;

- to enforce the rules and regulations governing the operations of the WESM and the activities of the WESM operator and other WESM participants to ensure a greater supply and rational pricing of electricity;
- to ensure that the electric power industry participants and NPC functionally and structurally unbundled their respective business activities and rates and to determine the levels of cross-subsidies in the existing and retail rates until the same is removed in accordance with the different sectors;
- to set a lifeline rate for marginalized end-users;
- to promulgate rules and regulations prescribing the qualifications of suppliers which shall include, among others, their technical and financial capability and creditworthiness;
- to determine the electricity end-users comprising the contestable and Captive Markets;
- to fix user fees to be charged by TransCo/NGCP for ancillary services to all electric power industry participants or self-generating entities connected to the grid;
- to monitor and adopt measures to discourage or penalize abuse of market power, cartelization and any anticompetitive or discriminatory behavior by any electric power industry participant;
- to review and approve the terms and conditions of service of TransCo/NGCP and any distribution utility or any changes therein;
- to perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry; and
- to have original and exclusive jurisdiction over all cases that involve the contesting of rates, fees, fines and penalties imposed in the exercise of its powers, functions and responsibilities and over all cases involving disputes between and among participants or players in the energy industry relating to the foregoing powers, functions and responsibilities except cases which involve abuse of market power, cartelization and any anticompetitive or discriminatory behavior by any electric power industry participant.

### **Role of the DOE**

In accordance with its mandate to supervise the restructuring of the electric power industry, the DOE exercises, among others, the following functions:

- preparation and annual updating of the Philippine Energy Plan and the Philippine Power Development Program, and thereafter integrate the latter into the former;
- ensuring the reliability, quality and security of the supply of electric power;
- exercise of supervision and control over all Government activities pertaining to energy projects;
- encouragement of private investment in the power industry and promotion of the development of indigenous and renewable energy sources for power generation;
- facilitation of reforms in the structure and operation of distribution utilities for greater efficiency and lower costs;
- promotion of a system of incentives to encourage industry participants, including new generating companies and end-users, to provide adequate and reliable electric supply;
- education of the public (in coordination with NPC, ERC, NEA and the Philippine Information Agency) on the restructuring of the industry and the privatization of NPC assets; and
- establishment of the WESM in cooperation with electric power industry participants, and formulating rules governing its operations.

## **Role of the Joint Congressional Power Commission**

The Joint Congressional Power Commission created pursuant to the EPIRA consists of 14 members selected from the members of the Philippine Senate and House of Representatives. Its responsibilities and functions include, among others, the following:

- monitoring and ensuring the proper implementation of the EPIRA;
- endorsement of the initial privatization plan of PSALM for approval by the President of the Philippines;
- ensuring transparency in the public bidding procedures adopted for the privatization of the generation and transmission assets of NPC;
- evaluation of the adherence of industry participants to the objectives and timelines under the EPIRA; and
- determination of inherent weaknesses in the EPIRA and recommend necessary remedial legislation or executive measures.

Pursuant to Republic Act No. 11571, which was signed into law on July 6, 2021, Section 62 of the EPIRA was amended to enhance the powers and functions of the Joint Congressional Power Commission (now named Joint Congressional Energy Commission). Republic Act No. 11571 also conferred upon the Joint Congressional Energy Commission jurisdiction to exercise oversight functions over the implementation of all existing energy laws as of the date of effectivity of Republic Act No. 11571, except Republic Act No. 9367, otherwise known as the “Biofuels Act of 2006.”

## **IPPA Framework**

PSALM, together with NPC, has ECAs or other PPAs in place with various IPPs in the Philippines. Under the EPIRA, PSALM is required to achieve, through open and competitive bidding, the transfer of the management and control of at least 70% of the total energy output of the IPP plants under contract with NPC to IPPAs pursuant to IPPA Agreements, such as those held by SMGP, through SPI and SRHI.

Under IPPA Agreements, the IPPAs have the right to sell the electricity generated by such IPP in the WESM and through PSCs with specific customers. In addition, the IPPAs generally manage the procurement of the fuel supply to the associated IPP where applicable. The IPPA has to pay PSALM a fixed monthly payment and a variable energy or generation fee the amount of which depends on the dispatch and performance of the IPP. IPPA Agreements provide relief for IPPAs such as SMGP, through SPI and SRHI, in the event the associated IPPs are unable to dispatch for a certain period of time not due to the fault of the IPPA.

PSALM/NPC in turn, pays the IPPs capacity and energy payments based on their respective ECAs or PPAs. In some cases, IPPA Agreements provide the IPPA with the right to acquire ownership of the power plants or generation facilities at the end of the terms of the ECAs or PPAs.

The IPPA framework is intended to provide successful bidders a way to enter and trade in the WESM for a minimal capital outlay without the expense of building a new power plant and for IPPAs to enjoy the benefits normally attributed to owners of power generation plants, including controlling the fuel and its dispatch, trading, and contracting of the power plant, without maintenance costs or capital upgrades, which remain with the IPPs. Also, many of the risks of owning a power plant are explicitly managed through the contract. If there is an extended outage at the power generation plants, for example, there is up to a 50% discount on the monthly fees, and PSALM bears the force majeure risks to the power generation plants. The IPPA framework also permits an IPPA to assume the role of NPC as an offtaker of power generated by IPPs without affecting NPC's underlying agreements with the IPP.

IPPA's are permitted to trade in the WESM and are also free to enter into bilateral contracts and seek other markets for the balance of their contracted capacities and energy, as well as enter into other forms of financial hedging instruments if desired to manage their position in and exposure to the market.

At the end of the terms of the IPPA Agreements, which normally coincide with the terms of the ECAs and PPAs between NPC and the IPPs, the IPPA Agreements provide the IPPA with the right to acquire ownership of the power plants or generation facilities without additional consideration aside from the IPPA fees paid throughout the term of the IPPA Agreement. Under the respective IPPA Agreements of SPI and SRHI, these subsidiaries of SMGP have the right to acquire the Sual Power Plant in October 2024 and the San Roque Power Plant in April

2028, respectively. The Ilijan Power Plant, which was previously subject to an IPPA Agreement, was acquired by SMGP in June 2022.

The IPPA may exercise the option to acquire the power plants prior to the end of the IPPA Agreement under certain circumstances, such as changes in applicable law or non-performance by the IPP of its obligations under the ECA or the PPA, as the case may be. 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 IPPA Agreement.

Set forth below is a general illustration of the IPPA framework.



IPPs	NPC	PSALM	IPPAs
<ul style="list-style-type: none"> <li>Construct, operate and maintain plants</li> <li>Deliver electricity according to the PPA / ECA and dispatch instructions from the IPPA</li> </ul>	<ul style="list-style-type: none"> <li>IPP counterparty</li> <li>Become owner and operator of plants if IPP defaults</li> <li>Plant ownership will be transferred at expiration of ECA</li> </ul>	<ul style="list-style-type: none"> <li>IPPA counterparty</li> <li>Extends equivalent relief to IPPA if IPP defaults</li> <li>Assumed all the assets and liabilities of NPC under the ECA</li> </ul>	<ul style="list-style-type: none"> <li>Hold rights to sell electricity generated by IPPS</li> <li>Procure fuel required by IPPs to generate power (only applicable to Sual Power Plant)</li> <li>IPPA has the option to acquire the power plant at the end of the IPPA</li> </ul>

## Competitive Market Devices

### Wholesale Electricity Spot Market (WESM)

The EPIRA mandates the establishment of the WESM, which is a pre-condition for the implementation of the RCOA, within one year from its effectivity. The WESM provides a venue whereby generators may sell power, and at the same time, suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two.

The rules and regulations of the WESM set the guidelines and standards for participation in the market, reflecting accepted economic principles and providing a level playing field for all electric power industry participants, and procedures for establishing the merit order dispatch for each time (hourly) trading period. These rules also provide for a mechanism for setting electricity prices that are not covered by bilateral contracts between electricity buyers and sellers.

On November 18, 2003, upon the initiative of the DOE, the PEMC was incorporated as a non-stock, non-profit corporation with membership comprising an equitable representation of electricity industry participants and chaired by the DOE. The PEMC acts as the autonomous market group operator and the governing arm of the WESM and was tasked to undertake the preparatory work for the establishment of the WESM, pursuant to Section 30 of the EPIRA and in accordance with the WESM Rules. Its primary purpose is to establish, maintain, operate and govern an efficient, competitive, transparent and reliable market for the wholesale purchase of electricity and ancillary services in the Philippines in accordance with relevant laws, rules and regulations.

The WESM commercial operations in the Luzon Grid started on June 26, 2006. The Visayas Grid was integrated into the WESM on December 26, 2010.

In anticipation of the increase of supply condition in Mindanao, the DOE, through DOE Department Circular No. DC2017-05-0009, declared the launch of the WESM in Mindanao. Similar to the operations in Luzon and Visayas, WESM's primary function is to be the venue for efficient scheduling, dispatch, and settlement of energy withdrawal and injections in the Mindanao Grid. WESM commercial operations in the Mindanao Grid commenced on January 26, 2023.

As of December 2023, there were 439 wholesale membership participants and 2,137 retail membership entities registered at the WESM based on its 2023 Annual Report.

The PEMC and the IEMOP have executed an operating agreement to formalize the transfer of all functions, assets and liabilities associated with market operations from the PEMC to the IEMOP effective September 26, 2018. With the signing of the operating agreement, the IEMOP took over the market operations of the WESM, a function that was previously performed by the PEMC. Republic Act No. 9136 requires the PEMC to divest itself of this function in favor of a separate entity that is independent of the market participants. To comply with the requirement, on February 6, 2018, the market participants and the DOE Secretary approved the transition plan calling for the formation of an independent market operator and the transfer of the market operation functions to it. The IEMOP is a non-stock, non-profit corporation led by a board of directors, all of whom are independents and do not have any interest or connection to the WESM participants, that was incorporated and organized to implement the plan. IEMOP facilitates electricity trade in the Philippine electric power industry as the independent market operator of the WESM and as the central registration body for the retail electricity market under RCOA and the GEOP (as defined below). Beginning on September 26, 2018, the IEMOP has been running the electricity market and, among other things, managing the registration of market participants, receiving generation offers, announcing market prices, dispatching schedules of the generation plants and handling billing, settlement and collections. Under the policy and regulatory oversight of the DOE and the ERC, the PEMC has remained as the governing body for the WESM to monitor compliance by the market participants with the market rules.

DOE recently amended the WESM Rules to, among others: (i) clarify the roles of PEMC as the governance arm of WESM and IEMOP as market operator, and the composition of their respective boards, (ii) include the system operator and market operator within the coverage of WESM Rules, (iii) require the market operator to report to the ERC, DOE, PCC and the PEMC any incidents of non-compliance by an WESM member, including any potential anti-competitive behavior, and (iv) establish the several committees of PEMC, including the WESM Compliance Committee to monitor compliance by IEMOP and system operator, and oversee the investigations of breaches of the WESM rules and market manuals. In June 2021, the DOE further amended the WESM Rules, as well as retail rules and various market manual for the implementation of enhancements to WESM design and operations to promote participation in the retail competition. In August 2021, the WESM Rules were further amended to harmonize WESM Rules, retail rules and Renewable Energy Market rules, and to enable the Renewable Energy Registrar to carry out its functions in issuing Renewable Energy Certificates by granting it rights of access to information that are vital to its operations. In December 2021, the WESM Rules were again amended through DOE Department Circular No. DC2021-12-0041 to clarify the responsibilities of the Compliance Committee, and to amend the clauses on Enforcement and Disputes and Designation of Compliance Officers. In the same circular, the Market Manual on the WESM Compliance Officers Certification and Registration was approved and adopted.

On February 24, 2021, the DOE adopted the WESM Industry Code of Ethics which is intended to supplement other regulatory issuances, promote professionalism and integrity, and prescribe general standards of behavior which ought to be followed by the WESM participants and members, IEMOP, the WESM governance arm, the PEMC board and the WESM governance committees.

Through DOE Department Circular No. DC2021-06-0015 ("**DC2021-06-0015**"), the DOE declared the commercial operation of the Enhanced WESM Design and Operations ("**EWDO**") effective June 26, 2021 in Luzon, Visayas and Mindanao. Except for certain instances where compliance with (i) dispatch conformance standards and (ii) posting of prudential requirements is relaxed, all WESM members and concerned electric power industry participants are required to comply with the provisions of DOE Department Circular No. DC2021-06-0015 and the WESM Rules and market manuals covering the EWDO. On July 30, 2021, the DOE issued Department Circular No. DC2021-08-0025 which set out the policies for the adoption of the WESM penalty manual for the implementation of EWDO.

In October 2021, the DOE further amended the WESM Rules and the market manual relating to the procedures and process for the approval of amendments to the WESM Rules and/or existing market manuals or adoption of new market manuals.

On December 21, 2021, the DOE issued Department Circular No. DC2021-12-0041 which further amended the WESM Rules and market manual on the certification and registration of WESM compliance officers.

In March 2022, the WESM Rules and various market manuals were further amended to reflect, among others, on prudential requirements for billing and settlement, de-registration and cessation of eligibility of a WESM member, clarifications on accounting of bilateral contracts, exceptions to confidentiality undertakings for DOE and ERC, and provisions for audit and performance monitoring. The DOE further amended the WESM rules and various manuals in June 2022 to include, among others, additional steps that must be undertaken when a dispute arises between and/or among WESM members, the rules on registration, suspension, deregistration criteria and procedures. In October 2022, the DOE declared in a department circular that all renewable energy resources are considered preferential dispatch generating units in WESM.

The DOE adopted further amendments to the WESM rules and market manuals in November 2022 for the implementation of the reserve market. In December 2022, the DOE amended the WESM manual guidelines on the constitution of the Philippine Electric Market (PEM) Board committees.

In January 2023, the DOE introduced amendments to various WESM manuals to improve market resource modelling and monitoring, validation timeline adjustment for purposes of metering services, billing and settlement, and procedures for the implementation of the GEOP. In April 2023, amendments to DOE Department Circular No. DC2022-06-0022 on the application process of new WESM members were approved by the DOE, which amendments included guidelines for test and commissioning registration.

In July 2023, the DOE introduced further amendments to the WESM Rules and market manuals specifically with regard to the penalty framework for test and commissioning. In January 2024, various amendments to the WESM manual were approved by the DOE, including amendments relating to dispute resolution with respect to disputes under retail rules, provisions on maximum available capacity, and preferential dispatch on renewable energy generating units.

In June 2024, the WESM rules and market manuals were further updated to incorporate DOE issuances regarding reserve market compliance such as ancillary services monitoring.

### ***Retail Competition and Open Access (RCOA)***

The EPIRA likewise provides for a system of Open Access on transmission and distribution wires, whereby TransCo/NGCP and distribution utilities may not refuse the use of their wires by qualified persons, subject to the payment of distribution wheeling charges. The full commercial operation of RCOA in Luzon and Visayas commenced on June 26, 2013 with a total of 275 registered participants. Conditions for the commencement of such Open Access system are as follows:

- establishment of the WESM;
- approval of unbundled transmission and distribution wheeling charges;
- initial implementation of the cross-subsidy removal scheme;
- privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and
- transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPPAs.

On June 6, 2011, pursuant to Resolution No. 10, Series of 2011, the ERC declared December 26, 2011 as the “Open Access Date” to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas. Accordingly, all electricity-end users with an average monthly peak demand of one MW for the 12 months preceding the Open Access Date, as certified by the ERC to be contestable customers, shall have the right to choose their own electricity suppliers.

To ensure smooth transition from the existing structure to RCOA, the ERC promulgated Resolution No. 16, Series of 2012, providing for a transition period from December 26, 2012 until June 25, 2013. However, the ERC

effectively extended the transition period when it issued Resolution No. 11, Series of 2013, which allowed contestable customers to stay with their current distribution utility until December 25, 2013, or until such time that they were able to find a RES provided that it promptly informs the distribution utility of such fact. On June 19, 2015, the Department of Energy promulgated Department Circular No. DC2015-06-0010, which mandated contestable customers to secure their RSCs by June 25, 2016, including contestable customers with an average demand of 750 KW to 999 KW for the 12-month period preceding June 25, 2016.

With the implementation of the RCOA, the contestable markets (i.e., under prevailing regulations, electricity end-users with monthly average peak demand of at least 500 KW) may choose where to source their electric power requirements and can negotiate with suppliers for their electricity. Likewise, certain end-users will be allowed to directly source power through the WESM or by entering into contracts with generation companies. This will encourage competition at the retail level and it is anticipated that retail competition will gradually increase over time, provided that supply companies are sufficiently creditworthy to be suitable offtakers for generation companies.

With the implementation of the RCOA, certain contracts entered into by utilities and suppliers may potentially be stranded. Stranded contract cost refers to the excess of the contracted cost of electricity under eligible contracts of NPC over the actual selling price of the contracted energy output of such contracts in the market. Under the EPIRA, recovery of stranded contract cost may be allowed provided that such contracts were approved by the Energy Regulatory Board (now the ERC) as of December 31, 2000.

In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC2017-12-0013 and DC2017-12-0014 encouraging eligible contestable customers to voluntarily participate in the RCOA.

Subsequently, the DOE issued DC 2019-07-11 (Amending Various Issuances on the Implementation of the RCOA), which provides that contestable customers may voluntarily register as a trading participant in the WESM and that it shall source its electricity supply requirements from ERC-licensed/authorized suppliers. 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. 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.

On December 28, 2020, the ERC issued Resolution No. 12, series of 2020 dated December 3, 2020 entitled “A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access (RCOA)”. ERC Resolution No. 12, series of 2020, mandates that RCOA shall be effective in grids where the WESM is operational and a separate rule shall be issued for the implementation of RCOA in Mindanao. Further, all suppliers of electricity shall be licensed/authorized by the ERC to supply electricity in the competitive retail electricity market.

Under ERC Resolution No. 12, the coverage of the RCOA is expanded for end-users with an average monthly peak demand of at least 500kW in the preceding 12 months, on a voluntary basis, subject to the effectivity dates prescribed by ERC. Under ERC Resolution No. 12, qualified contestable customers, with existing electronic meters capable of recording and reading interval of time with built-in communication port for remote and manual data retrieval, shall be allowed to switch to the competitive retail electricity market starting February 26, 2021. Meanwhile, qualified contestable customers with existing electronic meters capable of recording and reading interval of time, but which would need to be enhanced with a communication port for remote and manual data removal, shall be allowed to switch to the competitive retail electricity market upon completion of installations of such enhancements until March 28, 2021.

On March 1, 2024, the DOE declared March 26, 2024 as the commencement date of commercial operations of RCOA in the Mindanao Grid and set forth relevant guidelines relating thereto. In relation thereto, the ERC issued ERC Resolution No. 06, series of 2024, which provided that all electricity end-users in Mindanao with an average monthly peak demand of at least 500kW for the 12 months preceding March 26, 2024 shall be eligible to participate in the RCOA.

### ***Unbundling of Rates and Removal of Cross Subsidies***

The EPIRA mandates that distribution wheeling charges be unbundled from retail rates and that rates reflect the respective costs of providing each service. The EPIRA also states that cross-subsidies shall be phased out within a period not exceeding three years from the establishment by the ERC of a universal charge, which shall be collected from all electricity end-users. However, the ERC may extend the period for the removal of the cross-subsidies for a maximum of one year if it determines that there will be a material adverse effect upon the public interest or an immediate, irreparable and adverse financial effect on a distribution utility.

These arrangements are now in place, in satisfaction of the conditions for the RCOA.

The EPIRA likewise provides for a socialized pricing mechanism called a lifeline rate to be set by the ERC for marginalized or low-income captive electricity consumers who cannot afford to pay the full cost of electricity. These end-users are exempt from the cross-subsidy phase-out for a period of ten years, which exemption was extended until 2021 under Republic Act No. 10150. On May 27, 2021, President Duterte signed into law Republic Act No. 11552, which further amended the EPIRA by extending the implementation of the lifeline rate until 2051, unless extended by law. The amendatory law also specified the qualified marginalized end-users who are entitled to the lifeline rate, namely: (i) qualified household-beneficiaries under the *Pantawid Pamilyang Pilipino* Program of the Philippine government whose level of consumption are within the threshold determined by the ERC, and (ii) marginalized end-users who have been certified and continually validated as such by their distribution utility based on a criteria determined by the ERC.

### ***Implementation of the Performance-Based Regulation (PBR)***

The ERC issued the Rules for Setting Distribution Wheeling Rates that apply to privately owned distribution utilities entering PBR, which set out the manner in which the new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR is intended to replace the return-on-rate-base regulation that has historically determined the distribution charges paid by the distribution companies' customers. Under the PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period will be set by reference to projected revenues determined through a set regulatory asset base, the efficiency of the distribution utility and the latter's capital, all of which are reviewed and approved by the ERC and used by the ERC to determine the efficiency factor of a distribution utility. For each year during the regulatory period, the distribution charge of a distribution utility is adjusted upwards or downwards taking into consideration the efficiency factor of the utility set against changes in overall consumer prices in the Philippines. The ERC has also implemented a performance incentive scheme whereby annual rate adjustments under PBR will also take into consideration the ability of a distribution utility to meet or exceed service performance targets set by the ERC, such as the average duration of power outages, the average time to provide connections to customers and the average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

### ***Competitive Selection Process (CSP)***

Under prevailing regulations, DUs and ECs are mandated to undertake a CSP in the procurement of PSAs to ensure the security and certainty of electricity prices of electric power in the long-term. CSP refers to the process wherein a power supplier or, in the case of off-grid areas a new power provider, is selected to supply electric power requirements of a DU through transparent and competitive bidding undertaken by DUs to secure supply of electricity based on the evaluation criteria to achieve least-cost supply to its Captive Market.

On February 1, 2018, the DOE issued the DOE CSP Policy, which sets forth the department's policy on the conduct of CSP in the procurement by DUs and ECs. Under the DOE CSP Policy, all PSAs are required to be procured through the CSP, except in the following instances: (i) generation project owned by the DU funded by grants or donations; (ii) negotiated procurement of emergency power supply with a cooperation period not exceeding one year; (iii) provision of power supply by any mandated government owned and controlled corporations for off-grid areas prior to, and until the entry of new power providers in the area; and (iv) provision of power supply by PSALM through bilateral contracts. In the event the CSP fails twice, and there is no outstanding dispute on the conducted CSP, the DU or EC may use direct negotiation for purposes of procuring the relevant PSA. While the DOE CSP Policy effectively revoked the authority of the ERC to issue supplemental guidelines and procedures relating to implement the CSP, the DOE directed the ERC to: (i) establish and impose existing fines and/or penalties for non-compliance with the DOE CSP Policy, (ii) review compliance with the requirements of CSP, (iii) develop a template PSA to be used with electric power industry participants, and (iv) develop rules and procedures to address disputes arising from the conduct of the CSP.

On September 24, 2021, the DOE issued DC 2021-09-0030 amending and supplementing certain provisions of the DOE CSP Policy. Under the DOE CSP Policy, as amended by DC 2021-09-0030, DUs and ECs shall, as a general rule, adopt competitive public bidding. However, alternative methods of procurement may be resorted to subject to the conditions provided therein. DC 2021-09-0030 also introduced procurement through unsolicited proposal as an alternative mode of procurement. In any given year, the capacity to be procured through unsolicited proposal shall not exceed 25% of the DU's or EC's peak demand for the year of the commercial operations of such unsolicited proposal, less any capacity procured through unsolicited proposal for commercial operations in the same year.

On June 30, 2023, the DOE issued Department Circular No. DC 2023-06-0021, promulgating the policy for the mandatory conduct of the competitive selection process by the distribution utilities for the procurement of power supply for their captive market (the "**CSP Rules**"), with the intention of simplifying the CSP procedure. The CSP Rules repealed the following department circulars of the DOE: DC2015-06-0008; DC2018-02-0003; DC2021-09-0030; and DC2022-06-0027. Under the CSP Rules, all power supplied under bilateral contracts shall be procured through CSP, except in the following instances: (i) provision for power supply by the NPC in off-grid areas prior to and until the entry of new power providers ("**NPPs**") or in emergency circumstances; (ii) provision for power supply by the PSALM through bilateral contracts for power produced from the undisposed generating assets and contracts with an independent power producer; (iii) power supply procured by any DU exercising the Opt-in Mechanism under the Green Energy Auction Program; (iv) supply to any DU from any generating plant embedded in its franchise area utilizing renewable energy resources wherein the contracted capacity of the embedded generation plant/s shall not exceed 10 MW per DU; (v) negotiated procurement of emergency power supply wherein the emergency power supply agreement shall be filed with the ERC within 30 calendar days after the occurrence of the force majeure, without need of any prior DOE clearance and with a maximum and non-extendible period of one year from execution; and (vi) off-grid areas served or to be served by NPPs with less than 1 MW demand with 24-hour electricity service not covered by (i).

### ***Reduction of Taxes and Royalties on Indigenous Energy Resources***

To equalize prices between imported and indigenous fuels, the EPIRA mandates the President of the Philippines to reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel and other imported fuels. Following the promulgation of the IRR, then President Arroyo issued Executive Order No. 100, s. 2002, to equalize the taxes among fuels used for power generation. This mechanism, however, is yet to be implemented.

### **Framework for Energy Storage System in the Electric Power Industry**

Department Circular No. DC2019-08-0012 dated August 1, 2019 sets forth the framework for energy storage systems in the electric power industry in the Philippines (the "**ESS Framework**"). An energy storage system ("**ESS**") refers to a facility acting as a load and a generator, which is designed to receive, store and convert such energy to electricity. ESS technologies include BESS, compressed air energy storage, flywheel energy storage, pumped-storage hydropower, and other emerging technologies that may be identified, qualified and approved by the DOE as ESS. ESSs may be used to support the transmission capacity and energy that are essential in maintain power quality and the reliability of a Grid.

On April 20, 2023, the DOE issued Department Circular No. DC2023-04-008 (the "**Revised ESS Framework**") which revised the policies for ESS and repealed DOE Department Circular No. DC2019-08-0012. Under the revised policies, only the following electric power industry participants may own and operate ESS: (i) generation companies, which may own a standalone ESS, an integrated RE Plant and ESS, an Integrated Non-RE and ESS, or a Generation Plant and ESS; (ii) end-users, for the purpose of managing their energy demands and subject to permitting requirements; and (iii) microgrid service provider. Additionally, transmission network providers and small grid owners were mandated to consider ESS as an alternative solution to address transmission congestion and transmission facilities upgrade deferment.

Under the Revised ESS Framework, ESS proponents shall apply and register their ESS for one or more of the following purposes:

- provision of ancillary services;
- provision of energy through bilateral supply contract or trading in the WESM;

- manage the penetration of renewable energy;
- auxiliary load management for generation companies;
- transmission/distribution facility upgrades deferment;
- end-user demand management; and
- distribution utility demand management.

The Revised ESS Framework also sets out the licensing requirements for ESS. All ESS proponents are required to secure (i) a COC as a generation company from the ERC pursuant to existing guidelines on licensing of generation facilities; (ii) an environmental compliance certificate or any other equivalent document from the Department of Environment and Natural Resources (“DENR”); and (iii) other requirements by relevant government agencies pursuant to their existing guidelines. Distribution utilities that intend to enter into a PSA with ESS proponents for the supply of electricity to its captive customers shall observe (a) market share and bilateral contract limitations under Section 45 of the EPIRA; and (b) the DOE CSP Policy. All ESS facilities shall comply with the rules and regulations on safety, health, environmental standards and proper disposal enforced by appropriate government agencies. In addition, ESS facilities connected to the transmission system as well as ESS connected to the distribution system with capacity equal to or above the following regional thresholds:

- 10 MW for Luzon Grid;
- 5 MW for Visayas Grid; and
- 5 MW for Mindanao Grid,

are mandated to register in the WESM and shall be classified under the generation company category, in accordance with the WESM rules and market manuals. An ESS that is connected to the distribution system, and which has a capacity less than the above thresholds may register in the WESM on a voluntary basis.

### **Government Approval Process**

As set forth in the 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 from the ERC to operate facilities used in the generation of electricity. A COC shall remain valid, unless otherwise suspended, revoked, or annulled by the ERC after due notice and hearing.

In addition to the COC 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 Grid Code and Distribution Code promulgated by the ERC. In this connection, the ERC has issued guidelines (as amended) setting the minimum financial capability standards for generation companies. Under the guidelines (as amended), 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 1.25 times throughout the validity of its COC. For COC applications, the guidelines require the submission to the ERC of, among other things, a schedule of liabilities, a five-year financial plan, documentation on financial track record, and other such information or documents that the ERC may require. For the duration of the COC, the guidelines also require a generation company to annually submit audited financial statements and forecast financial statements to the ERC for the next two financial years, as well as other documents. The failure by 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 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 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 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 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 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 Open Access Transmission Services 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.

ASPs 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. 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.

### **Philippine Downstream Natural Gas Regulations**

On November 28, 2017, DOE issued Department Circular No. DC2017-11-0012 which provides the rules and regulations governing the Philippine Downstream Natural Gas Industry. 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.

On February 1, 2019, the DOE issued Department Circular No. DC2019-02-004, 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. DC2024-01-007, or the “Amended Philippine Downstream Natural Gas Regulations” (the “**Amended PDNGR**”). Under the Amended PDNGR, no person, natural or juridical, shall construct, expand, rehabilitate, modify, operate or maintain a downstream natural gas facility unless authorized and issued with a permit in accordance with the guidelines for issuance of operator’s permit. The Amended PDNGR also provides, among others, that no natural or juridical person shall conduct trade

of natural gas through a downstream natural gas facility unless a downstream natural gas facility unless authorized, and issued an accreditation, by the DOE in accordance with the guidelines for issuance of participant's accreditation. A person who intends to engage in the supply, aggregation and resale (including importation) of any quantity of natural gas shall apply for accreditation with the Oil Industry Management Bureau of the DOE ("**DOE-OIMB**").

The entire capacity of a downstream natural gas facility of an accredited operator may, in its discretion, be offered for a third-party access. An accredited downstream natural gas facility operator may also publicly offer its entire or a portion of its capacity to, or enter into a negotiated third-party access arrangement with, third-party end user or non affiliates. The public offer or negotiated agreement for third-party access shall be done in accordance with the guidelines set forth in the Amended PDNGR.

## **Renewable Energy Regulations**

Republic Act No. 9513 or the Renewable Energy Act of 2008 ("**RE Act**") aims to promote development and commercialization of renewable and environment-friendly energy resources such as biomass, solar, wind, hydro, geothermal, and ocean energy resources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce dependence on fossil fuels and minimize exposure to price fluctuations in international markets. To facilitate the development of the renewable energy, the RE Act provides for various tax incentives which may be enjoyed by renewable energy generators.

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 the law.

On October 1, 2019, the DOE issued Department Circular No. DC 2019-10-0013 which provided the omnibus guidelines governing the award and administration of renewable energy contracts ("**RE Contracts**") and the registration of renewable energy developers. DC 2019-10-0013 became effective on November 22, 2019. DC 2019-10-0013 harmonized and enhanced the then existing guidelines and procedures governing the transparent and competitive system of awarding renewable energy contracts and registration of renewable energy projects.

On December 24, 2021, DOE issued Department Circular No. 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.

On June 4, 2024, the DOE issued Department Circular No. DC2024-06-0018 which set forth the revised omnibus guidelines governing the award and administration of RE Contracts and the registration of renewable energy developers (the "**Revised Omnibus Guidelines**"). The Revised Omnibus Guidelines integrates issuances and recent policies of the DOE for an effective and efficient award and administration of RE Contracts and the registration of renewable energy developers. Under the Revised Omnibus Guidelines, RE 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 two methods: (i) open and competitive selection process; or (ii) 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.

A DOE certificate of registration is issued to renewable energy developers holding valid renewable energy service or operating contracts upon application with the DOE.

## ***Renewable Portfolio Standards and Requirements***

Under the RE Act, Renewable Portfolio Standards (“**RPS**”) refers 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 RPS 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.

The RE Act also created the Renewable Energy Market which shall serve as a sub-market of the WESM where the trading of RE Certificates may be made. The term RE Certificate refers to a certificate issued by the RE Registrar to electric power industry participants showing the energy sourced, produced, and sold or used. RE Certificates may be credited against the compliance of the obligations under the RPS.

Department Circular No. DC 2017-12-0015, which prescribes the rules and guidelines governing RPS for on-grid areas (the “**RPS On-Grid Rules**”), 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 RPS 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. On May 23, 2023, the DOE issued Department Circular No. DC2023-05-0015, prescribing amendments to the RPS On-Grid Rules. The amendments introduced by Department Circular No. DC2023-05-0015 include, among others, the clarification on the prescribed parameters for calculating the minimum RPS requirement for each mandated participant, clarification on RPS compliance mechanisms, and new guideline on the issuance of RE Certificates.

DOE Circular No. DC2020-07-0017 was also issued to provide mandated participants with more avenues for compliance with their RPS requirements, by providing the framework for green energy auction. There are 2 kinds of green energy auctions: (i) supply-only auction; and (ii) integrated open and competitive selection process (“**OCSP**”)–supply auction. In a supply-only auction, only the green energy implementation agreement will be awarded to the qualified suppliers and only renewable energy projects already covered by renewable energy contracts, which includes those that are under the pre-development and development stages, will be qualified to participate. On the other hand, in an OCSP-supply auction, renewable energy contracts will be awarded together with green energy implementation agreement resulting from an integrated process for OCSP-supply auction. DOE Circular No. DC2020-07-0017 provides further that a distribution utility that contracts for renewable energy supply through the green energy auction shall be considered as having complied with the competitive selection process requirements.

DOE Circular No. DC2021-11-0036 or the Revised Green Energy Auction Program (“**Revised GEAP Rules**”) came into effect on December 5, 2021. The Revised GEAP Rules intends to facilitate the growth of renewable energy as a primary source of energy in the Philippines. The same sets the rules for the procurement of renewable energy supply by DUs and RES from eligible renewable energy suppliers through a competitive process, together with long-term contracts.

Under the Revised GEAP Rules, the determination of eligible renewable energy suppliers shall be through the Green Energy Auction (“**GEA**”) that shall be administered by the Green Energy Auction Committee (“**GEAC**”). Any of the following new existing capacities (which refer to RPS eligible facilities as defined in the RPS On-Grid Rules) may be offered for bidding: (i) renewable energy facilities that were built and will be built after the RE Act; (ii) renewable energy facilities that were built and commercially operating prior to the effectivity of the RE Act but have undergone an expansion or an upgrading of projects, of which additional capacities may be offered; (iii) geothermal and impounding hydropower facilities; and (iv) other emerging renewable energy technologies that may be included in the GEAP and the feed-in tariff.

An offer of supply to the GEA must come from DOE registered renewable energy facilities and requires that such facility must be free from any supply contract with DUs or other offtakers at the time of agreed delivery dates.

### ***Green Energy Option Program***

On August 16, 2021, the ERC issued Resolution No. 08, series of 2021, dated April 22, 2021 entitled “A Resolution Adopting the Rules for the Green Energy Option Program.” The resolution was issued pursuant to DOE Department Circular No. 2018-07-0019 and provides the necessary regulatory framework to operationalize

Section 9 of the RE Act which calls for the establishment of a Green Energy Option Program (“**GEOP**”). GEOP provides end-users the option to choose RE resources as their sources of energy. The GEOP 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 Energy Safety, Health and Environment Rules and Regulations*

The DOE issued Department Circular No. DC2012-11-0009 or the Renewable Energy Safety, Health, and Environment Rules and Regulations of 2012 (“**RESHERR**”). The RESHERR applies to all employers, employees, contractors and other entities engaged in renewable energy operations to ensure adequate safety and protection against hazards to health, life and property as well as pollution of air, land and water from renewable energy operations. Under the RESHERR, all renewable energy facilities are required, upon commencement of its operations, to organize a Safety, Health, and Environment Committee. In addition, the RESHERR establishes the minimum occupational safety and health requirements for renewable energy facilities, for the safety of all workers and employees.

#### **Regulations relating to energy projects of national significance**

On June 28, 2017, President Duterte issued Executive Order No. 30, series of 2017 (“**EO 30**”) which created the Energy Investment Coordinating Council (the “**EICC**”) in order to streamline the regulatory procedures affecting energy projects. In the said order, the President declared that it is the policy of the Philippine Government to ensure a continuous, adequate and economic supply of energy; and, accordingly, an efficient and effective administration process for energy projects of national significance (“**EPNS**”) should be developed in order to avoid unnecessary delays in the implementation of the Philippine Energy Plan (“**PEP**”). On April 25, 2018, the DOE issued Department Circular No. 2018-04-0013, setting for the implementing rules and regulations of EO 30.

The DOE, in its December 10, 2020 advisory, suspended the issuance of certificate of EPNS to allow the evaluation of the effectiveness of such certificate in terms of securing regulatory permits, licenses, endorsements, and other requirements relevant to the timely development and completion of an EPNS. On October 31, 2023, the DOE issued an advisory with respect to the renewed issuance of certificates of EPNS, in addition to current mechanism and platforms under the EVOSS system and other existing laws, rules and regulations to further streamline the processing of permitting and licensing of energy projects and thereby ensure their timely implementation.

On April 1, 2024, the DOE issued Department Order No. 2024-04-0003 providing for the revised framework and guidelines for the processing of applications for a certificate of EPNS. Department Order No. 2024-04-0003 provides, among others, that all applications shall be submitted to the DOE Investment Promotion Office, which shall commence initial evaluation of completeness of documentary submissions, subject to further technical evaluation of relevant bureaus within the DOE, depending on the type of the project.

Under Department Order No. 2024-04-0003, EPNS are major energy projects that may be identified and certified as EPNS shall be those found under the Philippine Energy Plan or those that are consistent with the policy and goals specified therein for the following:

- (a) Upstream and downstream sectors – exploration, development, production, utilization, commercialization, and application of energy resources, either conventional or non-conventional, including associated facilities and processes;
- (b) Power sector – power generation, transmission, distribution, and ancillary services;
- (c) Electric vehicles and alternative energy sources – development and promotion of electric vehicles, alternative energy sources, and technologies and their application; or
- (d) All other energy projects, programs, and endeavors identified by the DOE.

A project must have the following attributes to be certified as EPNS:

- (a) Significant capital investment of at least ₱3.5 billion.
- (b) Significant contribution to the country’s economic development, which pertains to the potential of the project to promote greater access to energy and energy supply security of the country.

- (c) Significant consequential economic impact, which pertains to the potential of the project to generate employment and increased revenue for the government.
- (d) Significant potential contribution to the country's balance of payment, which pertains to the inflow of foreign investment capital.
- (e) Significant impact on the environment, which pertains to the project's sustainability with minimal adverse environmental effects.
- (f) Significant complex technical processes and/or engineering designs, which pertains to whether the project involves newly-developed or pioneering energy systems and/or technologies.
- (g) Significant infrastructure requirement, which pertains to the project's associated infrastructure.

A holder of a certificate of EPNS shall be entitled to, among others, an expedited processing time under the periods prescribed by the EVOSS Act or EO 30, as applicable, upon submission of the complete documentary requirements to relevant agencies and entities, without awaiting the action of other government agencies involved in the processing. A holder of a certificate of EPNS applying for a permit with a government agency shall be presumed to have been issued all relevant permits from other government agencies. This extends only insofar as the permitting process with the said government agency is concerned. In addition, the certificate of EPNS shall be equivalent to the endorsement of the DOE for the permitting by government agencies of energy projects. If there is any defect or place in the substance and form of the documents submitted by the holder of a certificate of EPNS, it shall be notified and be given time to rectify the same. If its application is denied, the holder of a certificate of EPNS shall be entitled to a written explanation from the government agency which should contain the reasons or grounds for the denial.

### **Energy Virtual One-Stop Shop ("EVOSS")**

On March 8, 2019, Republic Act No. 11234, otherwise known as the "Energy Virtual One-Shop Act" (the "**EVOSS Act**"), was signed into law establishing an energy virtual one-stop shop under the supervision of the DOE. The EVOSS is a web-based system that allows the coordinated submission and synchronous processing of all required data and information and provides a single decision-making portal for actions on applications for permits and/or certifications necessary for, or related to, an application of a proponent for new power generation, transmission or distribution projects.

Under the EVOSS Act, the relevant government agencies have the obligation to ensure that all actions on applications before it and its attached bureaus, offices, and agencies, at both the national and local levels, government-owned and -controlled corporations as well as local government units and other entities involved in the permitting process shall be released within the time frames stated in the EVOSS Act. Failure of the mother agency and its attached bureaus, offices, and agencies at both the national and local levels, including government-owned and -controlled corporations as well as local government units and other entities involved in the permitting process, to release its action on applications duly submitted with complete supporting electronic documents within the prescribed time frame shall cause applications to be deemed approved, provided that such deemed approval shall not apply to actions by DENR and ERC on applications by fossil fuel-based technologies such as coal, natural gas, and oil.

The EVOSS Act mandates participation and compliance by all government agencies and other relevant entities involved in the permitting process of all new power generation, transmission and distribution projects. A government's official and/or employee's willful refusal to participate in the EVOSS and failure to comply with the mandated time frames as provided in the EVOSS Act and its implementing rules, or as imposed by the EVOSS steering committee, shall be considered an administrative offense, and may be penalized with suspension without pay or dismissal and perpetual disqualification from public service, as applicable, without prejudice to the filing of criminal, civil or other related charges under existing laws, as may be appropriate.

The EVOSS Steering Committee, the inter-agency body created by the EVOSS Act which was tasked to streamline the process flow of the permitting process for energy-related projects and to set up the EVOSS, was dissolved by operation of law on March 30, 2021, or two years from the effectivity of the EVOSS Act. On July 2, 2021, President Duterte issued Executive Order No. 143, series of 2021, creating the EVOSS Task Group to oversee the continued implementation of EVOSS and its implementing rules and regulations. The task force shall exercise the same functions and powers as the EVOSS Steering Committee, as provided under the EVOSS Act, and other additional functions such as monitoring and ensuring the increasing operationalization of EVOSS.

## Registration under the BOI

Under the Executive Order No. 226, otherwise known as the Omnibus Investments Code, as amended, 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) unrestricted use 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 Executive Order No. 226, as amended, 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 Executive Order 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 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 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 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 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 law shall be allowed to continue of such tax incentive for 10 years.

## PHILIPPINE COMPETITION ACT

On July 21, 2015, the President of the Philippines signed into law Republic Act No. 10667 or the Philippine Competition Act (“PCA”), which became effective on August 8, 2015. It aims 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. Although the Philippine Competition Act is silent on its applicability specifically to the electric power industry, Section 55(c) of the Philippine Competition Act provides that insofar as Section 43(u) of the EPIRA is inconsistent with provisions of the Philippine Competition Act, it shall be repealed. In view of this, the Philippine Competition Commission (the “PCC”) now has the original and exclusive jurisdiction over anti-competitive cases in the energy sector.

On May 31, 2016, the PCC promulgated rules and regulations in order to effectively carry out the provisions of the Philippine Competition Act. Under the Rules, parties to a merger or acquisition are required to provide notification to the PCC when the following thresholds are met: (i) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent company of at least one of the

acquiring or acquired entities, including that of all entities that the ultimate parent company controls, directly or indirectly (“**Size of Party/Person**”), exceeds ₱1,000,000,000.00; and (ii) the value of the transaction (“**Size of Transaction**”) exceeds ₱1,000,000,000.00. The PCC also has issued the “Guidelines on the Computation of Merger Notification Thresholds”, which provides the method for calculating the aggregate value of assets and gross revenues from sales for the purposes of determining whether a proposed merger or acquisition is notifiable to the PCC.

The Size of Party/Person and Size of Transactions have been gradually increased by the PCC to ensure that the thresholds maintain their real value over time and relative to the size of the economy. Beginning March 1, 2019 and for every subsequent year, the notification thresholds will be indexed based on the official estimates by the Philippine Statistics Authority of the nominal GDP growth for the previous calendar year rounded up to the nearest hundred million.

Under Commission Resolution No. 01-2024, effective March 1, 2024, the threshold for the Size of Party/Person was increased to ₱7,800,000,000.00, and the threshold for the Size of Transaction was increased to ₱3,200,000,000.00.

A transaction that requires mandatory notification and does not comply with the notification requirements and waiting periods shall be considered void and will expose the therein parties to an administrative fine of 1 to 5.0% of the value of the transaction. Further, criminal penalties for such parties may be imposed, which include: (i) a fine of not less than ₱50,000,000.00 but not more than ₱250,000,000.00; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100,000,000.00 to ₱250,000,000.00 may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

## **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 local government unit (the “**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 sets 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.

### **Occupational Safety and Health Standards Law**

As provided under Article 168 of Presidential Decree No. 442, the Occupational Safety and Health Standards (as Revised 1989) was formulated by the DOLE. Subsequently, in an effort to emphasize and strengthen compliance with such standards, Republic Act No. 11058 or the Occupational Safety and Health Standards Law (“**OSH**”) was signed into law in August 2018.

The OSH mandates that every employer, contractor, subcontractor, and any person who manages, controls, or supervises the work being undertaken is required, among others, to: (i) furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers; (ii) give complete job safety instructions orientation to all the workers; (iii) require workers to undergo a mandatory eight hour safety and health seminar; (iv) inform the workers of the hazards associated with their work, health risks involved, or to which they are exposed to, preventive measures to eliminate or minimize the risks, and steps to be taken in cases of emergency; and (v) provide for measures to deal with emergencies and accidents including first-aid arrangements. Notably, the OSH mandates that the employer shall appoint/employ a Safety Officer whose qualifications and duties are provided by the said law.

Department Order No. 198, series of 2018 (D.O. 198) was issued by the DOLE to implement the OSH. The said Department Order classifies establishments as low, medium or high risk, and depending on the number of employees per establishment, provides for the corresponding requirements and provisions required of each employer, such as number of safety officers, occupational health officers and provision for health equipment and facilities. Under the DOLE Labor Advisory No. 04, series of 2019 (Guide for Compliance of Establishments to D.O. 198), the establishment concerned shall be responsible for determining its own level of classification (low, medium, or high risk) based on Hazards Identification and Risk Assessment Control conducted by the company.

The employer, project owner, contractor or subcontractor, if any, and any person who manages, controls or supervises the work being undertaken shall be jointly and solidarily liable for compliance with occupational safety and health standards, including the penalties imposed for any violations thereof.

### **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 (“**PhilHealth**”) a government corporation attached to the Department of Health tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of Republic Act No. 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 Program and shall be granted immediate eligibility and access to preventive, promotive, curative, rehabilitative, and applicative care for medical, dental, mental, and emergency health services.

Membership is classified into two types: (i) direct contributors; and (ii) 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.

### **REVISED CORPORATION CODE**

Republic Act No. 11232, also known as the Revised Corporation Code, took effect on February 23, 2019 upon completion of its publication in Manila Bulletin and the Business Mirror on the said date.

Among the notable amendments in the Revised Corporation Code are as follows: (i) corporations are now generally given a perpetual existence; (ii) a new section on one-person corporation was added; (iii) the removal of the requirement that at least 25% of the authorized capital stock must be subscribed, and at least 25% of the

subscribed shares must be paid-up upon incorporation, however, such requirement shall be required for any increase in authorized capital stock of a corporation; (iv) stockholders may now vote in absentia; (v) incorporators now include any person, partnership, association or corporation; (vi) material contracts between the corporation and its own directors, trustees, officers, or their spouses and relatives within the 4<sup>th</sup> civil degree of consanguinity or affinity must be approved by at least 2/3s of the entire membership of the board, with at least a majority of the independent directors voting to approve the same; and (vii) an expansion of the powers of the SEC to prosecute and investigate offenses under the Revised Corporation Code.

## FOREIGN INVESTMENTS ACT OF 1991, AS AMENDED (“FIA”)

The FIA liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Twelfth Regular Foreign Investment Negative List (the “**Negative List**”). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. Likewise, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens may engage in activities relating to the exploration, development and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants.

The Department of Justice (“**DOJ**”) opined that the exploration, development and utilization of solar, wind, hydro and ocean or tidal energy sources is not subject to the 40% foreign equity limitation and thus, may be wholly-owned by foreign nationals. In DOJ Opinion No. 21, Series of 2022 dated September 29, 2022, the DOJ opined that solar, wind, hydro and ocean or tidal energy sources are inexhaustible and, therefore, not within the ambit of the term “natural resources” in Article XII, Section 2 of the Philippine Constitution. As a result of the DOJ’s opinion, the DOE issued DOE Department Circular No. DC2022-11-0034 on November 15, 2022, which amended the IRR of the Renewable Energy Act (Rep. Act No. 9513) to align with opinion of the DOJ.

For the purpose of complying with nationality laws, the term Philippine National is defined under the FIA as any of the following:

- a citizen of the Philippines;
- a domestic partnership or association wholly-owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos; or
- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

In SEC Memorandum Circular No. 08 dated May 20, 2013, or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities, it is provided that for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. A petition for certiorari questioning the constitutionality of SEC Memorandum Circular No. 8 dated May 20, 2013 was filed in June 2013. Through the case entitled *Jose M. Roy III v. Chairperson Teresita Herbosa* (G.R. No. 207246) dated April 18, 2017, the Supreme Court affirmed the validity of SEC Memorandum Circular No. 08 dated May 20, 2013.

In the 2014 case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp* (G.R. No. 195580) and its corresponding motions for reconsideration (the “**Narra Nickel Case**”), the

Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders' own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) if the corporation's Filipino equity falls below sixty percent (60%), such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

On March 2, 2022, President Duterte signed into law Republic Act No. 11647, which introduced amendments to the FIA. Among these amendments is the change in the definition of "investment" and "foreign investment." It also created and defined the powers and authority of the Inter-Agency Investment Promotion Coordination Committee, which shall be responsible, among others, for integrating all promotional and facilitation efforts to encourage foreign investments in the country, and reviewing foreign investments in industries that are involved in activities which may threaten the territorial integrity and safety, security and well-being of Filipino citizens, which investments are made by foreign government-controlled entities or state-owned enterprises except independent pension funds, sovereign wealth funds and multi-national banks or are located in geographical areas critical to national security, and mandated the development of the Foreign Investment Promotion and Marketing Plan. Amendments to the provision on the registration of investments of foreign nationals were likewise introduced.

## **ENVIRONMENTAL MATTERS**

### **Environmental Compliance Overview**

SMGP 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. SMGP plans to use dynamic classifiers to further improve coal fineness in the future. This would allow more efficient burning of coal (reducing NO<sub>x</sub>) and the use of lower CV coal with lower sulfur content (reducing SO<sub>x</sub>). 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, SMGP's power plants have the following environmental control equipment and features that ensure that its NO<sub>x</sub>, SO<sub>x</sub> and particulate matter emissions within and below applicable local limits set by the DENR and emission limits set by the World Bank:

- CFB technology (used in SMGP's greenfield power plants, Limay and Davao) operate the boilers at relatively lower pressure and temperatures (below 800 degrees centigrade) compared to pulverized coal technology. This results in better combustion and lower NO<sub>x</sub> and material particulates.
- Limestone injection to the fuel as it goes to the boiler is used for SMGP's Plants to further reduce their SO<sub>x</sub> and particulate matter emissions.
- Unit 3 of Masinloc 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 SO<sub>x</sub> emissions.
- For Sual and Masinloc PC units, SMGP uses Flue Gas Desulfurization ("FGD") equipment that can remove up to 90% of the SO<sub>x</sub> and particulate matter in the flue gas emissions of these plants. The FGDs use limestone and seawater to scrub SO<sub>x</sub> and particulate matter from the flue gases.
- For the greenfield plants, SMGP 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 smokestack.

- SMGP 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, SMGP 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.

SMGP also plans to explore the use of catalytic reduction technology on its PC Plants to further improve its NO<sub>x</sub> 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<sub>x</sub> emissions.

SMGP closely monitors and publishes on a weekly basis the emission data on the Limay and Davao Greenfield Power Plants, which is 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.

### **Environmental Regulation**

The operations of the businesses of SMGP are subject to various laws, rules and regulations that have been promulgated for the protection of the environment.

#### ***EISS Law***

The Philippine Environmental Impact Statement System (the “**EISS Law**”) was established by Presidential Decree No. 1586 and is implemented by the DENR. The EISS Law is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical or (ii) 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 possesses 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 (the “**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 (the “**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 also required to establish an Environmental Monitoring Fund (the “**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.

### ***Other Environmental Laws***

Other regulatory environmental laws and regulations applicable to the businesses of SMGP 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.

## MANAGEMENT

The overall management and supervision of SMGP is undertaken by the board of directors (the “**Board**”). The executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the SMGP’s business operations, financial condition and results of operations for its review.

### BOARD OF DIRECTORS

Currently, the Board consists of the following members, three of whom are independent directors. The table below sets forth certain information regarding the members of the Board as of June 30, 2024.

Name	Age	Position	Citizenship
Ramon S. Ang .....	70	Director / Chairman	Filipino
John Paul L. Ang.....	44	Director / Vice Chairman	Filipino
Aurora T. Calderon .....	70	Director	Filipino
Virgilio S. Jacinto .....	67	Director	Filipino
Jack G. Arroyo, Jr. ....	66	Independent Director	Filipino
Consuelo Ynares-Santiago.....	84	Independent Director	Filipino
Josefina Guevara-Salonga.....	82	Independent Director	Filipino

The business experience for the past five years of each of the directors and executive officers is set forth below.

**Ramon S. Ang** is the incumbent Chairman of the Board and Chief Executive Officer of SMGP 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 the Company since September 2, 2011. He was the President and Chief Executive Officer of San Miguel Corporation until June 11, 2024. He was the Vice Chairman of San Miguel Corporation from January 28, 1999 until June 11, 2024. He was the President and Chief Operating Officer of San Miguel Corporation since March 6, 2002 to November 2, 2021. He has been a member of the Board of Directors of San Miguel Corporation for 25 years. He is also the Chairman of the Executive Committee of San Miguel Corporation. He also holds, among others, the following positions in other publicly listed 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 Directors 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 Chairman of the Board of San Miguel Food and Beverage, Inc. He is also the Chairman of the Board of San Miguel Brewery Inc; Chairman of the Board and President of San Miguel Holdings Corp., SMC SLEX, Inc., San Miguel Equity Investments Inc., San Miguel Properties, Inc., and San Miguel Aerocity Inc. He is the Chairman of the Board and Chief Executive Officer of SMC Asia Car Distributors Corp.; Chairman of the Board of San Miguel Foods, Inc., Eagle Cement Corporation, San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort, Inc. SEA Refinery Corporation and New NAIA Infra Corp.; President and Chief Executive Officer of Northern Cement Corporation. He is also the sole director and shareholder of Master Year Limited and the Chairman of the Board of Privado Holdings, Corp. He is also a director of Metro Pacific Investments Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation; President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang has held 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. As a director of a number of listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five years, the most recent of which is the training conducted by Center for Global and Best Practices on November 10, 2023.

**John Paul L. Ang** is a Director and Vice Chairman of SMGP since June 1, 2021. He is the Vice Chairman, President and Chief Operating Officer of San Miguel Corporation since June 11, 2024. He was elected director of San Miguel Corporation on January 21, 2021 and has been a member of the Board of Directors of San Miguel Corporation for three years. He is also a member of the Executive Committee of San Miguel Corporation. Mr. Ang holds directorships in other listed companies namely, SMC, Petron Corporation, San Miguel Food and Beverage, Inc., and Top Frontier Investment Holdings, Inc. He is also the President and Chief Executive Officer of San Miguel Food and Beverage Inc. since 2024, Eagle Cement Corporation since 2016, Solid North Mineral Corp., and Southwestern Cement Corporation since 2017. He is the Chairman and the President of San Miguel Equity Investments Inc. He also a director of San Miguel Brewery Inc. He is the President of Armstrong Ash-fly

and Logistics Company Inc. He is also a director of SMC SLEX Inc., Aerofuel Storage Management Inc., Argonbay Construction Company, Inc., Pacific Nickel Philippines, Inc., Philnico Industrial Corporation, and KB Space Holdings, Inc. Mr. Ang graduated with a degree in Bachelor of Arts Major in Interdisciplinary Studies at the Ateneo de Manila University. As a director of a number of companies including listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five years, the most recent of which is the training conducted by SGV & Co. on September 20, 2023.

**Aurora T. Calderon** is a Director of SMGP 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 SMGP. She is a Director of several subsidiaries of SMGP. 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 SMGP 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 SMGP. 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 SMGP 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 SMGP 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 SMGP. 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 SMGP 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 SMGP. 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 SMGP 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 SMGP. 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.

## SENIOR MANAGEMENT

The table below sets forth certain information regarding the executive officers of SMGP as of June 30, 2024.

Name	Age	Position	Citizenship
Ramon S. Ang .....	70	Chairman, Chief Executive Officer, President and Chief Operating Officer	Filipino
John Paul L. Ang .....	44	Vice Chairman	Filipino
Virgilio S. Jacinto.....	67	Corporate Secretary and Compliance Officer	Filipino
Elenita D. Go.....	63	General Manager	Filipino
Paul Bernard D. Causon .....	46	Vice President and Chief Finance Officer	Filipino
Ramon U. Agay.....	66	Assistant Vice President and Comptroller	Filipino
Irene M. Cipriano .....	49	Assistant Corporate Secretary	Filipino
Reynaldo S. Matillano.....	63	Internal Audit Manager	Filipino
Maria Floreselda S. Abalos-Sampaga .....	59	Data Protection Officer	Filipino
Jeciel B. Campos.....	66	Assistant Vice President and Sales and Marketing Manager	Filipino
Jose Ferlino P. Raymundo.....	65	Assistant Vice President and Energy Sourcing and Trading Manager	Filipino
Danilo T. Tolarba .....	56	Assistant Vice President and Human Resources Group Manager	Filipino
Julie Ann B. Domino-Pablo .....	42	Assistant Vice President and General Counsel	Filipino
Gonzalo B. Julian, Jr. ....	57	Assistant Vice President, Sales and Marketing Manager-RES and Head of the Battery Business	Filipino

The business experience for the past five years of each of the executive officers who are not directors is set forth below.

**Elenita D. Go** is the General Manager of SMGP since December 14, 2011. She joined SMGP 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, and SMGP BESS, and is the Chairman in other subsidiaries of SMGP. 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 SMGP 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 SMGP 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 SMGP, such as SPI, SMELC, SPPC, SRHI, LPI, MPI, SMGP BESS, and the Treasurer of DAMI, BERI, SEPC, Luzon Power Dynamics Services Inc. (formerly known as Mantech Power Dynamics Services Inc.), VisMin Power Dynamics Services Inc. (formerly known as Safetech Power Services Corp.) and several other subsidiaries of SMGP. 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 SMGP 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 SMGP 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 SMGP 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 SMGP 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 SMGP. 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, she attended a corporate governance training seminar conducted by Center for Global Best Practices.

**Jeciel B. Campos** is the Sales and Marketing Manager of SMGP 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 SMGP 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 SMGP. 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 SMGP 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 SMGP effective July 1, 2020, after having served as its Legal Officer since 2014. She is also the Corporate Secretary of various subsidiaries of SMGP. She was admitted to the Philippine Bar and the New York State Bar in 2009 and is a Certified Public Accountant. Prior to SMGP, 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 SMGP 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.

## PRINCIPAL SHAREHOLDER

San Miguel Corporation is the principal shareholder of SMGP and owns 100% of the issued share capital of SMGP.

San Miguel Corporation is a corporation organized and existing under the laws of the Republic of the Philippines, with registered principal office address at No. 40 San Miguel Avenue, Mandaluyong City. San Miguel Corporation is a public company under Section 17.2 of the Philippine SRC and its shares are listed on the PSE. San Miguel Corporation, together with its subsidiaries, is one of the largest publicly listed companies in the Philippines.

San Miguel Corporation, together with its subsidiaries, is one of the largest and most diversified conglomerates in the Philippines, by revenues and total assets, with sales equivalent to approximately 6.0% of Philippine GDP in 2023.<sup>2</sup> Originally founded in 1890 as a single product brewery in the Philippines, 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 that is interwoven into the economic fabric of the Philippines, benefitting from, as well as, contributing to, the development and economic progress of the nation. The common shares of San Miguel Corporation were listed on the PSE on November 5, 1948, and as of June 30, 2024 San Miguel Corporation had a market capitalization of ₱239,104.8 million (U.S.\$4,079.6 million) with a common share price of ₱100.3 (U.S.\$1.7).

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<sup>2</sup> Based on data from the SMC consolidated revenues in 2023 divided by the Philippines' total revenue sourced from the Philippine Statistics Authority.

## **RELATED PARTY TRANSACTIONS**

SMGP engages from time to time in various transactions with related parties. The Company has conducted transactions with related parties on an arm's-length basis. See Note 10 of the audited consolidated financial statements of SMGP as of and for the years ended December 31, 2023, 2022 and 2021, respectively for more detailed information, and Note 13 of the unaudited interim condensed consolidated financial statements of SMGP as of and for the six months ended June 30, 2024 for more detailed information.

## TAXATION

*The statements herein regarding taxation are based on the laws and administrative guidelines issued by the relevant authorities in force as of the date of this Offering Circular and are subject to any changes in such law and administrative guidelines issued by the relevant authorities occurring after such date, which changes could be made on a retroactive basis. See “Risk Factors—Risks relating to the Company—Changes in Taxation and certain tax exemptions and tax incentives.” The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities or dealers which have been granted financial sector tax incentives in Singapore) may be subject to special rules. Prospective purchasers of the Securities are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of Securities.*

### PHILIPPINE TAXATION

As used in this section, the term “resident alien” means an individual whose residence is within the Philippines and who is not a citizen of the Philippines and a “non-resident alien” means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien engaged in trade or business within the Philippines”; however, a non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a “non-resident alien not engaged in trade or business within the Philippines.” A “resident foreign corporation” is a foreign corporation engaged in trade or business within the Philippines and a “non-resident foreign corporation” is a foreign corporation not engaged in trade or business within the Philippines.

On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, the CREATE Law. The amendments under the CREATE Law include the reduction of the corporate income tax rate for domestic corporations, resident foreign corporations, and non-resident foreign corporations from 30% to 25%. For domestic corporation, the regular corporate income tax rate may be further reduced to 20% depending on the net taxable income and total assets of such domestic corporation. In addition to the reduction of the regular corporate income tax, the rate of the Minimum Corporate Income Tax (“MCIT”) was lowered to 2%, and capital gains from sale of shares of stock not traded in the stock exchange by resident and nonresident foreign corporations are now subject to 15% tax rate.

The characterization of the Securities and Distributions for tax purposes is not settled under Philippine tax laws and regulations. Subject to definitive law or regulation or a specific ruling issued by Philippine tax authority in respect of the Securities, the Distributions may be treated as dividends or interest for tax purposes. Interest on debt instruments or interest-bearing obligations of residents (corporate or otherwise), and the amount received as dividend from domestic corporations, are generally considered as income derived from a source within the Philippines. Since the Company is a Philippine resident or a domestic corporation, Distributions received by Securityholders will be treated as income derived from a source within the Philippines and will generally be subject to Philippine income tax.

### Documentary Stamp Tax

Under the National Internal Revenue Code of 1997, as amended (the “**Tax Code**”), certain documents, instruments, papers, acceptances, assignments, sales and transfers of obligations, rights or property may be subject to documentary stamp tax. Documentary stamp tax will be levied, collected and paid for by the person making, signing, issuing, accepting or transferring the document wherever the document is made, signed, issued, accepted or transferred when the relevant obligation or right arises from a Philippine source or the relevant property is situated in the Philippines.

The Tax Code imposes documentary stamp tax on all original issuances of shares of stock at the rate of ₱2.00 for each ₱200, or fractional part thereof, of the par value of such shares of stock or actual consideration for the issuance of the shares (in the case of no-par value shares). On every original issuance of debt instruments, a documentary stamp tax of ₱1.50 on each ₱200, or fractional part thereof, of the issue price of any such debt instruments is imposed under the Tax Code. The original issuance of the Securities (whether treated as shares of stock or debt instruments) will therefore be subject to documentary stamp tax at the foregoing rates based on the issue price of the Securities. The documentary stamp tax due on the original issuance of the Securities will be for the account of the Company.

Transfers of shares of stock by assignment in blank, delivery, or by any paper, agreement or memorandum or other evidence of transfer or sale (including to secure the future payment of money or for the future transfer of stock) is subject to documentary stamp tax at the rate of ₱1.50 for each ₱200, or fractional part thereof, of the par value of such shares of stock, or at an amount equivalent to 50% of the documentary stamp tax paid upon the issuance of the shares in the case of no par value shares. Accordingly, subsequent transfers or dispositions of Securities, if treated as shares of stock for tax purposes, will be subject to documentary stamp tax at these rates.

No documentary stamp tax is generally payable on the subsequent transfer or disposition of debt instruments, provided that the transfer or disposition does not constitute a renewal or entail a change in the maturity date or remaining period of coverage of the relevant instrument. Accordingly, if the Securities are treated as debt instruments, no documentary stamp tax will generally be imposed on their subsequent transfer or disposition, provided that any such transfer or disposition meets the foregoing requirements.

### **Distributions on the Securities**

Distributions that are characterized as dividends for Philippine tax purposes will be subject to final withholding tax at the rate of (i) 10% if the Securityholder is a Philippine citizen or resident alien or (ii) 20% if the Securityholder is a non-resident alien engaged in trade or business within the Philippines. A non-resident alien not engaged in trade or business within the Philippines is subject to final withholding tax at the rate of 25% regardless of whether the Distributions are characterized as dividends or interest or other fixed or determinable periodic or casual gains or profits. A non-resident foreign corporation is generally taxable on all gross income received from all sources within the Philippines at the rate of 25%; however, if Distributions received by non-resident foreign corporations are regarded as taking the form of dividends for Philippine tax purposes, such dividends are generally subject to 25% final withholding tax. However, a reduced rate of 15% may be applied, provided that the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident foreign corporation taxes deemed to have been paid in the Philippines equivalent to 10%, representing the difference between the regular income tax rate of 25% and the 15% tax rate on dividends. Distributions received by domestic corporations and resident foreign corporations that are regarded as taking the form of dividends for Philippine tax purposes are not subject to Philippine tax.

On the other hand, the tax treatment of interest generally depends on the type of instrument from which the interest arises and whether the class of taxpayer receiving the interest is a resident or a non-resident for Philippine tax purposes. Interest on debt instruments arising from borrowing from the public (which for this purpose means more than nineteen lenders), long-term deposits or investment certificates, currency bank deposits, trust funds and similar instruments is generally subject to a 20% final withholding tax if received by Philippine citizens, resident aliens, non-resident aliens engaged in trade or business within the Philippines, domestic corporations and resident foreign corporations (all of which may generally be considered as “residents” in respect of taxation of Philippine-sourced income). Interest on debt instruments not covered by the foregoing instruments received by the same categories of residents will form part of their taxable income and will be subject to ordinary income tax rates (at graduated rates from 0% – 35% for individuals and 25% regular corporate income tax, or 20% regular corporate income tax for domestic corporations with net taxable income not exceeding ₱5 million and with total assets (excluding land on which the corporation’s office, plant, and equipment are situated) not exceeding ₱100 million, or 2% MCIT, as the case may be, for domestic and resident foreign corporations), subject to the withholding by the issuer of an amount equivalent to 15% of such interest, which shall be creditable against the income tax liability of the resident for the relevant taxable year.

Interest on debt instruments received by non-residents will generally be subject to final withholding tax at the rate of (i) 25%, if the holder is a non-resident alien not engaged in trade or business within the Philippines, or (ii) 20%, if the holder is a non-resident foreign corporation on the assumption that the debt instrument is a “foreign loan” granted by such non-resident foreign corporation. “Foreign loans” are defined as loan contracts, including all types of debt instrument, whether in kind or in cash, which are payable in a currency other than the Philippine Peso, entered into by a Philippine resident, corporate or otherwise, with a non-resident. Distributions will be taxed in the manner and at the rate described above if they are characterized as interest. The tax withheld constitutes a final settlement of Philippine tax liability in respect of such interest or dividend income earned by the non-resident individual not engaged in trade or business within the Philippines or by the non-resident foreign corporation. For the purpose of implementing these rules, the Company will determine the holder of the Securities based on the records of the Registrar.

The Company, as required by the Tax Code, will withhold and make payment of the applicable withholding tax described above. However, the Company shall pay Additional Amounts as may be necessary and subject to certain exceptions, so that the net amounts received by Securityholders equal the amounts which would otherwise have

been receivable by them had no such deduction or withholding been required. See “*Terms and Conditions of the Securities—Taxation and Gross-up.*”

The above-mentioned tax rates are without prejudice to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of the non-resident holder. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest or dividend arises in the Philippines and is paid to a resident of the other contracting state. In addition, some treaties provide that the withholding tax rate may be reduced to 10% in cases where the interest arises in respect of a public issue of bonded indebtedness or in the case of a dividend, where the recipient of the dividend beneficially owns at least 10% or 25% of the issuer, depending on which treaty applies. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest or dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing or dividend-earning interest is effectively connected with such permanent establishment.

The Philippine tax authorities have prescribed a certain procedure for claiming tax treaty benefits for dividend and interest income of non-resident income earners, through the Tax Treaty Relief Application (“**TTRA**”) system. The preferential treaty rates for dividend and interest income of non-residents shall be applied and used outright by the withholding agents upon submission by the non-resident of (a) an Application Form for Treaty Purposes, Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty, along with the other documentary requirements enumerated in Revenue Memorandum Order No. 14-2021, or (b) a Certificate of Entitlement to Treaty Benefits that complies with paragraph II of Revenue Memorandum Circular No. 20-2022, together with proof of compliance with the requisites cited in such certificate (each in form and substance satisfactory to the Company), as applicable. A Certificate of Entitlement to Treaty Benefits (“**COE**”) shall be issued for approved TTRAs which shall contain the factual and legal basis for the approval of the same.

Under Revenue Memorandum Circular No. 20-2022, the BIR clarified that non-resident income earners who have already been issued COEs, the tenor thereof allows the ruling to be applied to subsequent or future income payments, shall no longer file another TTRA every time an income of a similar nature is paid to the same non-resident income earner.

The use of the preferential rates shall be done through withholding final taxes at applicable treaty rates. Withholding agents or income payors can withhold at a reduced rate or exempt the non-resident based on the documents provided by the non-resident. Failure to submit the abovementioned requirements to the withholding agent or income payor may lead to withholding using the regular rates prescribed under the Tax Code. If the income of the non-resident Securityholder has been subjected to regular rates, the non-resident Securityholder may file a claim for refund of the difference between the amount of withholding tax actually paid in the Philippines and the amount of tax that should have been paid under the treaty after obtaining a certificate from the Bureau of Internal Revenue confirming such Securityholder’s entitlement to treaty benefits.

### **Sale or Other Disposition of the Securities**

In general, a Securityholder will recognize a gain or loss upon the sale or other disposition (including a redemption at maturity, an exchange or otherwise) of the Securities in an amount equal to the difference between the amount realized from such disposition and such Securityholder’s cost basis in the Securities.

#### ***If the Securities are considered shares of stock***

The net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, a domestic corporation or resident foreign corporation (other than a dealer in securities), or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15% of the net capital gains realized during the taxable year.

Accordingly, if the Securities are regarded as “shares of stock” for Philippine tax purposes, capital gains tax will be payable on the sale or disposition of the Securities. Gains from the sale of shares of stock in a domestic corporation are treated as income derived entirely from a source within the Philippines, regardless of where the shares are sold.

### ***If the Securities are considered debt securities***

Gains realized from the sale, exchange, or retirement of bonds, debentures, and other certificates of indebtedness with an original maturity date of more than five years as measured from the date of the issuance of such bonds, debentures or other certificate of indebtedness (“**Long-Term Bonds**”) are exempt from income tax. Accordingly, if the Securities are regarded as Long-Term Bonds for Philippine tax purposes, gains realized from the sale or transfer of the Securities will be exempt from Philippine income tax.

If the Securities are not regarded as Long-Term Bonds for Philippine tax purposes, the tax treatment of gains from the sale or transfer of the Securities will generally depend on the status of the Securityholder, whether the Securities are held as an ordinary or capital asset, and the place of sale of the Securities.

In the event that the Securities are held as ordinary assets, gains from the sale or transfer of the Securities within the Philippines will be included in the computation of taxable income of certain Securityholders and subject to ordinary income tax rates (at graduated rates from 0% to 35% for citizens, resident aliens, and non-resident aliens engaged in trade or business in the Philippines; 25% for non-resident aliens not engaged in trade or business in the Philippines; 25% regular corporate income tax; or 20% regular corporate income tax for domestic corporations with net taxable income not exceeding ₱5 million and with total assets (excluding land on which the corporation’s office, plant, and equipment are situated) not exceeding ₱100 million, or 2% MCIT, as the case may be, for domestic and resident foreign corporations; and 25% for non-resident foreign corporations).

If the Securityholder is a resident of a country with which the Philippines has an income tax treaty, an exemption from tax on gains from the alienation of personal property (such as the Securities) may be available under the applicable tax treaty. The procedures for availment of the applicable tax treaty relating to such gains will have to be duly complied with under existing rules.

In the event the Securities are held as capital assets, the tax rates discussed above would apply. However, capital gains recognized can be reduced by any capital loss up to the extent of the capital gain recognized. Further, in case the Securityholder is (i) an individual, (ii) is not a dealer in securities, and (iii) has held the Securities for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in said Securityholder’s gross income for Philippine tax purposes.

Gains derived by resident citizens and domestic corporations from the sale or disposition of the Securities outside the Philippines will be subject to ordinary income tax based on the above tax rates, while gains derived by non-resident citizens, aliens and foreign corporations from the sale of the Securities outside the Philippines will not be taxable.

### **Exchange of Existing Securities**

In respect of the Concurrent Exchange Offers, the exchange of Existing Securities with Exchanged New Securities may be considered as a sale or disposition of the Existing Securities for Philippine tax purposes. See “*Philippine Taxation – Sale or Disposition of Securities.*”

### **Value-Added Tax**

The transfer of the Securities in the Philippines by dealers in securities will be subject to value-added tax at the rate of 12% on the gross income they derive from the sale or exchange of the Securities.

### **Estate and Donor’s Tax**

Securities issued by a corporation organized or constituted in the Philippines in accordance with Philippine laws are deemed to have a Philippine situs and their transfer by way of succession or donation is subject to Philippine estate and donor’s taxes.

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Securities shall be subject to an estate tax which is levied on the net estate of the deceased at a rate of 6%. A Securityholder shall be subject to donor’s tax at a rate of 6% based on the total gifts in excess of ₱250,000.00 made during the calendar year on the transfer of the Securities by donation.

The estate tax or donor’s tax shall not be collected in respect of intangible personal property situated in the Philippines (such as the Securities) if (a) the deceased, at the time of death, or the donor, at the time of the donation,

was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or of the donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the decedent or donor.

In case the Securities are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Securities exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes, provided that a transfer of property made in the ordinary course of business (a transaction which is a bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

## CLEARANCE AND SETTLEMENT OF THE SECURITIES

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Company believes to be reliable, but neither the Company, the Trustee, the Agents nor any Manager takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Company nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Securities held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Custodial and depositary links have been established with Euroclear and Clearstream to facilitate the initial issue of the Securities and transfers of the Securities associated with secondary market trading.*

### THE CLEARING SYSTEMS

#### **Euroclear and Clearstream**

Euroclear and Clearstream each holds securities for participating organizations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of their participants. Euroclear and Clearstream provide their respective participants with, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Securities held through Euroclear or Clearstream will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant rules and procedures of the institution.

#### **Registration and Form**

Book-entry interests in the Securities held through Euroclear and Clearstream will be evidenced by the Global Certificate, registered in the name of nominee of the common depository of Euroclear and Clearstream. The Global Certificate will be held by a common depository for Euroclear and Clearstream. Beneficial ownership in the Securities will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream.

The aggregate holdings of book-entry interests in the Securities in Euroclear and Clearstream will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Securities, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Securities. The Registrar will be responsible for maintaining a record of the aggregate holdings of Securities registered in the name of a common nominee for Euroclear and Clearstream and/or, if individual Global Certificates are issued in the limited circumstances described under “*The Global Certificate—Registration of Title*”, holders of Securities represented by those individual Global Certificates. The Principal Paying Agent will be responsible for ensuring that payments received by it from the Company for holders of interests in the Securities holding through Euroclear and Clearstream are credited to Euroclear or Clearstream, as the case may be.

The Company will not impose any fees in respect of the Securities; however, holders of book-entry interests in the Securities may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

## **Notices**

So long as all the Securities are represented by the Global Certificate and the same is/are deposited with a nominee for a common depositary and Euroclear and Clearstream, notices to Securityholders shall be given by delivery to Euroclear and Clearstream or such additional or substitute clearing system by the Issuer, for communication by them to entitled accountholders in substitution for publication as required by the Conditions.

## **CLEARANCE AND SETTLEMENT PROCEDURES**

### **Initial Settlement**

Upon their original issue, the Securities will be in global form represented by the Global Certificate. Interests in the Securities will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Securities through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds. Book-entry interests in the Securities will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the Closing Date against payment (for value on the Closing Date).

### **Secondary Market Trading**

Secondary market sales of book-entry interests in the Securities held through Euroclear or Clearstream to purchasers of book-entry interests in the Securities through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional participants.

### **General**

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the transfers of interests in the Securities among participants of Euroclear and Clearstream, none of Euroclear and Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

Neither the Company nor any of its agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

## SUBSCRIPTION AND SALE

### GENERAL

The Joint Lead Managers have agreed, pursuant to a Subscription Agreement dated [ ● ], 2024 (the “**Subscription Agreement**”) between SMGP and the Joint Lead Managers and subject to the satisfaction of certain conditions, to procure subscriptions and payment for the aggregate principal amount of the Additional New Securities. In addition, SMGP has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Securities.

The Subscription Agreement provides that SMGP will indemnify the Joint Lead Managers against certain liabilities. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to SMGP.

The Joint Lead Managers and their affiliates have performed and may perform in the future various financial advisory, investment banking and commercial banking services for SMGP and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for SMGP, and/or its affiliates in the ordinary course of their business.

The Joint Lead Managers or certain of their affiliates may purchase the Additional New Securities and be allocated Additional New Securities for asset management and/or proprietary purposes but not with a view to distribution. The Issuer or the Joint Lead Managers may pay commissions to certain third parties (including, without limitation, commission or rebate to private banks).

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Joint Lead Managers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with SMGP or its subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Joint Lead Managers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of SMGP or its subsidiaries, jointly controlled entities or associated companies, including the Securities, may be entered into at the same time or proximate to offers and sales of the Securities or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Securities. The Joint Lead Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

If a jurisdiction requires that the offering of Securities be made by a licensed broker or dealer and the Joint Lead Managers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of SMGP in such jurisdiction. The distribution of this offering circular or any offering material and the offering, sale or delivery of the Securities is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this offering circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This offering circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

### Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Additional New Securities. In addition, private banks should take all reasonable

steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the relevant Joint Lead Manager accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Additional New Securities (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Additional New Securities.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Additional New Securities, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to:

- [hkbondsyndicate@anz.com](mailto:hkbondsyndicate@anz.com)
- [Omnibus\\_bond@hk.mizuho-sc.com](mailto:Omnibus_bond@hk.mizuho-sc.com)
- [SYNHK@sc.com](mailto:SYNHK@sc.com)

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each

CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The relevant Joint Lead Manager may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

## **OFFERING AND SELLING RESTRICTIONS**

None of SMGP or the Joint Lead Managers makes any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or SMGP that would permit a public offering of the Securities, or possession or distribution of this offering circular (in preliminary, proof or final form) or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required. Each of the Joint Lead Managers will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Securities or has in its possession or distributes this offering circular (in preliminary, proof or final form) or any such other material, in all cases at its own expense. The Joint Lead Managers will also ensure that no obligations are imposed on SMGP in any such jurisdiction as a result of any of the foregoing actions. SMGP will have no responsibility for, and the Joint Lead Managers will not obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Securities under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. The Joint Lead Managers are not authorized to make any representation or use any information in connection with the issue, subscription and sale of the Securities other than as contained in, or which is consistent with, the offering circular or any amendment or supplement to it.

### **United States of America**

The Securities are being offered and sold only outside of the United States in offshore transactions in reliance on Regulation S. The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In addition, until 40 days after the commencement of the offering of the Securities, an offer or sale of Securities within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each of the Joint Lead Managers has represented, warranted and agreed that:

- (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the “FSMA”)) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Company;
- (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom; and
- (3) it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities which are subject to the offering contemplated in this Offering Circular to any UK retail investor in the United Kingdom.
  - (a) For the purposes of this provision, the expression “**UK retail investor**” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities.

## **Singapore**

Each Joint Lead Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell such Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular, or any other document or material in connection with the offer or sale or invitation for subscription or purchase of such Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275, of the SFA.

## **Hong Kong**

Each of the Joint Lead Managers has represented and agreed that:

- (1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## **Japan**

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “FIEA”). Each Joint Lead Manager has represented and agreed that it will not offer or sell any Securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## European Economic Area

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities which are subject to the offering contemplated in the Offering Circular to any EEA retail investor in the European Economic Area.

- (a) For the purposes of this provision, the expression “**EEA retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
  - (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and
- (b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities.

## Philippines

Under Republic Act No. 8799, known as the Securities Regulation Code of the Philippines (the “**Philippine SRC**”), and its implementing rules and regulations (the “**Philippine SRC Rules**”), securities, such as the Securities, are not permitted to be sold or offered for sale or distribution within the Philippines unless such securities are registered with the Philippine Securities and Exchange Commission (the “**Philippine SEC**”) or are otherwise exempt securities under Section 9 of the Philippine SRC or sold pursuant to an exempt transaction under Section 10 of the Philippine SRC. A confirmation of exemption from the Philippine SEC that the offer for sale, exchange or distribution of the Securities in the Philippines qualify as an exempt transaction under the Philippine SRC is not required to be, and has not been, obtained. Unless such confirmation of exemption in respect of any offer for sale, exchange or distribution is issued by the Philippine SEC, any person claiming exemption under Section 10.1 of the Philippine SRC has the burden of proof, if challenged, of showing that it is entitled to the exemption. The Philippine SEC may challenge such exemption at any time.

The Exchanged New Securities in connection with the Concurrent Exchange Offers by the Securityholders and the Additional New Securities are not intended to be sold or offered for sale, exchange or distribution and should not be sold or offered for sale, exchange or distribution within the Philippines.

Each Joint Lead Manager has represented and agreed that (a) it has not sold or offered for sale, exchange or distribution, and will not sell or offer for sale, exchange or distribute, any Exchanged New Securities in the Philippines; and (b) it has not sold or offered for sale or distribution, and will not sell or offer for sale or distribute, any Additional New Securities in the Philippines, in the case of each limbs (a) and (b) above, except to qualified buyers pursuant to Section 10.1(l) of the Philippine SRC, the Philippine SRC Rules and the issuances of the Philippine SEC.

In respect of the Exchanged New Securities, where a Securityholder of Existing Securities is a resident of or located in the Philippines and intends to participate in the Concurrent Exchange Offers, such Securityholder shall represent that: (i) it did not receive, directly or indirectly, any invitation or offer to participate in the Concurrent Exchange Offers by such means, instrumentality or facility from or within the Philippines or located within the Philippines, or otherwise through materials or documents mailed, transmitted, distributed or forwarded in or to the Philippines; (ii) it is not participating in the Concurrent Exchange Offers from the Philippines or is otherwise participating in the Concurrent Exchange Offers under circumstances where the sale or exchange, offer for sale or exchange, and acceptance of the offer for sale or exchange, of the Exchanged New Securities qualify as an exempt transaction under the Philippine SRC, the Philippine SRC Rules and other issuances of the Philippine SEC; (iii) it is a “qualified buyer” pursuant to Section 10.1(l) of the Philippine SRC and Rules 10.1.3 and 10.1.11 of the Philippine SRC Rules; and (iv) its participation in the Concurrent Exchange Offers would be, at all times and in all respects, in compliance with the Philippine SRC, Philippine SRC Rules and other applicable laws and regulations.

Moreover, notwithstanding that a particular class of securities is exempt from registration under the Philippine SRC, the Philippine SRC Rules provides that (a) the conduct by any person in the purchase, sale, distribution, settlement and other post-trade activities involving such securities in the Philippines shall comply with the

provisions of the Philippine SRC and the rules implementing the Philippine SRC, and (b) the sale or offer for sale of a security in an exempt transaction under the Philippine SRC shall not be exempt from civil liability and related liabilities and other applicable provisions of the Philippine SRC on fraud, among others.

NONE OF THE OFFERING CIRCULAR OR ANY RELATED DOCUMENTS HAS BEEN REVIEWED BY THE PHILIPPINE SEC AND NEITHER THE OFFERS NOR THE SECURITIES BEING REFERRED TO HEREIN, HAVE BEEN AND WILL BE REGISTERED WITH THE PHILIPPINE SEC UNDER THE PHILIPPINE SRC AND THE PHILIPPINE SRC RULES. ANY OFFER OR SALE OF THE SECURITIES IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE PHILIPPINE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE PHILIPPINE SRC.

## **LEGAL MATTERS**

Certain legal matters as to Philippine law relating to the Securities and the offer through the Offering Circular will be passed upon by Picazo Buyco Tan Fider & Santos, legal counsel to SMGP, and SyCip Salazar Hernandez & Gatmaitan, legal counsel to the Joint Lead Managers. Certain legal matters as to United States federal law and English law will be passed upon by Latham & Watkins LLP, legal counsel to SMGP, and Allen Overy Shearman Sterling LLP, legal counsel to the Joint Lead Managers.

Each of the foregoing legal counsel has neither shareholding in SMGP nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in SMGP. Each of the legal counsel will not receive any direct or indirect interest in SMGP or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

## **INDEPENDENT AUDITORS**

The fiscal year of SMGP begins on January 1 and ends on December 31 of each year.

R.G. Manabat & Co., a member firm of KPMG, has audited the consolidated financial statements of SMGP as of and for the years ended December 31, 2021, 2022 and 2023, and has reviewed the unaudited condensed consolidated financial statements of SMGP as of and for the six months ended June 30, 2024, in accordance with the Philippine Standards on Auditing.

## GLOSSARY OF SELECTED TERMS

*In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set forth below.*

Actual Energy Generated .....	Actual output of the power plant measured in GWh, MWh or KWh attributable to the contracted capacity of the Sual Power Plant, Ilijan Power Plant or San Roque Power Plant, as applicable.
AES Phil.....	AES Phil Investment Pte. Ltd.
AHC .....	Angat Hydropower Corporation.
AHEPP .....	Angat Hydroelectric Power Plant.
ALECO .....	Albay Electric Cooperative, Inc.
Alpha Water .....	Alpha Water Realty & Services Corporation.
ancillary services.....	Refer to support services necessary to support the transmission capacity and energy that are essential in maintaining power quality and reliability of the grid.
APEC .....	Albay Power and Energy Corp.
ASPA .....	Ancillary services procurement agreement.
ATC.....	Asian Trade Commodities Pte. Ltd.
Average Net Dependable Capacity .....	Average for any given period of the Net Dependable Capacity within that period, expressed in MW.
Availability Factor .....	Ratio, in percent, equal to (1)(a) the number of hours in a period (e.g., a month or a year) less (b) the average number of hours of planned and unplanned outages during that period, divided by (2) the number of hours in that period.
Banpu .....	PT Trubaindo Coal Mining.
Bataan Solar Project.....	A 130.005 MWdc solar project located in Bataan and owned by SGLPC.
Batangas LNG Terminal .....	The onshore regasification units and onshore and offshore storage technologies, currently under construction and undergoing commissioning in Ilijan, Batangas owned by Linseed Field Corporation.
Bayan .....	PT Bayan Resources TBK.
BCC Power Plant .....	The planned 1,320 MW combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas.
BESS .....	Battery energy storage systems.
Bonanza Energy .....	Bonanza Energy Resources, Inc.
Board.....	SMGP's board of directors.
BOT.....	Build operate transfer.
BSP.....	Bangko Sentral ng Pilipinas, the Central Bank of the Philippines.

BTU.....	British thermal unit, a unit of heat energy.
CAGR.....	Compound annual growth rate.
CFB .....	Circulating fluidized bed.
China .....	The People's Republic of China.
Chromite Agreements .....	Binding agreements entered into between Chromite Gas and SMGP.
Chromite Gas .....	Chromite Gas Holdings, Inc., a joint venture entity of MGen and TNGP.
Clean Air Act .....	The Philippine Clean Air Act of 1999.
Clean Water Act.....	The Philippine Clean Water Act of 2004.
Clearing System Business Day .....	A day on which Euroclear and Clearstream are both open for business.
Clearing Systems.....	Euroclear and Clearstream.
Clearstream .....	Clearstream Banking, S.A.
COC .....	Coal operating contract.
contestable customer .....	Electricity end-users with monthly average peak demand of at least 1MW for the preceding 12 months to the initial implementation of Open Access, which shall be reduced to 750 KW two years thereafter. Under current regulations, end-users with monthly average peak demand of at least 500 KW may voluntarily participate in the retail market.
contestable market.....	A market of end-users who have a choice on their supplier of electricity.
CSP.....	Competitive selection process.
CV .....	Caloric value.
Daguma Agro.....	Daguma Agro Minerals, Inc.
Davao Greenfield Power Plant.....	The 2 x 150 MW coal-fired power plant located in Malita, Davao Occidental.
DENR.....	Department of Environment and Natural Resources of the Philippines.
Distribution Code .....	The Philippine Distribution Code.
DOE .....	Department of Energy of the Philippines.
DOE CSP Policy .....	DOE Circular No. DC2018-02-0003, "Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreement for the Captive Market".
ECA.....	Energy Conversion Agreement.
ECC.....	Environmental Compliance Certificate.
EERI.....	Excellent Energy Resources, Inc.

EIS.....	Environmental Impact Statement.
EISS Law .....	Philippine Environmental Impact Statement System.
EPIRA .....	Philippine Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001.
EPIRA IRR .....	Implementing Rules and Regulations of EPIRA promulgated on February 27, 2002.
ERC.....	Energy Regulatory Commission of the Philippines.
ER Claim.....	Equivalent relief claim.
ERC Order.....	The order dated March 3, 2014 issued by the ERC which voided the WESM prices for the November and December 2013 billing months and imposed recalculated prices to be calculated by PEMC.
Euroclear .....	Euroclear Bank SA/NV.
FIA .....	Foreign Investments Act of 1991 of the Philippines, as amended.
FRSC.....	The Financial Reporting Standards Council of the Philippines.
FSMA.....	The Financial Services and Markets Act 2000 of the United Kingdom.
FSU .....	Floating storage unit.
FSRU.....	Floating storage regasification unit.
GDP.....	Gross domestic product.
Government.....	The Government of the Philippines.
grid.....	Refers to the national grid, which is the national transmission system and related facilities that conveys bulk power.
Grid Code.....	The Philippine Grid Code.
GW .....	Gigawatt, a unit of electrical power equivalent to 1,000 MW.
GWh.....	Gigawatt hours, a unit of electrical energy equivalent to 1,000 MWh.
HELE Technologies.....	High efficiency low emission technologies.
Hong Kong.....	The Hong Kong Special Administrative Region of the People's Republic of China.
IASB.....	The International Accounting Standards Board.
IASCO.....	Isabel Ancillary Services Co. Ltd.
IEA .....	International Energy Agency.
IEMOP .....	Independent Electricity Market Operator of the Philippines Inc.
Ilijan ECA .....	The ECA under which NPC is required to deliver and supply to KEILCO the fuel necessary to operate the Ilijan Power Plant.

Ilijan IPPA Agreement.....	The IPPA Agreement dated May 11, 2010 made between PSALM and SMGP with the conformity of the NPC relative to the IPP contract of NPC for the Ilijan Power Plant.
Ilijan Power Plant.....	Natural gas fired combined cycle power plant with installed capacity of 2 x 600 MW located in Ilijan, Batangas.
Installed Capacity.....	Gross maximum dependable capacity of a power plant, expressed in MW, i.e., the maximum amount of power that can be generated by the power plant.
IPP .....	Independent Power Producer.
IPPA .....	Independent Power Producer Administrator.
IPPA Agreement .....	Independent Power Producer Administration Agreement.
IPPA Power Plants.....	The Sual Power Plant and the San Roque Power Plant.
ISO .....	International Organization for Standardization.
Kabankalan BESS .....	The 30 MWh battery energy storage system facility located in Kabankalan, Negros Occidental.
K-water.....	Korea Water Resource Corporation.
Kcal .....	Kilo-Calorie, a unit of heat energy.
KEILCO .....	KEPCO Ilijan Corporation, a joint venture between Korea Electric Power Corporation, Mitsubishi Corporation and Team Energy.
KPC .....	PT Kaltim Prima Coal.
kV .....	Kilo-Volts, a unit of voltage equivalent to 1,000 volts.
KW .....	Kilowatt, a unit of electrical power equivalent to 1,000 watt.
KWh.....	Kilowatt hours, a unit of electrical energy equivalent to 1,000 watt hour.
Limay Greenfield Power Plant.....	The 4 x 150 MW coal-fired power plant located in Limay, Bataan.
LNG .....	Liquefied natural gas.
Local Government Code .....	Philippine Republic Act No. 7160, as amended.
LPI.....	Limay Power Inc. (formerly, SMC Consolidated Power Corporation).
Luzon Grid .....	An interconnected network of transmission lines running through Luzon island for delivering electricity.
MAPOCO .....	SMCGP Masinloc Powers Co. Ltd.
Mariveles Greenfield Power Plant .....	The planned 600 MW coal-fired power plant and associated facilities using HELE Technologies in Mariveles, Bataan.
Masinloc BESS .....	The 10 MW battery energy storage project in Masinloc, Zambales.
Masinloc Group.....	SMCGP Masin and its subsidiaries.
Masinloc PC units .....	Sual Power Plant and Unit 3 of the Masinloc Power Plant.

Masinloc Power Plant .....	The 1 x 344 MW (Unit 1), 1 x 344 MW (Unit 2) coal-fired power plant and 335 MW (Unit 3) expansion project located in Masinloc, Zambales.
Meralco .....	Manila Electric Company.
Mindanao Grid .....	An interconnected network of transmission lines running through Mindanao for delivering electricity.
MGen .....	Meralco PowerGen Corporation.
MMBTU.....	Million Metric British Thermal Unit.
mmscfd.....	Million standard cubic feet per day.
MPGC .....	Mariveles Power Generation Corporation.
MPCL.....	Masinloc Power Co. Ltd.
MPI.....	Malita Power, Inc. (formerly San Miguel Consolidated Power Corporation).
Must Pay Volume.....	The monthly generation payments SMGP “must pay” for electricity sold up to a given volume.
MW .....	Megawatt, a unit of electrical power equivalent to 1,000 kilowatt.
MWh .....	Megawatt hours, a unit of electrical energy equivalent to 1,000 kilowatt hour.
MWp .....	Megawatt peak, a solar or renewable power unit of electrical power equivalent to 1,000 kilowatt peak.
MWSS.....	Metropolitan Waterworks and Sewerage System.
NEA .....	National Electrification Administration of the Philippines.
Net Capacity Factor .....	Ratio, in percent, equal to (1) actual electricity generated by a power plant in a period (net of electricity utilized to drive power plant service or auxiliaries), divided by (2)(a) number of hours in the period multiplied by (b) the contracted capacity of such power plant.
Net Dependable Capacity.....	Gross dependable capacity of a power plant (which may be less than Installed Capacity at any given time if technical problems are present) less the power plant capacity utilized to drive power plant station service or auxiliaries, expressed in MW.
Net Heat Rate .....	Heat energy required by a power plant to produce one KWh of electrical energy net of the parasitic or auxiliary loads of the power plant, usually expressed in terms of BTU/KWh, Kcal/KWh or Kilo-Joule/KWh.
NGCP .....	National Grid Corporation of the Philippines.
NIA.....	National Irrigation Administration.
Non-NPC.....	IPP-owned and operated plants.
NPC.....	National Power Corporation of the Philippines.
NPC-IPP.....	NPC-owned and IPP-operated plants.
NWRB.....	National Water Resources Board.

Open Access.....	System of allowing qualified persons to use the transmission and/or distribution systems and associated facilities of distribution utilities subject to the payment of transmission and/or distribution wheeling rates approved by the ERC.
OEDC.....	Olongapo Electric Distribution Company, Inc.
OPGC	Oceanteach Power Generation Corporation.
PDS .....	Philippine Dealing System.
PEGC .....	Prime Electric Generation Corporation.
PEMC.....	Philippine Electricity Market Corporation.
PFRS .....	Philippine Financial Reporting Standards.
Philippine peso or Pesos or ₱.....	The lawful currency of the Philippines.
Philippines.....	Republic of the Philippines.
Philippine SRC.....	Securities Regulation Code of the Philippines (Republic Act No. 8799) and its implementing rules, as amended.
Pmin	Plant minimum stable load or the demand in MW that a generating unit, or generating block or module in the case of a combined cycle power plant, can reliably sustain for an indefinite period of time, based on generator capability tests.
PPA .....	Power purchase agreement.
ppm.....	parts per million.
PSA .....	Power supply agreement.
PSE.....	The Philippine Stock Exchange.
PSALM .....	Power Sector Assets and Liabilities Management Corporation.
PSC.....	Power supply contract.
PVGC .....	Power Ventures Generation Corporation.
PVEI.....	PowerOne Ventures Energy Inc.
RCOA.....	Retail Competition and Open Access.
Reliability Factor.....	Ratio, in percent, equal to (1)(a) the number of hours in a period less (b) the average unplanned outage hours in that period divided by (2) the number of hours in that period.
RE.....	Renewable energy.
RES .....	Retail Electricity Supplier.
Revised Corporation Code .....	Republic Act No. 11232, also known as the Revised Corporation Code of the Philippines.
RSC .....	Retail supply contract.

San Roque IPPA Agreement.....	The IPPA Agreement dated December 29, 2009 made between PSALM and SMGP with the conformity of NPC relative to the IPP contract of NPC for the San Roque Power Plant.
San Roque Power Plant.....	Hydroelectric multipurpose power plant with installed capacity of 345 MW located in San Manuel, Pangasinan.
San Roque PPA.....	The PPA made between SPDC and NPC dated October 11, 1997 in relation to the San Roque Power Plant.
SEC .....	The Philippine Securities and Exchange Commission.
Securities Act .....	The United States Securities Act of 1933, as amended.
Securities and Futures Act .....	The Securities and Futures Act, Chapter 289 of Singapore.
SGLPC .....	SMC Global Light and Power Corp.
SGX-ST.....	Singapore Exchange Securities Trading Limited.
SMCGP Masin .....	SMCGP Masin Pte. Ltd.
SMGP .....	San Miguel Global Power Holdings Corp. including, as the context requires, its subsidiaries.
SMGP BESS .....	SMGP BESS Power Inc. (formerly Universal Power Solutions Inc.)
SMGP Kabankalan.....	SMGP Kabankalan Power Co. Ltd. (formerly, SMCGP Philippines Energy Storage Co. Ltd.)
SMELC .....	San Miguel Electric Corp.
SPGC.....	SMC Power Generation Corp.
SPI.....	Sual Power, Inc. (formerly San Miguel Energy Corporation)
SPPC .....	South Premiere Power Corp.
SRHI.....	San Roque Hydropower, Inc. (formerly Strategic Power Devt. Corp.)
SRPC.....	San Roque Power Corporation, operator of the San Roque power plant.
Sual ECA.....	Energy Conversion Agreement dated September 2, 2009 made between NPC and CEPA Pangasinan Electric Limited for the Coal-Fired Thermal Power Station at Sual, Pangasinan, Philippines.
Sual IPPA Agreement .....	The IPPA Agreement dated September 2, 2009 made between PSALM and SMEC with the conformity of NPC relative to the IPP contract of NPC for the Coal-Fired Thermal Power Station.
Sual Power Plant .....	2 x 647 MW Coal-fired power plant located in Sual, Pangasinan.
Sultan Energy .....	Sultan Energy Phils. Corp.
TeaM Energy.....	TeaM Sual Corporation, owner of the Sual Power Plant, which is a joint venture between Marubeni Corporation and Tokyo Electric Power Corporation.
TransCo.....	National Transmission Corporation.
TNGP .....	Therma NatGas Power, Inc.

TPEC .....	Team Philippines Energy Corp.
unplanned outage .....	A shutdown of the plant for reasons other than planned outage. For purposes of calculating measures of power plant performance that are reported by the IPPs such as availability and reliability factors, shutdown due to (1) faults or failures in the transmission system, (2) force majeure events, (3) disruptions in fuel supply and (4) dispatch orders from the grid system operators are not included in unplanned outage.
United States or U.S.....	The United States of America.
U.S.\$ or U.S. dollar.....	Lawful currency of the United States of America.
Visayas Grid.....	An interconnected network of transmission lines running through Visayas for delivering electricity.
Vitol .....	Vitol Asia Pte. Ltd.
WESM.....	Wholesale electricity spot market.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
<b>Unaudited but reviewed condensed consolidated financial statements as of and for the six months ended June 30, 2024</b>	
Report of independent auditors.....	F-2
Condensed consolidated interim statements of financial position.....	F-4
Condensed consolidated interim statements of income.....	F-6
Condensed consolidated interim statements of comprehensive income.....	F-7
Condensed consolidated interim statements of changes in equity.....	F-8
Condensed consolidated interim statements of cash flows.....	F-9
Notes to the condensed consolidated interim financial statements .....	F-11
 <b>Audited consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023</b>	
Report of independent auditors.....	F-65
Consolidated statements of financial position .....	F-70
Consolidated statements of income .....	F-72
Consolidated statements of comprehensive income .....	F-73
Consolidated statements of changes in equity.....	F-74
Consolidated statements of cash flows .....	F-76
Notes to the consolidated financial statements .....	F-79



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](http://www.home.kpmg/ph)  
Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## **REPORT OF INDEPENDENT AUDITORS ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

### *Introduction*

We have reviewed the accompanying condensed consolidated interim financial statements of San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.) and its Subsidiaries (the “Group”), which comprise the condensed consolidated interim statement of financial position as at June 30, 2024, and the condensed consolidated interim statements of income, condensed consolidated interim statements of comprehensive income, condensed consolidated interim statements of changes in equity and condensed consolidated interim statements of cash flows for the periods ended June 30, 2024 and 2023, and selected explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with Philippine Standards on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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)



### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements is not prepared, in all material respects, in accordance with PAS 34, *Interim Financial Reporting*.

### *Other Matter*

We audited the consolidated financial statements of the Group as at and for the year ended December 31, 2023 and expressed an unqualified opinion thereon dated April 15, 2024.

### **R.G. MANABAT & CO.**

GREGORIO I. SAMBRANO, JR.

Partner

CPA License No. 088825

Tax Identification No. 152-885-329

BIR Accreditation No. 08-001987-036-2024

Issued March 26, 2024; valid until March 26, 2027

PTR No. MKT 10075199

Issued January 2, 2024 at Makati City

August 20, 2024

Makati City, Metro Manila

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

**CONDENSED CONSOLIDATED INTERIM**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2024 AND DECEMBER 31, 2023**  
(In Thousands)

	<i>Note</i>	2024 (Unaudited)	2023 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7, 20, 21	<b>P18,216,765</b>	P31,659,442
Trade and other receivables - net	8, 14, 20, 21	<b>125,950,262</b>	116,976,024
Inventories	9, 14	<b>12,955,545</b>	16,841,384
Prepaid expenses and other current assets	14, 20, 21	<b>49,084,356</b>	48,521,564
<b>Total Current Assets</b>		<b>206,206,928</b>	213,998,414
<b>Noncurrent Assets</b>			
Investments and advances - net		<b>13,048,999</b>	10,953,048
Property, plant and equipment - net	10	<b>364,247,976</b>	339,224,974
Right-of-use assets - net	6, 14	<b>102,530,092</b>	104,975,320
Goodwill and other intangible assets - net		<b>71,662,542</b>	71,712,053
Deferred tax assets		<b>1,431,449</b>	973,481
Other noncurrent assets	14, 20, 21	<b>42,073,376</b>	43,098,000
<b>Total Noncurrent Assets</b>		<b>594,994,434</b>	570,936,876
<b>Total Assets</b>		<b>P801,201,362</b>	P784,935,290
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Loans payable	11, 20, 21	<b>P28,736,000</b>	P13,736,000
Accounts payable and accrued expenses	12, 14, 20, 21	<b>119,260,764</b>	97,632,905
Lease liabilities - current portion	6, 14, 20, 21	<b>9,644,215</b>	17,645,586
Income tax payable		<b>322,428</b>	222,179
Current maturities of long-term debt - net of debt issue costs	13, 20, 21	<b>46,954,807</b>	54,124,645
<b>Total Current Liabilities</b>		<b>204,918,214</b>	183,361,315
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current maturities and debt issue costs	13, 20, 21	<b>201,883,311</b>	204,644,828
Deferred tax liabilities		<b>22,644,768</b>	21,284,723
Lease liabilities - net of current portion	6, 14, 20, 21	<b>23,126,711</b>	25,141,714
Other noncurrent liabilities	20, 21	<b>6,989,672</b>	7,029,505
<b>Total Noncurrent Liabilities</b>		<b>254,644,462</b>	258,100,770
<b>Total Liabilities</b>		<b>459,562,676</b>	441,462,085

Forward

	<b>Note</b>	<b>2024 (Unaudited)</b>	<b>2023 (Audited)</b>
<b>Equity</b>	<b>15</b>		
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock		<b>P2,823,604</b>	P2,823,604
Additional paid-in capital		<b>48,081,781</b>	48,081,781
Senior perpetual capital securities		<b>121,580,755</b>	161,767,709
Redeemable perpetual capital securities		<b>146,027,589</b>	102,546,825
Equity reserves		<b>(7,845,015)</b>	(3,019,154)
Retained earnings		<b>30,049,939</b>	30,367,328
		<b>340,718,653</b>	342,568,093
<b>Non-controlling Interests</b>		<b>920,033</b>	905,112
<b>Total Equity</b>		<b>341,638,686</b>	343,473,205
<b>Total Liabilities and Equity</b>		<b>P801,201,362</b>	P784,935,290

*See Selected Notes to the Condensed Consolidated Interim Financial Statements.*

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME**  
**FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023**

(In Thousands, Except Per Share Data)

	<i>Note</i>	2024 (Unaudited)	2023 (Unaudited)
<b>REVENUES</b>	14, 16	<b>P98,944,195</b>	P84,769,992
<b>COST OF POWER SOLD</b>	14, 17	<b>72,468,409</b>	67,001,399
<b>GROSS PROFIT</b>		<b>26,475,786</b>	17,768,593
<b>SELLING AND ADMINISTRATIVE EXPENSES</b>	8, 10	<b>3,487,697</b>	3,017,561
<b>INCOME FROM OPERATIONS</b>		<b>22,988,089</b>	14,751,032
<b>INTEREST EXPENSE AND OTHER FINANCING CHARGES</b>	6, 11, 13	<b>(9,924,101)</b>	(8,538,144)
<b>INTEREST INCOME</b>	7	<b>435,746</b>	717,702
<b>EQUITY IN NET EARNINGS (LOSSES) OF AN ASSOCIATE AND JOINT VENTURES</b>		<b>180,790</b>	(4,762)
<b>OTHER INCOME (CHARGES) - Net</b>	18	<b>(3,775,969)</b>	1,847,056
<b>INCOME BEFORE INCOME TAX</b>		<b>9,904,555</b>	8,772,884
<b>INCOME TAX EXPENSE</b>		<b>2,466,327</b>	2,863,576
<b>NET INCOME</b>		<b>P7,438,228</b>	P5,909,308
<b>Attributable to:</b>			
Equity holders of the Parent Company		<b>P7,423,307</b>	P5,896,329
Non-controlling interests		<b>14,921</b>	12,979
		<b>P7,438,228</b>	P5,909,308
<b>Loss Per Common Share Attributable to Equity Holders of the Parent Company</b>			
Basic/Diluted	19	<b>(P1.78)</b>	(P3.52)

*See Selected Notes to the Condensed Consolidated Interim Financial Statements.*

**SAN MIGUEL GLOBAL POWER HOLDINGS CORP.**  
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**AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023**  
(In Thousands)

	<b>Note</b>	<b>2024</b> <b>(Unaudited)</b>	<b>2023</b> <b>(Unaudited)</b>
<b>NET INCOME</b>		<b>P7,438,228</b>	<b>P5,909,308</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified to profit or loss</b>			
Gain (loss) on exchange differences on translation of foreign operations		<b>26,947</b>	<b>(4,018)</b>
Net gain on cash flow hedges	<b>21</b>	<b>-</b>	<b>31,229</b>
<b>OTHER COMPREHENSIVE INCOME - Net of tax</b>		<b>26,947</b>	<b>27,211</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P7,465,175</b>	<b>P5,936,519</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		<b>P7,450,254</b>	<b>P5,923,540</b>
Non-controlling interests		<b>14,921</b>	<b>12,979</b>
		<b>P7,465,175</b>	<b>P5,936,519</b>

*See Selected Notes to the Condensed Consolidated Interim Financial Statements.*

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023**  
(In Thousands)

	Equity Attributable to Equity Holders of the Parent Company												
	Note	Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual 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, 2024 (Audited)		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
Net income		-	-	-	-	-	-	-	-	7,423,307	7,423,307	14,921	7,438,228
Other comprehensive income - net of tax		-	-	-	-	-	26,947	-	-	-	26,947	-	26,947
Total comprehensive income		-	-	-	-	-	26,947	-	-	7,423,307	7,450,254	14,921	7,465,175
Issuance of redeemable perpetual capital securities	15, 22	-	-	-	43,480,764	-	-	-	-	-	43,480,764	-	43,480,764
Redemption of senior perpetual capital securities	15, 22	-	-	(40,186,954)	-	(4,852,808)	-	-	-	-	(45,039,762)	-	(45,039,762)
Distributions to holders of senior perpetual capital securities	15	-	-	-	-	-	-	-	-	(7,740,696)	(7,740,696)	-	(7,740,696)
Transactions with owners		-	-	(40,186,954)	43,480,764	(4,852,808)	-	-	-	(7,740,696)	(9,299,694)	-	(9,299,694)
As at June 30, 2024 (Unaudited)		P2,823,604	P48,081,781	P121,580,755	P146,027,589	(P8,679,920)	P941,905	(P107,000)	P -	P30,049,939	P340,718,653	P920,033	P341,638,686
As at January 1, 2023 (Audited)		P1,250,004	P2,490,000	P161,767,709	P51,934,069	(P2,378,421)	P917,966	(P67,266)	(P31,229)	P35,526,185	P251,409,017	P907,542	P252,316,559
Net income		-	-	-	-	-	-	-	-	5,896,329	5,896,329	12,979	5,909,308
Other comprehensive income (loss) - net of tax		-	-	-	-	-	(4,018)	-	31,229	-	27,211	-	27,211
Total comprehensive income (loss)		-	-	-	-	-	(4,018)	-	31,229	5,896,329	5,923,540	12,979	5,936,519
Issuance of redeemable perpetual capital securities	15, 22	-	-	-	65,870,260	-	-	-	-	-	65,870,260	-	65,870,260
Share issuance costs		-	-	-	-	-	-	-	-	(29,199)	(29,199)	-	(29,199)
Distributions to holders of senior perpetual capital securities	15	-	-	-	-	-	-	-	-	(7,490,865)	(7,490,865)	-	(7,490,865)
Transactions with owners		-	-	-	65,870,260	-	-	-	-	(7,520,064)	58,350,196	-	58,350,196
As at June 30, 2023 (Unaudited)		P1,250,004	P2,490,000	P161,767,709	P117,804,329	(P2,378,421)	P913,948	(P67,266)	P -	P33,902,450	P315,682,753	P920,521	P316,603,274

See Selected Notes to the Condensed Consolidated Interim Financial Statements.

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

**CONDENSED CONSOLIDATED INTERIM**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023**  
(In Thousands)

	<i>Note</i>	2024 (Unaudited)	2023 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		P9,904,555	P8,772,884
Adjustments for:			
Interest expense and other financing charges	6, 11, 13	9,924,101	8,538,144
Depreciation and amortization	10, 17	6,759,024	5,972,400
Unrealized foreign exchange losses (gains) - net		3,730,034	(3,353,107)
Retirement benefits costs		75,312	71,686
Loss on retirement of property and equipment	10, 18	-	63,435
Impairment loss on trade receivables	8	-	30,300
Reversal of allowance on trade receivables	8	(5,081)	(107,363)
Equity in net losses (earnings) of an associate and joint ventures - net		(180,790)	4,762
Interest income	7	(435,746)	(717,702)
Operating income before working capital changes		29,771,409	19,275,439
Decrease (increase) in:			
Trade and other receivables - net		(8,876,690)	(6,736,231)
Inventories		3,885,839	1,778,059
Prepaid expenses and other current assets		(1,326,364)	3,595,211
Increase (decrease) in:			
Accounts payable and accrued expenses		24,098,887	(598,696)
Other noncurrent liabilities and others		95,493	(774,155)
Cash generated from operations		47,648,574	16,539,627
Interest income received		355,240	311,360
Income taxes paid		(963,136)	(467,035)
Interest expense and other financing charges paid		(9,432,813)	(9,199,376)
Net cash flows provided by operating activities		37,607,865	7,184,576
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash from newly acquired subsidiary, net		-	99,136
Additions to intangible assets		(8,613)	(15,991)
Advances paid to suppliers and contractors		(348,072)	(8,234,373)
Increase in other noncurrent assets		(489,010)	(4,817,851)
Additions to investments and advances		(1,915,161)	(1,873,293)
Additions to property, plant and equipment	10	(28,795,083)	(15,199,711)
Net cash flows used in investing activities		(31,555,939)	(30,042,083)

Forward

	<b>Note</b>	<b>2024 (Unaudited)</b>	<b>2023 (Unaudited)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term borrowings	11, 22	<b>P69,080,000</b>	P46,750,000
Proceeds from the issuance of redeemable perpetual capital securities	15, 22	<b>43,480,764</b>	65,870,260
Proceeds from long-term debts	13, 22	<b>12,000,000</b>	18,641,000
Payments of stock issuance costs		-	(29,199)
Distributions paid to senior perpetual capital securities holders	15	<b>(7,740,696)</b>	(7,490,865)
Payments of lease liabilities	6, 22	<b>(10,333,014)</b>	(9,477,281)
Payments of long-term debts	13, 22	<b>(27,005,976)</b>	(38,777,393)
Redemption of senior perpetual capital securities	15, 22	<b>(45,039,762)</b>	-
Payments of short-term borrowings	11, 22	<b>(54,080,000)</b>	(54,000,000)
Net cash flows provided by (used in) financing activities		<b>(19,638,684)</b>	21,486,522
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>144,081</b>	59,726
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(13,442,677)</b>	(1,311,259)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>31,659,442</b>	22,726,236
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>P18,216,765</b>	P21,414,977

*See Selected Notes to the Condensed Consolidated Interim Financial Statements.*

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

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**SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

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

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**1. Reporting Entity**

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

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

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

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

The BOD and the stockholders approved, on May 13, 2024 and June 4, 2024, respectively, the change of the Parent Company's principal office and amendment of its Amended Articles of Incorporation to reflect the same, from 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila to No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila. As at report date, the application is still pending with the Philippine SEC.

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## 2. Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, and should be read in conjunction with the Group's last annual audited consolidated financial statements as at and for the year ended December 31, 2023. They do not include all the information required for a complete set of Philippine Financial Reporting Standards (PFRS) financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual audited consolidated financial statements.

The condensed consolidated interim financial statements were approved and authorized for issue in accordance with a resolution by the BOD on August 12, 2024.

### Basis of Measurement

The condensed consolidated interim 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 benefits retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefits obligation

### Functional and Presentation Currency

The condensed consolidated interim 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.

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## 3. Summary of Material Accounting Policy Information

The principal accounting policies adopted in the preparation of the condensed consolidated interim financial statements of the Group are consistent with those followed in the most recent annual audited consolidated financial statements, except for the changes in accounting policies as explained below. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending December 31, 2024.

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

### *Adoption of Amendments to Standards*

The Group has adopted the following amendments to PFRS effective January 1, 2024 and accordingly, changed its accounting policies in the following areas:

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;
  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.
- 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 adoption of the amendments to standards did not have a material effect on the consolidated financial statements.

### *Amendments to Standards Not Yet Adopted*

A number of amended standards are effective for annual periods beginning after January 1, 2024 and have not been applied in preparing the condensed consolidated interim financial statements. None of these are expected to have a significant effect on the condensed consolidated interim financial statements.

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

- Lack of Exchangeability (Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*). The amendments clarify that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, an entity needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the entity because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the entity uses a presentation currency other than its functional currency.

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

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

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

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#### **4. Management's Use of Judgments, Estimates and Assumptions**

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

The significant judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied in the audited consolidated financial statements as at and for the year ended December 31, 2023.

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#### **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 condensed consolidated interim financial statements to have information about each component of the Group's profit or loss, assets and liabilities.

##### 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 (PSAs), retail supply contracts, ancillary service procurement agreements and other power-related service agreements, either directly to customers (other generators, distribution utilities, including Manila Electric Company [Meralco], electric cooperatives, industrial customers and National Grid Corporation of the Philippines [NGCP]) or through the Philippine Wholesale Electricity Spot Market (WESM). Sale of power to WESM amounting to P19,203,008 for the period ended June 30, 2024, and to Meralco amounting to P40,650,120 and P34,876,476 for the periods ended June 30, 2024 and 2023, respectively, represents more than 10% of the Group's total revenues.

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

### Operating Segments

Financial information about reportable segments follows:

	For the Periods Ended June 30									
	Power Generation		Retail and Other Power-related Services		Others		Eliminations		Consolidated	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
<b>Revenues</b>										
External	P81,046,194	P72,740,563	P17,633,106	P11,891,681	P264,895	P137,748	P -	P -	P98,944,195	P84,769,992
Inter-segment	8,502,935	22,776,056	-	-	957,437	834,239	(9,460,372)	(23,610,295)	-	-
	89,549,129	95,516,619	17,633,106	11,891,681	1,222,332	971,987	(9,460,372)	(23,610,295)	98,944,195	84,769,992
<b>Costs and Expenses</b>										
Cost of power sold	68,888,004	79,911,163	11,864,240	9,707,341	693,906	583,304	(8,977,741)	(23,200,409)	72,468,409	67,001,399
Selling and administrative expenses	2,631,376	2,644,767	700,946	301,442	994,522	751,060	(839,147)	(679,708)	3,487,697	3,017,561
	71,519,380	82,555,930	12,565,186	10,008,783	1,688,428	1,334,364	(9,816,888)	(23,880,117)	75,956,106	70,018,960
<b>Segment Result</b>	P18,029,749	P12,960,689	P5,067,920	P1,882,898	(P466,096)	(P362,377)	P356,516	P269,822	P22,988,089	P14,751,032
Interest expense and other financing charges									(P9,924,101)	(P8,538,144)
Interest income									435,746	717,702
Equity in net earnings (losses) of an associate and joint ventures - net									180,790	(4,762)
Other income (charges) - net									(3,775,969)	1,847,056
Income tax expense									(2,466,327)	(2,863,576)
<b>Consolidated Net Income</b>									P7,438,228	P5,909,308

	As at and For the Periods Ended									
	Power Generation		Retail and Other Power-related Services		Others		Eliminations		Consolidated	
	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
<b>Other Information</b>										
Segment assets	P654,419,509	P631,180,207	P70,225,044	P68,113,141	P227,301,655	P228,770,761	(P236,887,836)	(P226,767,401)	P715,058,372	P701,296,708
Investments and advances - net	6,919,839	6,743,719	243,132	238,462	344,667,284	337,895,026	(338,781,256)	(333,924,159)	13,048,999	10,953,048
Goodwill and other intangible assets - net									71,662,542	71,712,053
Deferred tax assets									1,431,449	973,481
<b>Consolidated Total Assets</b>									P801,201,362	P784,935,290
Segment liabilities	P425,838,727	P396,476,603	P20,947,141	P25,426,582	P86,213,099	P58,415,710	(P345,241,605)	(P319,133,185)	P187,757,362	P161,185,710
Long-term debt - net									248,838,118	258,769,473
Income tax payable									322,428	222,179
Deferred tax liabilities									22,644,768	21,284,723
<b>Consolidated Total Liabilities</b>									P459,562,676	P441,462,085
Capital expenditures	P26,214,487	P30,861,690	P2,570,010	P5,269,949	P11,763	P470,959	(P1,177)	(P423,623)	P28,795,083	P36,178,975
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	4,812,783	10,013,006	1,855,851	2,085,463	119,124	239,660	(28,734)	(21,453)	6,759,024	12,316,676
Noncash items other than depreciation and amortization	4,855,864	(834,314)	(42,188)	103,221	(1,194,201)	(1,774,403)	-	-	3,619,475	(2,505,496)

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

## 6. Significant Agreements and Lease Commitments

### Independent Power Producer (IPP) Administration (IPPA) Agreements

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

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

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

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

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

- i. the right and obligation to manage and control the capacity of the power plant for its own account and at its own cost and risks;
- ii. the right to trade, sell or otherwise deal with the capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and at its own cost and risks. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;
- iii. the right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the cooperation period or in case of buy-out;
- iv. for SPI and previously for SPPC, the right to receive an assignment of NPC's interest in existing short-term bilateral PSAs;
- 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 P547,554 and P635,824 for the periods ended June 30, 2024 and 2023, respectively (see Note 17). 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.

On June 16, 2015, SPPC renewed its performance bond amounting to US\$60,000 with a validity period of one year. This performance bond was subsequently drawn by PSALM on September 4, 2015, which is subject to an ongoing case (see Note 22).

The lease liabilities as at June 30, 2024 and December 31, 2023 are carried at amortized cost using the US Dollar and Philippine Peso discount rates as follows:

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

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreements and recognized as part of “Interest expense and other financing charges” account in the condensed consolidated interim statements of income. Interest expense amounted to P809,950 and P1,336,713 for the periods ended June 30, 2024 and 2023, respectively.

The carrying amount of the power plants under the IPPA lease agreements with PSALM, presented under “Right-of-use assets” account in the condensed consolidated interim statements of financial position, amounted to P93,759,463 and P95,544,860 as at June 30, 2024 and December 31, 2023, respectively.

The total cash outflows amounted to P10,997,796 and P10,651,591 for the periods ended June 30, 2024 and 2023, respectively.

Maturity analysis of lease payments as at June 30, 2024 and December 31, 2023 are disclosed in Note 20.

#### PSAs

SPPC and Meralco executed two separate emergency PSAs in 2023, (i) dated March 23, 2023, for the supply of 300 megawatts (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 which expired 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, Excellent Energy Resources Inc. (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 Mariveles Power Generation Corporation (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 15 years.

On the same date, SPPC executed a 15-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 Energy Regulatory Commission (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 then, 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, Limay Power Inc. (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.

On May 9, 2024, the 2024 SPPC PSA was provisionally approved by the ERC for only 910 MW, which effectively ended the term of the 1,200 MW (net) emergency PSA on June 19, 2024. The supply of the 910 MW capacity under the 2024 SPPC PSA commenced on June 20, 2024. The provisional approval issued by the ERC is the subject of a motion for reconsideration jointly filed by SPPC and Meralco.

In a Notice of Resolution of the ERC dated July 11, 2024, the ERC resolved to grant interim relief to Meralco and LPI to implement the PSA for 400 MW dated March 20, 2024, between Meralco and LPI. Supply commenced under said PSA on August 3, 2024.

On July 31, 2024, Meralco awarded in favor of SRHI a PSA for the supply of 340MW (net) renewable energy mid-merit supply capacity to be sourced from the San Roque Hydroelectric Power Plant for a term of 10 years effective March 2025.

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

## 7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<b>Note</b>	<b>June 30, 2024 (Unaudited)</b>	<b>December 31, 2023 (Audited)</b>
Cash in banks and on hand		<b>P16,859,062</b>	P17,995,138
Short-term investments		<b>1,357,703</b>	13,664,304
	<b>20, 21</b>	<b>P18,216,765</b>	P31,659,442

Cash in banks earns 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 P331,060 and P242,509 for the periods ended June 30, 2024 and 2023, respectively.

## 8. Trade and Other Receivables

Trade and other receivables consist of:

		<b>June 30, 2024 (Unaudited)</b>	December 31, 2023 (Audited)
	<b>Note</b>		
Trade		<b>P107,357,968</b>	P99,030,192
Non-trade		<b>11,704,587</b>	10,864,186
Amounts owed by related parties	14	<b>9,609,023</b>	9,747,252
		<b>128,671,578</b>	119,641,630
Less allowance for impairment losses		<b>2,721,316</b>	2,665,606
	20, 21	<b>P125,950,262</b>	P116,976,024

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

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

	<b>June 30, 2024 (Unaudited)</b>	December 31, 2023 (Audited)
Balance at beginning of period	<b>P2,665,606</b>	P2,690,984
Revaluation	<b>60,791</b>	21,271
Reversal	<b>(5,081)</b>	(107,363)
Impairment losses	-	60,714
Balance at end of period	<b>P2,721,316</b>	P2,665,606

Impairment losses recognized in the condensed consolidated interim statements of income under "Selling and administrative expenses" account amounted to nil and P30,300 for the periods ended June 30, 2024 and 2023, respectively.

In 2024 and 2023, certain trade receivables were collected and the related allowance for impairment losses recognized in prior years were reversed accordingly. Reversal of impairment losses on trade receivables recognized in the condensed consolidated interim statements of income under "Selling and administrative expenses" account amounted to P5,081 and P107,363 for the periods ended June 30, 2024 and 2023, respectively.

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## 9. Inventories

Inventories consist of:

	<b>Note</b>	<b>June 30, 2024 (Unaudited)</b>	<b>December 31, 2023 (Audited)</b>
Coal		<b>P6,449,060</b>	P6,872,276
Materials and supplies		<b>4,216,595</b>	5,748,754
Liquefied natural gas (LNG)		<b>1,126,176</b>	3,016,660
Fuel oil	14	<b>968,969</b>	1,036,198
Other consumables		<b>194,745</b>	167,496
		<b>P12,955,545</b>	P16,841,384

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There were no inventory write-downs to net realizable value as at June 30, 2024 and December 31, 2023. Inventories charged to cost of power sold amounted to P47,701,485 and P44,493,273 for the periods ended June 30, 2024 and 2023, respectively (see Note 17).

## 10. Property, Plant and Equipment

Property, plant and equipment consist of:

### June 30, 2024 and December 31, 2023

	Note	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	Capital Projects in Progress (CPIP)	Total
<b>Cost</b>							
January 1, 2023 (Audited)		P185,180,286	P13,602,998	P6,755,514	P4,576,121	P122,263,696	P332,378,615
Additions		943,217	158,463	659,427	17,850	34,400,018	36,178,975
Acquisition of a subsidiary		-	448,499	-	-	-	448,499
Reclassifications		11,053,316	1,081,919	1,030,657	353,602	(6,735,945)	6,783,549
Retirement/disposal	18	(76,428)	-	(1,386)	-	-	(77,814)
Currency translation adjustments		-	(16)	(111)	-	-	(127)
December 31, 2023 (Audited)		197,100,391	15,291,863	8,444,101	4,947,573	149,927,769	375,711,697
Additions		1,876,730	1,109,131	166,565	31,707	25,610,950	28,795,083
Reclassifications		22,618,298	3,682,122	197,899	202,015	(25,603,129)	1,097,205
Currency translation adjustments		-	125	941	-	-	1,066
<b>June 30, 2024 (Unaudited)</b>		<b>221,595,419</b>	<b>20,083,241</b>	<b>8,809,506</b>	<b>5,181,295</b>	<b>149,935,590</b>	<b>405,605,051</b>
<b>Accumulated Depreciation and Amortization</b>							
January 1, 2023 (Audited)		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	18	(12,993)	-	(1,155)	-	-	(14,148)
Currency translation adjustments		-	(12)	(112)	-	-	(124)
December 31, 2023 (Audited)		32,397,121	1,140,409	2,147,669	556,568	-	36,241,767
Depreciation and amortization		4,258,335	204,866	309,932	74,271	-	4,847,404
Reclassifications		-	-	21,882	-	-	21,882
Currency translation adjustments		-	126	940	-	-	1,066
<b>June 30, 2024 (Unaudited)</b>		<b>36,655,456</b>	<b>1,345,401</b>	<b>2,480,423</b>	<b>630,839</b>	<b>-</b>	<b>41,112,119</b>
<b>Accumulated Impairment Losses</b>							
January 1, 2023 (Audited)		-	-	209,965	-	-	209,965
Impairment		-	-	34,991	-	-	34,991
<b>December 31, 2023 (Audited) and June 30, 2024 (Unaudited)</b>		<b>-</b>	<b>-</b>	<b>244,956</b>	<b>-</b>	<b>-</b>	<b>244,956</b>
<b>Carrying Amount</b>							
December 31, 2023 (Audited)		P164,703,270	P14,151,454	P6,051,476	P4,391,005	P149,927,769	P339,224,974
<b>June 30, 2024 (Unaudited)</b>		<b>P184,939,963</b>	<b>P18,737,840</b>	<b>P6,084,127</b>	<b>P4,550,456</b>	<b>P149,935,590</b>	<b>P364,247,976</b>

# June 30, 2023

	<i>Note</i>	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	CPIP	Total
Cost							
January 1, 2023 (Audited)		P185,180,286	P13,602,998	P6,755,514	P4,576,121	P122,263,696	P332,378,615
Additions		78,546	110,430	79,171	-	14,931,564	15,199,711
Acquisition of a subsidiary		-	448,499	-	-	-	448,499
Reclassifications		714,937	1,868,998	485,282	4,774	2,422,498	5,496,489
Retirement/disposal	18	(76,428)	-	(1,386)	-	-	(77,814)
Currency translation adjustments		-	(22)	(161)	-	-	(183)
June 30, 2023 (Unaudited)		185,897,341	16,030,903	7,318,420	4,580,895	139,617,758	353,445,317
Accumulated Depreciation and Amortization							
January 1, 2023 (Audited)		24,937,107	859,765	1,534,754	424,499	-	27,756,125
Depreciation and amortization		3,604,377	113,809	251,533	63,521	-	4,033,240
Reclassifications		-	-	36,297	-	-	36,297
Retirement/disposal	18	(12,993)	-	(1,155)	-	-	(14,148)
Currency translation adjustments		-	(19)	(161)	-	-	(180)
June 30, 2023 (Unaudited)		28,528,491	973,555	1,821,268	488,020	-	31,811,334
Accumulated Impairment Losses							
January 1, 2023 (Audited) and June 30, 2023 (Unaudited)		-	-	209,965	-	-	209,965
Carrying Amount							
June 30, 2023 (Unaudited)		P157,368,850	P15,057,348	P5,287,187	P4,092,875	P139,617,758	P321,424,018

- a. Other equipment includes machinery and equipment, transportation equipment, office equipment and furniture and fixtures.
- b. CPIP pertains to the following:
  - i. Expenditures of MPGC related to the construction of its 4 x 150 MW Circulating Fluidized Bed coal-fired power plant in Mariveles, Bataan (Mariveles Greenfield Power Plant).

During first semester of 2024, all 4 units of the 600 MW Mariveles Greenfield Power Plant of MPGC are undergoing the necessary testing and commissioning activities, with 1 unit declared as operational with the Independent Electricity Market Operator of the Philippines (IEMOP) starting March 28, 2024.

- ii. Expenditures of EERI related to the construction of its 1,320 MW Batangas Combined Cycle Power Plant (BCCPP).
- iii. Projects of SMGP BESS Power Inc. (SMGP BESS, formerly Universal Power Solutions, Inc.) for the construction of battery energy storage system (BESS) facilities 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), and 3 additional sites during the first quarter of 2024 located in Concepcion, Tarlac, Ormoc, Leyte and Jasaan, Misamis Oriental, all CPIP costs related to these facilities were reclassified to the appropriate property, plant and equipment account.

- iv. Projects of Masinloc Power Co. Ltd. (MPCL, formerly Masinloc Power Partners Co. Ltd.) 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 Power Co. Ltd (SMGP Kabankalan, formerly SMCGP Philippines Energy Storage Co. Ltd.) for the construction of its 10 MW BESS Phase 2 facility in Kabankalan, Negros Occidental.
- vi. Various construction works relating to the respective power plant facilities of LPI and Malita Power Inc. (MPI).

Ongoing capital projects are expected to be completed in 2024 up to 2026.

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

	<i>Note</i>	<b>June 30</b>	
		<b>2024</b> <b>(Unaudited)</b>	<b>2023</b> <b>(Unaudited)</b>
Cost of power sold	17	<b>P4,374,198</b>	P3,719,680
Selling and administrative expenses		<b>473,206</b>	313,560
		<b>P4,847,404</b>	P4,033,240

For the periods ended June 30, 2024 and 2023, reclassifications include transfers from CPIP account to specific property, plant and equipment accounts and/or applications of advances to contractors against progress billings for capital projects in progress.

As at June 30, 2024 and December 31, 2023, certain property, plant and equipment amounting to P181,263,426 and P164,918,759, respectively, are pledged as security for syndicated project finance loans (see Note 13).

Certain fully depreciated property, plant and equipment with aggregate costs amounting to P6,164,092 and P6,030,538 as at June 30, 2024 and December 31, 2023, respectively, are still being used in the Group's operations.

## 11. Loans Payable

Loans payable account consist of unsecured short-term loans of the Parent Company amounting to P28,736,000 and P13,736,000 as at June 30, 2024 and December 31, 2023, respectively (see Notes 20 and 21). The interest rates applied ranged from 6.75% to 7.95% and from 5.00% to 7.50% as at June 30, 2024 and December 31, 2023, 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 P714,924 and P633,299 for the periods ended June 30, 2024 and 2023, respectively.

## 12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	<i>Note</i>	<b>June 30,</b> <b>2024</b> <b>(Unaudited)</b>	<b>December 31,</b> <b>2023</b> <b>(Audited)</b>
Trade		<b>P28,957,739</b>	P23,453,007
Non-trade		<b>59,279,024</b>	45,629,445
Output VAT		<b>17,775,989</b>	19,194,811
Amounts owed to related parties	14	<b>8,415,857</b>	5,411,198
Withholding and other accrued taxes		<b>3,075,607</b>	2,066,108
Accrued interest	6, 13	<b>1,756,548</b>	1,864,411
Derivative liabilities not designated as cash flow hedge		-	13,925
	20, 21	<b>P119,260,764</b>	P97,632,905

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.

The methods and assumptions used to estimate the fair values of financial liabilities are discussed in Note 21.

### 13. Long-term Debt

Long-term debt consists of:

	<b>Note</b>	<b>June 30, 2024 (Unaudited)</b>	<b>December 31, 2023 (Audited)</b>
<b>Bonds</b>			
<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		<b>P39,604,221</b>	P39,559,871
Fixed interest rate of 7.1783% and 7.6000% matured in April 2024 and maturing in 2026, respectively (a)		<b>6,894,813</b>	16,110,820
Fixed interest rate of 6.2500% and 6.6250% maturing in 2024 and 2027, respectively		<b>10,064,255</b>	10,056,168
Fixed interest rate of 5.1792% maturing in 2026		<b>4,743,080</b>	4,740,043
		<b>61,306,369</b>	70,466,902
<b>Term Loans</b>			
<i>Parent Company</i>			
Philippine Peso-denominated:			
Fixed interest rate which matured in April 2024 (b)		-	14,091,381
Fixed interest rate with maturities up to 2025		<b>4,836,065</b>	4,853,652
Fixed interest rate with maturities up to 2028		<b>7,445,185</b>	7,439,465
Foreign currency-denominated:			
Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2026		<b>17,435,069</b>	16,421,201
Floating interest rate based on SOFR plus margin, maturing in 2024		<b>11,699,155</b>	10,992,509
Floating interest rate based on SOFR plus margin, maturing in 2025		<b>5,826,721</b>	5,483,778
Floating interest rate based on SOFR plus margin, maturing in 2027		<b>17,266,768</b>	16,249,226
Floating interest rate based on SOFR plus margin, maturing in 2024		<b>5,846,652</b>	5,487,277
Floating interest rate based on SOFR plus margin, maturing in 2025		<b>2,899,121</b>	2,718,947
<i>Forward</i>			

	<b>Note</b>	<b>June 30, 2024 (Unaudited)</b>	<b>December 31, 2023 (Audited)</b>
<i>Subsidiaries</i>			
Philippine Peso-denominated:			
Fixed interest rate with maturities up to 2029 (c)		<b>P31,014,098</b>	P32,497,049
Fixed interest rate with maturities up to 2030 (d)		<b>14,026,629</b>	14,643,247
Fixed interest rate with maturities up to 2033 (e)		<b>39,467,064</b>	27,537,755
Floating rate based on Bloomberg Valuation (BVAL) plus margin, maturing in 2030 (f)		<b>6,619,301</b>	7,187,581
Foreign currency-denominated:			
Fixed interest rate with maturities up to 2030 (g)		<b>17,417,560</b>	17,078,674
Floating interest rate based on SOFR plus margin with maturities up to 2030 (g)		<b>5,732,361</b>	5,620,829
		<b>187,531,749</b>	188,302,571
	<i>20, 21</i>	<b>248,838,118</b>	258,769,473
Less current maturities		<b>46,954,807</b>	54,124,645
		<b>P201,883,311</b>	P204,644,828

- a. On April 24, 2024, the Parent Company redeemed its Series I Bonds, amounting to P9,232,040, upon its maturity pursuant to the terms and conditions of the bonds. The Series I Bonds formed part of the P30,000,000 Series H-I-J fixed rate bonds issued in April 2019.
- b. On April 26, 2024, the Parent Company fully paid the P14,100,000 balance of its fixed rate 7-year term loan availed in April 2017 from a local bank upon its maturity pursuant to the terms and conditions of the credit facility.
- c. In 2024, LPI made partial payments amounting to P1,519,000 of its P44,000,000, 12-year term loan, pursuant to the terms and conditions of its Omnibus Loan and Security Agreement (OLSA) with a syndicate of local banks.
- d. In 2024, MPI made partial payments amounting to P648,372 of its P21,300,000, 12-year term loan, pursuant to the terms and conditions of its OLSA with a syndicate of local banks.

The loan includes amount payable to Bank of Commerce (BOC), an associate of entities under common control, amounting to P2,128,896 and P2,226,304 as at June 30, 2024 and December 31, 2023, respectively (see Note 14).

- e. On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000,000 from its P40,000,000 OLSA executed on October 23, 2023 with various local banks. The loan is subject to a fixed interest rate and will mature in October 2033.

The proceeds 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) to fund the initial amount required to be deposited into the Debt Service Reserve Account, (iii) to fund the cost and expenses in relation to the design, construction, and operation of the BESS project, and (iv) for payment of transaction costs.

The loan includes the P5,800,000 and P4,060,000 amount payable to BOC as at June 30, 2024 and December 31, 2023, respectively (see Note 14).

- f. In 2024, MPCL made principal repayments amounting to P582,268 pursuant to the terms and conditions of its Amended Omnibus Refinancing Agreement (ORA).

The loan includes the P4,038,047 and P4,389,181 amount payable to BOC as at June 30, 2024 and December 31, 2023, respectively (see Note 14).

- g. On April 29, 2024, MPCL made principal repayments of loans from its Omnibus Expansion Facility Agreement (OEFA) amounting US\$15,593 (equivalent to P899,297).

Unamortized debt issue costs amounted to P2,339,063 and P2,684,515 as at June 30, 2024 and December 31, 2023, respectively. Accrued interest amounted to P1,646,422 and P1,397,801 as at June 30, 2024 and December 31, 2023, respectively. Interest expense amounted to P8,194,521 and P6,163,301 for the periods ended June 30, 2024 and 2023, respectively.

On July 19, 2024, the Parent Company availed of a P10,000,000 term loan from a facility agreement executed on July 17, 2024, with a local bank. The loan is subject to a fixed interest rate and will mature in June 2029.

The proceeds of the loan, net of transaction-related fees and costs of the facility, were used for refinancing of a short-term facility.

*Valuation Technique for Peso-denominated Bonds*

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

The fair value of the Bonds, amounting to P63,138,131 and P73,529,065 as at June 30, 2024 and December 31, 2023, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques (see Note 21).

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 any outstanding 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 P40,000,000, respectively, and reserves of LPI, MPI and 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 Amended ORA and OEFA are secured by real estate and chattel mortgages, on all present assets (purchased under its asset purchase agreement, and all its rights in a land lease agreement, with PSALM) and all future assets as defined in its loan agreements, amounting to P8,155,000 and US\$525,000, respectively.

As at June 30, 2024 and December 31, 2023, 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:

	<b>June 30, 2024 (Unaudited)</b>	December 31, 2023 (Audited)
Balance at beginning of period	<b>P2,684,515</b>	P2,713,968
Additions	<b>102,897</b>	822,522
Amortization	<b>(39,187)</b>	(849,696)
Capitalized amount	<b>(409,162)</b>	(2,279)
Balance at end of period	<b>P2,339,063</b>	P2,684,515

#### Repayment Schedule

The annual maturities of the long-term debts as at June 30, 2024 are as follows:

Year	Gross Amount		Debt Issue Costs	Net
	US Dollar	Peso Equivalent of US Dollar	Peso	
July 1, 2024 to June 30, 2025	US\$482,655	P28,288,409	P19,057,298	P390,900
July 1, 2025 to June 30, 2026	334,125	19,583,066	19,882,378	417,231
July 1, 2026 to June 30, 2027	35,700	2,092,377	13,006,255	206,531
July 1, 2027 to June 30, 2028	337,275	19,767,688	44,649,631	813,186
July 1, 2028 to June 30, 2029	39,060	2,289,307	22,123,278	156,908
July 1, 2029 and thereafter	219,713	12,877,350	47,560,144	354,307
	<b>US\$1,448,528</b>	<b>P84,898,197</b>	<b>P166,278,984</b>	<b>P2,339,063</b>
				<b>P248,838,118</b>

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 20.

#### **14. Related Party Disclosures**

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

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

The following are the transactions with related parties and the outstanding balances as at June 30, 2024 (Unaudited) and December 31, 2023 (Audited):

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
SMC	2024 2023	P258,422 614,221	P2,185,426 1,638,795	P55,012 135,791	P4,487,273 2,152,547	On demand or 30 days; non-interest-bearing	Unsecured; no impairment
Entities under Common Control	2024 2023	3,641,944 9,261,195	1,894,327 3,848,749	1,901,449 1,620,198	11,335,998 10,737,315	On demand or 30 days; non-interest-bearing	Unsecured; no impairment
	2024 2023	- -	- -	12,010,491 12,010,491	- -	Installment basis up to 2026; interest-bearing	Unsecured; no impairment
Associate	2024 2023	665,705 1,944,182	- -	723,982 889,255	28,101 28,101	On demand or 30 days; non-interest-bearing	Unsecured; no impairment
	2024 2023	1,206 4,208	- -	22,750 51,053	- -	9 years; interest-bearing	Unsecured; no impairment
Joint Venture	2024 2023	16,764 32,707	- -	19,690 13,126	- -	30 days; non-interest-bearing	Unsecured; no impairment
	2024 2023	2,972 5,673	- -	179,891 167,404	- -	92 days; interest-bearing	Unsecured; no impairment
	2024 2023	37,259 71,378	- -	1,528,067 1,491,796	- -	10.5 years; interest-bearing	Unsecured; no impairment
Associate and Joint Ventures of Entities under Common Control	2024 2023	- 9,828	- -	481 481	1,157 1,157	30 days; non-interest-bearing	Unsecured; no impairment
	2024 2023	- -	463,393 590,527	- -	12,106,136 10,805,681	7 to 12 years; interest-bearing	Secured
	2024	P4,624,272	P4,543,146	P16,441,813	P27,958,665		
	2023	P11,943,392	P6,078,071	P16,379,595	P23,724,801		

- Amounts owed by related parties consist of trade and non-trade receivables, receivables pertaining to the sale of certain parcels of land and investments in 2022, included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the condensed consolidated interim statements of financial position, prepayments for rent and insurance, and security deposits (see Note 8).
- 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 Olongapo Electricity Distribution Company, Inc. (OEDC). As at June 30, 2024 and December 31, 2023, 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" accounts in the condensed consolidated interim statements of financial position amounted to P7,037,286 and P7,401,488, respectively.
- 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 condensed consolidated interim statements of financial position (see Note 8).
- Amounts owed by a joint venture consists of interest-bearing loans granted and management fees charged to Angat Hydropower Corporation by PowerOne Ventures Energy Inc. included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the condensed consolidated interim statements of financial position (see Note 8).

- 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 condensed consolidated interim statements of financial position (see Note 13). The loans are secured by certain property, plant and equipment as at June 30, 2024 and December 31, 2023 (see Note 10).
- f. The compensation of key management personnel of the Group, by benefit type, are as follows:

	<b>June 30, 2024 (Unaudited)</b>	December 31, 2023 (Audited)
Short-term employee benefits	<b>P91,999</b>	P129,041
Retirement benefits costs	<b>6,734</b>	17,523
	<b>P98,733</b>	P146,564

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.

## 15. Equity

### Capital Stock

The details of the Parent Company’s authorized, subscribed, issued and outstanding capital stock are as follows:

	<b>June 30, 2024 (Unaudited)</b>		December 31, 2023 (Audited)	
	<b>Number of Shares</b>	<b>Amount</b>	Number of Shares	Amount
Authorized - par value of P1.00	<b>3,774,400,000</b>	<b>P3,774,400</b>	3,774,400,000	P3,774,400
Subscribed capital stock:				
Balance at beginning of year	<b>2,823,604,000</b>	<b>2,823,604</b>	1,250,004,000	P1,250,004
Subscription	-	-	1,573,600,000	1,573,600
<b>Issued and outstanding</b>	<b>2,823,604,000</b>	<b>P2,823,604</b>	2,823,604,000	P2,823,604

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.

#### Distributions to Senior Perpetual Capital Securities (SPCS) Holders

The Parent Company paid P7,740,696 and P7,490,865 to the SPCS holders in 2024 and 2023, respectively, as distributions in accordance with the terms and conditions of the relevant subscription agreements.

In July 2024, the Parent Company paid distributions amounting to US\$16,910 to holders of the US\$600,000 SPCS issued in January 2020.

#### Redemption of SPCS

On April 25, 2024, the Parent Company completed the redemption of its US\$783,000 remaining securities, with a net carrying value of P40,186,954, out of the US\$800,000 SPCS issued in April and July 2019, pursuant to the terms and conditions of the securities. 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 US\$783,000 securities amounted to P4,852,808 and was recognized as part of the "Equity reserves" account in the consolidated statements of financial position.

The US\$783,000 SPCS was redeemed using in part the proceeds from the redeemable perpetual capital securities (RPCS) issued in April 2024 and cash generated from operations.

#### Issuances of RPCS

On April 19, 2024, the Parent Company issued US\$800,000 RPCS (equivalent to P43,480,764, net of directly attributable transaction costs) at an issue price of 100%. The RPS are direct unconditional, unsecured and subordinated capital securities with no fixed redemption date. The holder shall have the right to receive distributions at a prescribed rate per annum, payable pursuant to the terms of the agreement. The Parent Company has a right to defer this distribution under certain conditions.

Proceeds from the issuance were used for general corporate purposes, including capital expenditures, and refinancing of maturing obligations.

In July 2024, the Parent Company paid distributions amounting to US\$16,056 to holders of the US\$800,000 RPCS issued in April 2024.

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**16. Revenues**

Revenues consist of:

	<i>Note</i>	<b>June 30</b>	
		<b>2024</b>	<b>2023</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Sale of power:			
Power generation and trading		<b>P81,046,194</b>	P72,740,563
Retail and other power-related services		<b>17,633,106</b>	11,891,681
Other services		<b>264,895</b>	137,748
	<b>5, 14</b>	<b>P98,944,195</b>	P84,769,992

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Revenues from other services mainly pertain to operations and maintenance services rendered (see Note 14).

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**17. Cost of Power Sold**

Cost of power sold consist of:

	<i>Note</i>	<b>June 30</b>	
		<b>2024</b>	<b>2023</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Coal, fuel oil and other consumables	<b>9, 14</b>	<b>P47,701,485</b>	P44,493,273
Power purchases		<b>14,922,011</b>	13,789,306
Depreciation and amortization	<b>10</b>	<b>6,187,613</b>	5,570,916
Plant operations and maintenance, and other fees		<b>3,109,746</b>	2,512,080
Energy fees	<b>6</b>	<b>547,554</b>	635,824
	<b>5</b>	<b>P72,468,409</b>	P67,001,399

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**18. Other Income (Charges) - net**

Other income (charges) consist of:

	<i>Note</i>	<b>June 30</b>	
		<b>2024</b>	<b>2023</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Marked-to-market gains on derivatives	<b>21</b>	<b>P198,915</b>	P40,695
Foreign exchange gains (losses) - net	<b>20</b>	<b>(4,193,542)</b>	1,702,724
Miscellaneous income	<b>10</b>	<b>218,658</b>	103,637
		<b>(P3,775,969)</b>	P1,847,056

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## 19. Basic and Diluted Loss Per Share

Basic and diluted loss per share is computed as follows:

	June 30	
	2024	2023
	(Unaudited)	(Unaudited)
Net income attributable to equity holders of the Parent Company	<b>P7,423,307</b>	P5,896,329
Distributions for the period to:		
RPCS holder	<b>(5,302,830)</b>	(2,814,535)
SPCS holders	<b>(7,158,021)</b>	(7,481,151)
Net loss attributable to common shareholders of the Parent Company (a)	<b>(5,037,544)</b>	(4,399,357)
Weighted average number of common shares outstanding (in thousands) (b)	<b>2,823,604</b>	1,250,004
Basic/Diluted Loss Per Share (a/b)	<b>(P1.78)</b>	(P3.52)

As at June 30, 2024 and 2023, 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 2024 and interest costs and other financing charges in 2024 and 2023 (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 Plant Units 4 and 5, and the 1,320 MW BCCPP, are expected to go into commercial operations in 2024 up to 2026 (see Note 10). 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.

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## 20. Financial Risk and Capital Management Objectives and Policies

### Objectives and Policies

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

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

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

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

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

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

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

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

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

#### Liquidity Risk

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

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

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

June 30, 2024 (Unaudited)	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
<b>Financial Assets</b>						
Cash and cash equivalents	P18,216,765	P18,216,765	P18,216,765	P -	P -	P -
Trade and other receivables - net*	117,919,170	117,919,170	117,919,170	-	-	-
Derivative asset not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	2,725	2,725	2,725	-	-	-
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	17,993,600	18,177,469	7,236,840	4,386,760	4,746,151	1,807,718
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	7,274,052	7,274,052	3,004,442	2,877,129	1,392,471	10
<b>Financial Liabilities</b>						
Loans payable	28,736,000	28,961,464	28,961,464	-	-	-
Accounts payable and accrued expenses*	98,064,319	98,064,319	98,064,319	-	-	-
Long-term debt - net (including current maturities)	248,838,118	323,831,754	65,203,693	54,501,315	133,104,954	71,021,792
Lease liabilities (including current portion)	32,770,926	38,590,473	10,834,287	5,710,782	13,040,827	9,004,577
Other noncurrent liabilities	3,997,727	3,997,727	-	3,739,079	114,876	143,772
<b>December 31, 2023 (Audited)</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flow</b>	<b>1 Year or Less</b>	<b>&gt;1 Year - 2 Years</b>	<b>&gt;2 Years - 5 Years</b>	<b>Over 5 Years</b>
<b>Financial Assets</b>						
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
<b>Financial Liabilities</b>						
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.

### Credit Risk

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

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

### *Trade and Other Receivables*

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

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

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

		<b>June 30, 2024</b>	December 31, 2023
	<b>Note</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash and cash equivalents (excluding cash on hand)	7	<b>P18,214,889</b>	P31,657,566
Trade and other receivables - net*	8	<b>117,919,170</b>	110,097,787
Derivative assets not designated as cash flow hedge		<b>2,725</b>	-
Noncurrent receivables		<b>17,993,600</b>	17,579,941
Restricted cash		<b>7,274,052</b>	6,271,296
		<b>P161,404,436</b>	P165,606,590

\*Excluding statutory receivables

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

June 30, 2024 (Unaudited)	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired		
Cash and cash equivalents (excluding cash on hand)	P18,214,889	P -	P -	P -	P18,214,889
Trade and other receivables	-	117,919,170	2,721,316	-	120,640,486
Derivative assets not designated as cash flow hedge	-	-	-	2,725	2,725
Noncurrent receivables (including current portion)	-	17,993,600	-	-	17,993,600
Restricted cash	7,274,052	-	-	-	7,274,052
	P25,488,941	P135,912,770	P2,721,316	P2,725	P164,125,752

December 31, 2023 (Audited)	Financial Assets at Amortized Cost			Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	
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

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:

	June 30, 2024 (Unaudited)				December 31, 2023 (Audited)			
	Trade	Non-trade	Amounts Owed by Related Parties	Total	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P59,996,502	P3,514,412	P732,334	P64,243,248	P53,461,204	P191,806	P2,578,385	P56,231,395
Past due:								
1 - 30 days	11,238,166	35,380	288,586	11,562,132	9,651,743	1,917,500	373,966	11,943,209
31 - 60 days	698,177	87,076	7,929	793,182	2,450,433	116,941	46,397	2,613,771
61 - 90 days	895,174	84,612	9,347	989,133	2,367,521	585,819	11,407	2,964,747
Over 90 days	33,739,991	7,738,812	1,573,988	43,052,791	31,098,973	7,264,399	646,899	39,010,271
	P106,568,010	P11,460,292	P2,612,184	P120,640,486	P99,029,874	P10,076,465	P3,657,054	P112,763,393

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

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

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

The Group has significant concentration of credit risk. Sale of power to Meralco accounts for 41% of the Group's total revenues for the periods ended June 30, 2024 and 2023.

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:

June 30, 2024 (Unaudited)	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
<b>Fixed Rate</b>							
Philippine Peso-denominated Interest rates	P17,892,764 5.0000% to 8.6228%	P18,717,844 5.9077% to 8.6228%	P11,841,721 5.1792% to 8.6228%	P43,485,097 6.6250% to 8.6228%	P20,958,744 7.7497% to 8.6228%	P46,686,744 7.7497% to 8.5915%	P159,582,914
Foreign currency-denominated (expressed in Philippine Peso) Interest rate	1,439,989 8.3310%	1,504,811 8.3310%	1,574,265 8.3310%	1,643,717 8.3310%	1,722,431 8.3310%	9,688,673 8.3310%	17,573,886
<b>Floating Rate</b>							
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	873,400 BVAL + Margin	6,696,070
Foreign currency-denominated (expressed in Philippine Peso) Interest rate	26,848,420 SOFR + Margin	18,078,255 SOFR + Margin	518,112 SOFR + Margin	18,123,971 SOFR + Margin	566,876 SOFR + Margin	3,188,677 SOFR + Margin	67,324,311
	P47,345,707	P39,465,444	P15,098,632	P64,417,319	P24,412,585	P60,437,494	P251,177,181

December 31, 2023 (Audited)	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated	P35,009,804	P15,904,744	P17,989,154	P10,270,097	P39,544,411	P54,389,116	P173,107,326
Interest rate	5.0000% to 8.2443%	5.0000% to 8.2443%	5.1792% to 8.2443%	6.2836% to 8.2443%	6.2836% to 8.2443%	6.2836% to 8.2443%	
Foreign currency-denominated (expressed in Philippine Peso)	1,329,766	1,391,005	1,454,431	1,520,045	1,590,033	9,966,683	17,251,963
Interest rate	8.3310%	8.3310%	8.3310%	8.3310%	8.3310%	8.3310%	
Floating Rate							
Philippine Peso-denominated	1,164,534	1,164,534	1,164,534	1,164,534	1,164,534	1,455,667	7,278,337
Interest rate	BVAL + Margin	BVAL + Margin	BVAL + Margin	BVAL + Margin	BVAL + Margin	BVAL + Margin	
Foreign currency-denominated (expressed in Philippine Peso)	17,048,644	8,763,300	17,089,674	17,111,269	523,302	3,280,173	63,816,362
Interest rate	SOFR + Margin	SOFR + Margin	SOFR + Margin	SOFR + Margin	SOFR + Margin	SOFR + Margin	
	P54,552,748	P27,223,583	P37,697,793	P30,065,945	P42,822,280	P69,091,639	P261,453,988

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P370,102 and P710,947 for the period ended June 30, 2024 and for the year ended December 31, 2023, 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) are entered into to manage foreign currency risks relating to foreign currency-denominated obligations and long-term borrowings.

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

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

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

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

		June 30, 2024 (Unaudited)		December 31, 2023 (Audited)	
	Note	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
<b>Assets</b>					
Cash and cash equivalents	7	US\$83,927	P4,918,939	US\$69,461	P3,846,070
Trade and other receivables	8	86,693	5,081,064	163,818	9,070,599
Noncurrent receivables		32,966	1,932,138	31,181	1,726,513
		203,586	11,932,141	264,460	14,643,182
<b>Liabilities</b>					
Accounts payable and accrued expenses	12	548,523	32,148,996	930,718	51,533,841
Long-term debt (including current maturities)	13	1,448,528	84,898,197	1,464,120	81,068,325
Lease liabilities (including current portion)	6	241,583	14,159,168	341,414	18,904,090
		2,238,634	131,206,361	2,736,252	151,506,256
<b>Net Foreign Currency-denominated Monetary Liabilities</b>					
		US\$2,035,048	P119,274,220	US\$2,471,792	P136,863,074

The Group reported net gains (losses) on foreign exchange amounting to (P4,193,542) and P1,702,724 for the periods ended June 30, 2024 and 2023, respectively, with the translation of its foreign currency-denominated assets and liabilities (see Note 18).

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
<b>June 30, 2024</b>	<b>P58.610</b>
December 31, 2023	55.370
June 30, 2023	55.200
December 31, 2022	55.755

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

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

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
<b>June 30, 2024 (Unaudited)</b>				
Cash and cash equivalents	(P80,578)	(P63,782)	P80,578	P63,782
Trade and other receivables	(86,290)	(65,120)	86,290	65,120
Noncurrent receivables	(32,966)	(24,725)	32,966	24,725
	(199,834)	(153,627)	199,834	153,627
Accounts payable and accrued expenses	547,312	411,696	(547,312)	(411,696)
Long-term debt (including current maturities)	1,448,528	1,086,396	(1,448,528)	(1,086,396)
Lease liabilities (including current portion)	241,583	181,187	(241,583)	(181,187)
	2,237,423	1,679,279	(2,237,423)	(1,679,279)
	<b>P2,037,589</b>	<b>P1,525,652</b>	<b>(P2,037,589)</b>	<b>(P1,525,652)</b>

	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
<b>December 31, 2023 (Audited)</b>				
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)
	<b>P2,474,302</b>	<b>P2,093,095</b>	<b>(P2,474,302)</b>	<b>(P2,093,095)</b>

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.

### Capital Management

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

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, distribution payment, pay-off existing debts, return capital to shareholders or issue new shares, subject to compliance with certain covenants of its long-term debts, SPCS and RPCS (see Notes 13 and 15).

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

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

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

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

## 21. 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:

	June 30, 2024 (Unaudited)		December 31, 2023 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	<b>P18,216,765</b>	<b>P18,216,765</b>	P31,659,442	P31,659,442
Trade and other receivables - net*	<b>117,919,170</b>	<b>117,919,170</b>	110,097,787	110,097,787
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	<b>2,725</b>	<b>2,725</b>	-	-
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	<b>17,993,600</b>	<b>17,993,600</b>	17,579,941	17,579,941
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	<b>7,274,052</b>	<b>7,274,052</b>	6,271,296	6,271,296
	<b>P161,406,312</b>	<b>P161,406,312</b>	P165,608,466	P165,608,466
<b>Financial Liabilities</b>				
Loans payable	<b>P28,736,000</b>	<b>P28,736,000</b>	P13,736,000	P13,736,000
Accounts payable and accrued expenses	<b>98,064,319</b>	<b>98,064,319</b>	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
Long-term debt - net (including current maturities)	<b>248,838,118</b>	<b>274,037,802</b>	258,769,473	272,270,702
Lease liabilities (including current portion)	<b>32,770,926</b>	<b>32,770,926</b>	42,787,300	42,787,300
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	<b>3,997,727</b>	<b>3,997,727</b>	3,959,302	3,959,302
	<b>P412,407,090</b>	<b>P437,606,774</b>	P395,339,208	P408,840,437

\*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 5.60% to 6.63% and 5.08% to 6.00% as at June 30, 2024 and December 31, 2023, respectively. Discount rates used for foreign currency-denominated loans range from 4.33% to 5.80% and 3.85% to 5.27% as at June 30, 2024 and December 31, 2023, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

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

#### Derivative Financial Instruments

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

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

#### 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 condensed consolidated interim 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\$10,000 and US\$65,000 as at June 30, 2024 and December 31, 2023, respectively. As at June 30, 2024, the positive fair value of these currency forwards, included under "Prepaid expenses and other current assets" amounted to P2,725. As at December 31, 2023, the negative fair value of these currency forwards included under "Accounts payable and accrued expenses" amounted to P13,925.

The Group recognized marked-to-market gains (losses) from freestanding derivatives amounting to P198,915 and P40,695 for the periods ended June 30, 2024 and 2023, respectively (see Note 18).

#### Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	<b>June 30, 2024 (Unaudited)</b>	<b>December 31, 2023 (Audited)</b>
Balance at beginning of period	<b>(P13,925)</b>	P246,375
Net change in fair value of derivatives:		
Not designated as accounting hedge	<b>198,915</b>	(875,946)
Designated as accounting hedge	<b>-</b>	(7,238)
	<b>184,990</b>	(636,809)
Less fair value of settled instruments	<b>182,265</b>	(622,884)
Balance at end of period	<b>P2,725</b>	(P13,925)

#### Fair Value Measurements

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

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

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

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

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

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

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

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

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## 22. Other Matters

### a. Contingencies

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

#### i. *Temporary Restraining Order (TRO) Issued to Meralco*

On December 5, 2013, Meralco wrote the ERC requesting for clearance and authority: (i) to collect a generation charge of P7.90 per kWh in its December 2013 billings to its customers for its generation cost for the month of November 2013; and (ii) to defer to February 2014 the recovery of 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, Department of Energy (DOE) and Meralco assailing the automatic adjustment of generation cost docketed as G.R. No. 210255. On December 23, 2013, the SC issued a resolution consolidating both petitions and issued a TRO enjoining: (I) the ERC from implementing its letter dated December 9, 2013, and (II) Meralco from increasing the rates it charged to its consumers based on its letter dated December 5, 2013.

As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67 per kWh. The TRO 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 are pursuing the implementation of the SC Decision as at June 30, 2024. SPPC, MPCL and SPI have aggregate outstanding receivables from Meralco estimated at P1,275,985 included under "Trade and other receivables" account in the condensed consolidated interim statements of financial position as at June 30, 2024 and December 31, 2023.

*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, San Miguel Electric Corp. (SMELC) and SPPC recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment, the settlement of which have been covered by a 24-month Special Payment Arrangement with PEMC which was already completed on May 25, 2016.

SPI, SPPC, SRHI and 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 3<sup>rd</sup> 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 as at June 30, 2024. 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. PSALM has filed a Motion for Reconsideration of the SC's Resolution of November 8, 2023.

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. In a Resolution dated November 20, 2023, the SC denied PSALM's Motion for Reconsideration with finality, finding that there were no substantial arguments raised to warrant reconsideration. The SC's Resolution of January 25, 2023 thus became final and executory on November 20, 2023 and has been recorded in the Book of Entries of Judgments.

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 started the direct examination of 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 continued with the direct examination of its second witness. Pre-marking of the parties' additional evidence were held on April 5, 2024 (for SPPC) and May 17, 2024 (for PSALM). On July 22, 2024, SPPC finished with the direct examination of its second witness. The witness was also cross-examined on that date. The re-direct examination of SPPC's second witness and presentation of its third and last witness were held on August 12, 2024. SPPC was directed to complete the presentation of its evidence on August 30, 2024.

The court has directed PSALM to present its evidence on October 18, 2024, November 4, 2024, and November 15, 2024. PSALM informed the court and SPPC that it will present two witnesses.

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.

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

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

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

**SPI**

On October 21, 2015, SPI filed a criminal complaint for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019, before the DOJ against a certain officer of PSALM, and certain officers of Team (Philippines) Energy Corporation (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 Consignment 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. As at June 30, 2024, the case is still pending as the ERC has not issued any resolution granting the Joint Motion to Dismiss filed by the parties.

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 PSAs*

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

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

On May 11, 2022, 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) was 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 filed with the SC 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 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.

On May 21, 2024, SPPC and SPI received, through its external counsel, a copy of the SC's Resolution dated April 3, 2024 which denied the ERC's Petition for Review on Certiorari "for failure of petitioner [ERC] to sufficiently show that the Court of Appeals committed any reversible error in the challenged joint decision and resolution as to warrant the exercise of this Court's discretionary appellate jurisdiction."

On June 18, 2024, SPPC received a copy of the ERC's Motion for Reconsideration of the SC's Resolution dated April 3, 2024.

On June 20, 2024, SPPC received a copy of the SC's Resolution dated April 3, 2024 in G.R. No. 267518 which dismissed the ERC's Petition for Certiorari assailing the CA's Resolutions dated January 25, 2023 and April 3, 2023 in CA-G.R. SP No. 176036 (on the issuance of a writ of preliminary injunction in favor of SPPC) for being moot and academic.

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

Meralco 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 CA 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 10 days from notice.

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) was 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 filed with the SC 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 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.

On May 21, 2024, SPI received, through its external counsel, a copy of the SC's Resolution dated April 3, 2024 which denied the ERC's Petition for Review on Certiorari "for failure of petitioner [ERC] to sufficiently show that the Court of Appeals committed any reversible error in the challenged joint decision and resolution as to warrant the exercise of this Court's discretionary appellate jurisdiction."

On June 18, 2024, SPI received a copy of the ERC's Motion for Reconsideration of the SC's Resolution dated April 3, 2024.

b. Joint Agreement with Meralco and Aboitiz Power Corporation (Aboitiz Power) on the Group's LNG Projects

On March 1, 2024, Meralco PowerGen Corporation (MGen) and Therma NatGas Power, Inc. (TNGP, a subsidiary of Aboitiz Power), 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 Ilijan Primeline Industrial Estate Corp. where the gas-fired power plant and related facilities of EERI are located.

The transaction also involves the acquisition by CGHI and the Parent Company of equity interest in Linseed Field Corporation, the owner of the Batangas LNG Terminal, which processes LNG for SPPC and later on for EERI.

The transaction is subject to customary closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission (PCC). On May 17, 2024, Top Frontier filed its application for the approval of the transaction with the PCC, which is still pending as of date.

c. Supplemental Cash Flows Information

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

	Loans Payable	Long-term Debt	Lease Liabilities	SPCS	RPCS	Total
<b>Balances as at January 1, 2024 (Audited)</b>	<b>P13,736,000</b>	<b>P258,769,473</b>	<b>P42,787,300</b>	<b>P161,767,709</b>	<b>P102,546,825</b>	<b>P579,607,307</b>
<b>Changes from Financing Activities</b>						
Proceeds from borrowings	69,080,000	12,000,000	-	-	-	81,080,000
Proceeds from issuance of RPCS	-	-	-	-	43,480,764	43,480,764
Payments of lease liabilities	-	-	(10,333,014)	-	-	(10,333,014)
Payments of borrowings	(54,080,000)	(27,005,976)	-	-	-	(81,085,976)
Redemption of SPCS	-	-	-	(45,039,762)	-	(45,039,762)
<b>Total Changes from Financing Activities</b>	<b>15,000,000</b>	<b>(15,005,976)</b>	<b>(10,333,014)</b>	<b>(45,039,762)</b>	<b>43,480,764</b>	<b>(11,897,988)</b>
Effect of changes in foreign exchange rates	-	4,693,229	924,423	-	-	5,617,652
Other changes	-	381,392	(607,783)	4,852,808	-	4,626,417
<b>Balance as at June 30, 2024 (Unaudited)</b>	<b>P28,736,000</b>	<b>P248,838,118</b>	<b>P32,770,926</b>	<b>P121,580,755</b>	<b>P146,027,589</b>	<b>P577,953,388</b>

	Loans Payable	Long-term Debt	Lease Liabilities	RPCS	Total
<b>Balance as at January 1, 2023 (Audited)</b>	<b>P21,000,000</b>	<b>P272,152,624</b>	<b>P59,958,110</b>	<b>P51,934,069</b>	<b>P405,044,803</b>
<b>Changes from Financing Activities</b>					
Proceeds from borrowings	46,750,000	18,641,000	-	-	65,391,000
Proceeds from issuance of RPCS	-	-	-	65,870,260	65,870,260
Payments of borrowings	(54,000,000)	(38,777,393)	-	-	(92,777,393)
Payments of lease liabilities	-	-	(9,477,281)	-	(9,477,281)
<b>Total Changes from Financing Activities</b>	<b>(7,250,000)</b>	<b>(20,136,393)</b>	<b>(9,477,281)</b>	<b>65,870,260</b>	<b>29,006,586</b>
Effect of changes in foreign exchange rates	-	(1,308,327)	(290,608)	-	(1,598,935)
Other changes	-	152,583	2,177,890	-	2,330,473
<b>Balance as at June 30, 2023 (Unaudited)</b>	<b>P13,750,000</b>	<b>P250,860,487</b>	<b>P52,368,111</b>	<b>P117,804,329</b>	<b>P434,782,927</b>

Other changes pertain to additions for new lease agreements, amortization of lease liabilities and debt-issue costs of long-term debt and difference between redemption price and net carrying value of securities redeemed.

d. Commitments

The outstanding purchase commitments of the Group amounted to P107,226,018 and P104,803,997 as at June 30, 2024 and December 31, 2023, 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.

- e. There are no unusual items as to the nature and amount affecting assets, liabilities, equity, net income or cash flows.
- f. There were no material changes in the estimates of amounts reported in prior financial year.

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



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

Forward

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

*See Notes to the Consolidated Financial Statements.*

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

See Notes to the Consolidated Financial Statements.

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

*See Notes to the Consolidated Financial Statements.*

**SAN MIGUEL GLOBAL POWER HOLDINGS CORP.**  
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**(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.**  
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**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**  
(In Thousands)

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

Forward

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

Forward

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

*See Notes to the Consolidated Financial Statements.*

**SAN MIGUEL GLOBAL POWER HOLDINGS CORP.**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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**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.

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**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:

	<b>Percentage of Ownership</b>	
	<b>2023</b>	<b>2022</b>
<b><i>Power Generation</i></b>		
Sual Power Inc. (SPI, formerly San Miguel Energy Corporation) <sup>(a)</sup>	<b>100</b>	100
South Premiere Power Corp. (SPPC)	<b>100</b>	100
San Roque Hydropower Inc. (SRHI, formerly Strategic Power Devt. Corp.) <sup>(b)</sup>	<b>100</b>	100
Limay Power Inc. (LPI, formerly SMC Consolidated Power Corporation) <sup>(c)</sup>	<b>100</b>	100
Malita Power Inc. (MPI, formerly San Miguel Consolidated Power Corporation) <sup>(d)</sup>	<b>100</b>	100
PowerOne Ventures Energy Inc. (PVEI) <sup>(e)</sup>	<b>100</b>	100
Prime Electric Generation Corporation (PEGC) <sup>(f)</sup>	<b>100</b>	100
Oceantech Power Generation Corporation (OPGC)	<b>100</b>	100
Masinloc Power Co. Ltd. (MPCL, formerly Masinloc Power Partners Co. Ltd.) <sup>(g)</sup>	<b>100</b>	100
Power Ventures Generation Corporation (PVGC) <sup>(g) (f)</sup>	<b>100</b>	100
Mariveles Power Generation Corporation (MPGC) <sup>(h)</sup>	<b>95</b>	95
SMC Global Light and Power Corp. (SGLPC)	<b>100</b>	100
Excellent Energy Resources Inc. (EERI)	<b>100</b>	100
<b><i>Retail and Other Power-related Services</i></b>		
SMGP BESS Power Inc. (SMGP BESS, formerly "Universal Power Solutions, Inc." <sup>(i)</sup>	<b>100</b>	100
SMGP Kabankalan Power Co. Ltd. (SMGP Kabankalan, formerly SMCGP Philippines Energy Storage Co. Ltd.) <sup>(j)</sup>	<b>100</b>	100
Albay Power and Energy Corp. (APEC)	<b>100</b>	100
SMC Power Generation Corp. (SPGC) <sup>(k)</sup>	<b>100</b>	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).

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### 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:
  - 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.

- 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.

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

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## 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).

## Operating Segments

	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
<b>Revenues</b>															
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
<b>Costs and Expenses</b>															
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
<b>Segment Result</b>	<b>P28,656,073</b>	<b>P13,217,237</b>	<b>P33,264,627</b>	<b>P3,946,951</b>	<b>P4,721,858</b>	<b>P3,501,152</b>	<b>(P726,889)</b>	<b>P10,167,418</b>	<b>(P445,738)</b>	<b>P649,978</b>	<b>P779,101</b>	<b>P520,536</b>	<b>P32,526,113</b>	<b>P28,885,614</b>	<b>P36,840,577</b>
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)
<b>Consolidated Net Income</b>													<b>P9,902,986</b>	<b>P3,133,648</b>	<b>P15,978,327</b>

\*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 reversal(s)), property, plant and equipment, and others.

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## 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:

	<b>Note</b>	<b>2023</b>	<b>2022</b>
Cash in banks and on hand		<b>P17,995,138</b>	P11,497,773
Short-term investments		<b>13,664,304</b>	11,228,463
	<b>4, 30, 31</b>	<b>P31,659,442</b>	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:

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

	<b>Note</b>	<b>2023</b>	<b>2022</b>
Balance at beginning of year		<b>P2,690,984</b>	P2,672,082
Impairment losses during the year	<b>4, 24</b>	<b>60,714</b>	52,855
Reversal during the year and others	<b>24, 26</b>	<b>(86,092)</b>	(33,953)
Balance at end of year	<b>4</b>	<b>P2,665,606</b>	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>	<b>2023</b>	<b>2022</b>
Coal	6	<b>P6,872,276</b>	P12,258,020
Materials and supplies		<b>5,748,754</b>	3,203,182
LNG	6	<b>3,016,660</b>	-
Fuel oil	19	<b>1,036,198</b>	1,259,249
Other consumables		<b>167,496</b>	101,708
	4	<b>P16,841,384</b>	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>	<b>2023</b>	<b>2022</b>
Input VAT		<b>P27,467,097</b>	P21,313,420
Prepaid tax		<b>13,072,678</b>	11,472,838
Advances to suppliers		<b>4,109,567</b>	2,564,056
Restricted cash	15, 30, 31	<b>2,420,279</b>	6,408,269
PSALM monthly fee outage credits	6	<b>1,142,305</b>	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	<b>309,638</b>	362,244
		<b>P48,521,564</b>	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
<b>Investments in Shares of Stock of an Associate and Joint Ventures</b>		
<b>Cost</b>		
Balance at beginning of year	<b>P8,122,208</b>	P7,618,892
Additions	-	503,316
Balance at end of year	<b>8,122,208</b>	8,122,208
<b>Accumulated Equity in Net Losses</b>		
Balance at beginning of year	<b>2,769,671</b>	2,367,472
Equity in net losses during the year	<b>272,631</b>	392,606
Share in other comprehensive loss during the year	<b>3,830</b>	2,069
Adjustment to equity in net losses in prior year	<b>(539)</b>	7,524
Adjustment to share in other comprehensive loss in prior year	<b>(35)</b>	-
Balance at end of year	<b>3,045,558</b>	2,769,671
	<b>5,076,650</b>	5,352,537
Advances	<b>5,876,398</b>	2,502,054
	<b>P10,953,048</b>	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:

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

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

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)**

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

**December 31, 2022 (Unaudited)**

<b>Country of Incorporation</b>	<b>Isabel AS</b>	<b>IASCO</b>
	<b>Philippines</b>	<b>Philippines</b>
Current assets	<b>P75</b>	<b>P883,808</b>
Noncurrent assets	<b>9,841</b>	<b>409,295</b>
Current liabilities	<b>-</b>	<b>(648,149)</b>
Noncurrent liabilities	<b>-</b>	<b>(36,165)</b>
Net assets	<b>P9,916</b>	<b>P608,789</b>
Revenue	<b>P -</b>	<b>P789,136</b>
Net income (loss)/total comprehensive income (loss)*	<b>(P83)</b>	<b>P9,205</b>
Share in net income (loss)/total comprehensive income (loss)	<b>(P42)</b>	<b>P4,603</b>
Carrying amount of investment	<b>P67,899</b>	<b>P439,978</b>

*\*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 Zygnat 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:

	<b>IPIEC</b>	<b>Blue Eagle</b>
Current assets	<b>P287,011</b>	<b>P22,128</b>
Noncurrent assets	<b>1,541,208</b>	<b>132,736</b>
Current liabilities	<b>(1,129,312)</b>	<b>(4,022)</b>
Noncurrent liabilities	<b>(648,907)</b>	<b>(125,842)</b>
Net assets	<b>P50,000</b>	<b>P25,000</b>

#### 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:

	<b>MVIHI</b>	<b>Bluelight</b>
Current assets	<b>P51,019</b>	<b>P2,877</b>
Noncurrent assets	<b>3,278,332</b>	<b>284,724</b>
Current liabilities	<b>(529,713)</b>	<b>(282,101)</b>
Noncurrent liabilities	<b>(2,789,638)</b>	<b>-</b>
Net assets	<b>P10,000</b>	<b>P5,500</b>

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
<b>Cost</b>							
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)
<b>December 31, 2023</b>		<b>197,100,391</b>	<b>15,291,863</b>	<b>8,444,101</b>	<b>4,947,573</b>	<b>149,927,769</b>	<b>375,711,697</b>
<b>Accumulated Depreciation and Amortization</b>							
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)
<b>December 31, 2023</b>		<b>32,397,121</b>	<b>1,140,409</b>	<b>2,147,669</b>	<b>556,568</b>	<b>-</b>	<b>36,241,767</b>
<b>Accumulated Impairment Losses</b>							
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
<b>December 31, 2023</b>		<b>-</b>	<b>-</b>	<b>244,956</b>	<b>-</b>	<b>-</b>	<b>244,956</b>
<b>Carrying Amount</b>							
December 31, 2022		P160,243,179	P12,743,233	P5,010,795	P4,151,622	P122,263,696	P304,412,525
<b>December 31, 2023</b>		<b>P164,703,270</b>	<b>P14,151,454</b>	<b>P6,051,476</b>	<b>P4,391,005</b>	<b>P149,927,769</b>	<b>P339,224,974</b>

- 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:

	<b>Note</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Cost of power sold	23	<b>P7,959,780</b>	P6,828,880	P5,484,187
Selling and administrative expenses	24	<b>464,799</b>	507,046	476,147
		<b>P8,424,579</b>	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:

	<b>Note</b>	<b>Land</b>	<b>Buildings and Improvements</b>	<b>Power Plants</b>	<b>Total</b>
<b>Cost</b>					
January 1, 2022		P5,591,469	P409,882	P167,387,089	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	443,780	113,398,830	121,924,553
Additions	6	2,509,352	-	-	2,509,352
Reclassification and others		(54,697)	(131,017)	-	(185,714)
<b>December 31, 2023</b>		<b>10,536,598</b>	<b>312,763</b>	<b>113,398,830</b>	<b>124,248,191</b>
<b>Accumulated Depreciation and Amortization</b>					
January 1, 2022		525,487	144,083	15,559,209	16,228,779
Depreciation and amortization		108,380	73,593	4,243,964	4,425,937
Reclassification	6, 12	-	-	(5,519,997)	(5,519,997)
Remeasurement and others		186,756	(6,766)	-	179,990
December 31, 2022		820,623	210,910	14,283,176	15,314,709
Depreciation and amortization		146,592	65,234	3,570,794	3,782,620
Reclassification and others		277,060	(101,518)	-	175,542
<b>December 31, 2023</b>		<b>1,244,275</b>	<b>174,626</b>	<b>17,853,970</b>	<b>19,272,871</b>
<b>Carrying Amount</b>					
December 31, 2022		P7,261,320	P232,870	P99,115,654	P106,609,844
<b>December 31, 2023</b>		<b>P9,292,323</b>	<b>P138,137</b>	<b>P95,544,860</b>	<b>P104,975,320</b>

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:

	<b>Note</b>	<b>2023</b>	<b>2022</b>
Goodwill	4	<b>P69,953,222</b>	P69,953,222
Computer software and licenses - net	4	<b>233,631</b>	226,906
Others	4, 8	<b>1,525,200</b>	1,584,431
		<b>P71,712,053</b>	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:

	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Cost</b>			
Balance at beginning of year		<b>P593,844</b>	P468,332
Additions		<b>56,971</b>	125,512
Balance at end of year		<b>650,815</b>	593,844
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>366,938</b>	318,112
Amortization	24	<b>50,246</b>	48,826
Balance at end of year	4	<b>417,184</b>	366,938
		<b>P233,631</b>	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:

	<b>Note</b>	<b>2023</b>	<b>2022</b>
Advances to suppliers and contractors		<b>P25,165,794</b>	P20,219,121
Amounts owed by related parties	11, 19	<b>6,499,990</b>	9,638,442
Noncurrent receivables	11, 30, 31	<b>4,205,585</b>	4,357,754
Restricted cash - net of current portion	30, 31	<b>3,851,016</b>	1,290,189
Investment property	11	<b>3,218,782</b>	-
Deferred input VAT - net of current portion		<b>51,279</b>	132,763
Others		<b>105,554</b>	174,076
		<b>P43,098,000</b>	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.

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## 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.

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## 17. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	<i>Note</i>	<b>2023</b>	<b>2022</b>
Trade	6	<b>P23,453,007</b>	P20,429,358
Non-trade	6	<b>45,629,445</b>	42,326,144
Output VAT		<b>19,194,811</b>	13,983,971
Amounts owed to related parties	19	<b>5,411,198</b>	2,980,384
Withholding and other accrued taxes		<b>2,066,108</b>	2,887,746
Accrued interest	6, 16, 18	<b>1,864,411</b>	1,757,317
Derivative liabilities not designated as cash flow hedge		<b>13,925</b>	75,455
Premium on option liabilities		-	6,799
	<b>30, 31</b>	<b>P97,632,905</b>	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:

	<i>Note</i>	<b>2023</b>	<b>2022</b>
<b>Bonds</b>			
<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)		<b>P39,559,871</b>	P39,475,629
Fixed interest rate of 7.1783% and 7.6000% maturing in 2024 and 2026, respectively (b)		<b>16,110,820</b>	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)		<b>10,056,168</b>	10,040,725
Fixed interest rate of 4.7575% and 5.1792% matured in 2023 and maturing in 2026, respectively (e)		<b>4,740,043</b>	8,820,612
		<b>70,466,902</b>	89,379,302
<b>Term Loans</b>			
<i>Parent Company</i>			
Philippine Peso-denominated:			
Fixed interest rate with maturities up to 2024 (f)		<b>14,091,381</b>	14,215,532
Fixed interest rate with maturities up to 2025 (g)		<b>4,853,652</b>	4,889,250
Fixed interest rate with maturities up to 2028 (h)		<b>7,439,465</b>	-
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)		<b>16,421,201</b>	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)		<b>10,992,509</b>	10,955,092
Floating interest rate based on SOFR plus margin, maturing in 2025 (m)		<b>5,483,778</b>	5,485,079
Floating interest rate based on SOFR plus margin, maturing in 2027 (n)		<b>16,249,226</b>	16,281,792
Floating interest rate based on SOFR plus margin, maturing in 2024 (o)		<b>5,487,277</b>	-
Floating interest rate based on SOFR plus margin, maturing in 2025 (p)		<b>2,718,947</b>	-

*Forward*

	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Subsidiaries</b>			
Philippine Peso-denominated:			
Fixed interest rate with maturities up to 2029 (q)		<b>P32,497,049</b>	P35,177,787
Fixed interest rate with maturities up to 2030 (r)		<b>14,643,247</b>	15,893,917
Fixed interest rate with maturities up to 2033 (s)		<b>27,537,755</b>	-
Floating rate based on Bloomberg Valuation (BVAL) plus margin, maturing in 2030 (t)		<b>7,187,581</b>	-
Foreign currency-denominated:			
Fixed interest rate with maturities up to 2023 and 2030 (t) (u)		<b>17,078,674</b>	24,653,982
Floating interest rate based on SOFR plus margin, with maturities up to 2023 and 2030 (t) (u)		<b>5,620,829</b>	8,140,179
		<b>188,302,571</b>	182,773,322
	<b>30, 31</b>	<b>258,769,473</b>	272,152,624
Less current maturities		<b>54,124,645</b>	63,721,744
		<b>P204,644,828</b>	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:

	<b>Term</b>	<b>Interest Rate Per Annum</b>
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:

	<b>Term</b>	<b>Interest Rate Per Annum</b>
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:

	<b>Term</b>	<b>Interest Rate Per Annum</b>
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:

	<b>Term</b>	<b>Interest Rate Per Annum</b>
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:

	<b>Note</b>	<b>2023</b>	<b>2022</b>
Balance at beginning of year		<b>P2,713,968</b>	P2,062,866
Additions		<b>822,522</b>	1,742,024
Capitalized amount	12	<b>(2,279)</b>	(296,790)
Amortization		<b>(849,696)</b>	(794,132)
Balance at end of year		<b>P2,684,515</b>	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
	<b>US\$1,464,120</b>	<b>P81,068,325</b>	<b>P180,385,663</b>	<b>P2,684,515</b>	<b>P258,769,473</b>

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:

	<b>Note</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Short-term employee				
benefits	24	<b>P129,041</b>	P139,090	P134,074
Retirement cost	20	<b>17,523</b>	10,181	15,520
		<b>P146,564</b>	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.

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## **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
<b>Balance at Beginning of Year</b>	<b>P19,441</b>	<b>P -</b>	<b>(P487,046)</b>	<b>(P157,588)</b>	<b>(P467,605)</b>	<b>(P157,588)</b>
<b>Recognized in Profit or Loss</b>						
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	-
	<b>3,194</b>	<b>-</b>	<b>(122,286)</b>	<b>(161,751)</b>	<b>(119,092)</b>	<b>(161,751)</b>
<b>Recognized in Other Comprehensive Income</b>						
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)
	<b>(1,901)</b>	<b>(267)</b>	<b>(47,847)</b>	<b>(15,120)</b>	<b>(49,748)</b>	<b>(15,387)</b>
<b>Others</b>						
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)
	<b>49,644</b>	<b>19,708</b>	<b>16,736</b>	<b>(152,587)</b>	<b>66,380</b>	<b>(132,879)</b>
<b>Balance at End of Year</b>	<b>P70,378</b>	<b>P19,441</b>	<b>(P640,443)</b>	<b>(P487,046)</b>	<b>(P570,065)</b>	<b>(P467,605)</b>

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:

	<b>In Percentages</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	<b>84.71%</b>	99.97%
Investments in marketable securities	<b>15.13%</b>	-
Others	<b>0.16%</b>	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	-	-	-	-
<b>Issued and outstanding</b>	<b>2,823,604,000</b>	<b>P2,823,604</b>	<b>1,250,004,000</b>	<b>P1,250,004</b>

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:

<b>Date of Issuance</b>	<b>Initial Rate of Distribution Per Annum</b>	<b>Step-Up Date</b>	<b>Amount of SPCS Issued</b>	<b>Amount in Philippine Peso*</b>
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
			<b>US\$3,400,000</b>	<b>P167,767,364</b>

*\*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:

<b>Title of Security</b>	<b>Amount of SPCS Issued</b>	<b>Amount of SPCS Repurchased</b>	<b>Amount of Outstanding SPCS Issued</b>	<b>Amount in Philippine Peso</b>
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
	<b>US\$3,400,000</b>	<b>US\$123,934</b>	<b>US\$3,276,066</b>	<b>P161,767,709</b>

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”):

<b>Date of Issuance</b>	<b>Initial Rate of Distribution</b>	<b>Amount of RPS Issued</b>	<b>Amount in Philippine Peso*</b>
<b>Parent Company</b>			
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
			<b>P102,546,825</b>
<b>SMGP BESS</b>			
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
			<b>P20,220,004</b>

*\*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.

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## 22. Revenues

Revenues consist of:

	<b>Note</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Sale of power:				
Power generation and trading	6	<b>P145,190,801</b>	P180,027,616	P109,947,984
Retail and other power-related services	6	<b>23,973,021</b>	41,153,496	23,582,766
Other services		<b>426,415</b>	207,676	179,421
	5, 19	<b>P169,590,237</b>	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).

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**23. Cost of Power Sold**

Cost of power sold consists of:

	<b>Note</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Coal, fuel oil and other consumables	9, 19	<b>P86,906,429</b>	P114,857,765	P39,108,912
Power purchases	6	<b>25,249,742</b>	57,089,312	20,557,301
Depreciation and amortization	6, 12, 13, 14	<b>11,664,266</b>	11,241,841	10,794,984
Plant operations and maintenance, and other fees	6, 19, 20	<b>5,530,562</b>	4,729,974	3,937,710
Energy fees	6	<b>1,640,693</b>	10,452,088	17,762,434
	<b>5</b>	<b>P130,991,692</b>	P198,370,980	P92,161,341

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**24. Selling and Administrative Expenses**

Selling and administrative expenses consist of:

	<b>Note</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Taxes and licenses		<b>P1,876,156</b>	P1,613,908	P1,194,088
Salaries, wages and benefits	19, 20	<b>1,012,493</b>	1,034,757	857,508
Management fees	19	<b>737,864</b>	693,395	689,458
Depreciation and amortization	6, 12, 13, 14	<b>652,409</b>	679,850	579,216
Outside services		<b>523,675</b>	331,336	245,486
Rent	4, 6, 19	<b>362,503</b>	368,402	367,110
Professional fees		<b>267,922</b>	220,119	180,261
Corporate special program		<b>248,836</b>	301,328	429,973
Supplies		<b>133,855</b>	89,515	165,212
Repairs and maintenance		<b>108,731</b>	90,142	57,121
Travel and transportation		<b>88,665</b>	77,478	52,733
Advertising and promotions		<b>88,261</b>	75,870	169,587
Donations		<b>21,309</b>	10,261	162,046
Impairment losses on trade receivables (reversals) - net	4, 8	<b>(46,650)</b>	52,855	(343,502)
Miscellaneous		<b>90,426</b>	100,666	108,974
	<b>5</b>	<b>P6,166,455</b>	P5,739,882	P4,915,271

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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.

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**25. Other Operating Income**

Other operating income consists of:

	<b>Note</b>	<b>2023</b>	2022	2021
Rental income	4, 6	<b>P83,640</b>	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		<b>10,383</b>	147,082	195,301
	5, 19	<b>P94,023</b>	P11,607,688	P207,018

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Miscellaneous pertains mainly to management and shared services fees, power bill surcharges, and utilities income.

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**26. Other Income (Charges) - Net**

Other income (charges) consists of:

	<b>Note</b>	<b>2023</b>	2022	2021
Foreign exchange gains (losses) - net	30	<b>P1,258,912</b>	(P9,006,865)	(P1,495,366)
Insurance claims		<b>104,487</b>	-	-
Reversal of impairment losses on other receivables	8	-	22,924	22,925
Marked-to-market gains (losses) on derivatives - net	31	<b>(875,946)</b>	1,583,553	278,397
Miscellaneous income - net	4, 6, 12	<b>50,507</b>	159,569	1,401
	5	<b>P537,960</b>	(P7,240,819)	(P1,192,643)

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Miscellaneous income mostly pertains to terminal fee, sale of scrap, and impairment losses on property, plant and equipment.

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**27. Income Taxes**

The components of income tax expense (benefit) are as follows:

	<b>Note</b>	<b>2023</b>	2022	2021
Current	28	<b>P1,924,391</b>	P2,689,434	P1,130,275
Deferred		<b>3,235,815</b>	(1,654,683)	3,921,236
Adjustments due to Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act		-	-	(3,151,344)
		<b>P5,160,206</b>	P1,034,751	P1,900,167

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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
<b>2023</b>					
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)
<b>2022</b>					
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:

	<b>2023</b>	<b>2022</b>
Deferred tax assets	<b>P973,481</b>	P2,280,281
Deferred tax liabilities	<b>(21,284,723)</b>	(19,364,348)
	<b>(P20,311,242)</b>	(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:

<b>Year Incurred/ Paid</b>	<b>Carryforward Benefits Up To</b>	<b>NOLCO</b>	<b>MCIT</b>
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	-
		<b>P70,117,520</b>	<b>P165,675</b>

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	<b>25.00%</b>	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:			
Unrecognized deferred tax assets	<b>28.09%</b>	63.63%	15.28%
Availment of income tax holiday and others	<b>(18.83%)</b>	(63.81%)	(29.65%)
Effective income tax rate	<b>34.26%</b>	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.

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## **29. Basic and Diluted Earnings (Loss) Per Share**

Basic and diluted earnings (loss) per share is computed as follows:

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net income attributable to equity holders of the Parent Company	<b>P9,905,416</b>	P3,162,545	P16,058,084
Distributions for the year to:			
USCS holders	-	-	(218,723)
RPS holder	<b>(6,088,171)</b>	(2,344,642)	(2,000,759)
SPCS holders	<b>(15,034,200)</b>	(15,482,007)	(12,737,330)
Net income (loss) attributable to common shareholders of the Parent Company (a)	<b>(11,216,955)</b>	(14,664,104)	1,101,272
Weighted average number of common shares outstanding (in thousands) (b)	<b>1,588,937</b>	1,250,004	1,250,004
Basic/Diluted Earnings (Loss) Per Share (a/b)	<b>(P7.06)</b>	(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).

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### **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
<b>Financial Assets</b>						
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
<b>Financial Liabilities</b>						
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
<b>Financial Assets</b>						
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
<b>Financial Liabilities</b>						
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>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents (excluding cash on hand)	7	<b>P31,657,566</b>	P22,724,545
Trade and other receivables - net*	8	<b>110,097,787</b>	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	<b>17,579,941</b>	21,687,453
Restricted cash	10, 15	<b>6,271,296</b>	7,698,458
		<b>P165,606,590</b>	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.

	<b>Financial Assets at Amortized Cost</b>			<b>Total</b>
	<b>12-month ECL</b>	<b>Lifetime ECL - not credit impaired</b>	<b>Lifetime ECL - credit impaired</b>	
<b>December 31, 2023</b>				
Cash and cash equivalents (excluding cash on hand)	<b>P31,657,566</b>	<b>P -</b>	<b>P -</b>	<b>P31,657,566</b>
Trade and receivables	-	<b>110,097,787</b>	<b>2,665,606</b>	<b>112,763,393</b>
Noncurrent receivables	-	<b>17,579,941</b>	-	<b>17,579,941</b>
Restricted cash	<b>6,271,296</b>	-	-	<b>6,271,296</b>
	<b>P37,928,862</b>	<b>P127,677,728</b>	<b>P2,665,606</b>	<b>P168,272,196</b>

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
<b>Fixed Rate</b>							
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
<b>Floating Rate</b>							
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
<b>December 31, 2022</b>	<b>&lt; 1 Year</b>	<b>1-2 Years</b>	<b>&gt;2-3 Years</b>	<b>&gt;3-4 Years</b>	<b>&gt;4-5 Years</b>	<b>&gt;5 Years</b>	<b>Total</b>
<b>Fixed Rate</b>							
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
<b>Floating Rate</b>							
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
<b>Assets</b>					
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
<b>Liabilities</b>					
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
<b>Net Foreign Currency-denominated Monetary Liabilities</b>					
		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:

<b>US Dollar to Philippine Peso</b>	
<b>December 31, 2023</b>	<b>55.370</b>
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
<b>December 31, 2023</b>				
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)
	<b>P2,474,302</b>	<b>P2,093,095</b>	<b>(P2,474,302)</b>	<b>(P2,093,095)</b>

	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
<b>December 31, 2022</b>				
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)
	<b>P3,273,415</b>	<b>P2,797,422</b>	<b>(P3,273,415)</b>	<b>(P2,797,422)</b>

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
<b>Financial Assets</b>				
Cash and cash equivalents	<b>P31,659,442</b>	<b>P31,659,442</b>	P22,726,236	P22,726,236
Trade and other receivables - net*	<b>110,097,787</b>	<b>110,097,787</b>	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)	<b>17,579,941</b>	<b>17,579,941</b>	21,687,453	21,687,453
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	<b>6,271,296</b>	<b>6,271,296</b>	7,698,458	7,698,458
	<b>P165,608,466</b>	<b>P165,608,466</b>	P150,679,079	P150,679,079
<b>Financial Liabilities</b>				
Loans payable	<b>P13,736,000</b>	<b>P13,736,000</b>	P21,000,000	P21,000,000
Accounts payable and accrued expenses	<b>76,073,208</b>	<b>76,073,208</b>	67,215,148	67,215,148
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	<b>13,925</b>	<b>13,925</b>	75,455	75,455
Long-term debt - net (including current maturities)	<b>258,769,473</b>	<b>272,270,702</b>	272,152,624	276,750,515
Lease liabilities (including current portion)	<b>42,787,300</b>	<b>42,787,300</b>	59,958,110	59,958,110
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	<b>3,959,302</b>	<b>3,959,302</b>	5,780,913	5,780,913
	<b>P395,339,208</b>	<b>P408,840,437</b>	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:

	<b>2023</b>	2022
Balance at beginning of year	<b>P246,375</b>	P154,105
Net change in fair value of derivatives:		
Designated as accounting hedge	<b>(7,238)</b>	101,372
Not designated as accounting hedge	<b>(875,946)</b>	1,583,553
	<b>(636,809)</b>	1,839,030
Less fair value of settled instruments	<b>(622,884)</b>	1,592,655
Balance at end of year	<b>(P13,925)</b>	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
<b>Balance as at January 1, 2023</b>	<b>P21,000,000</b>	<b>P272,152,624</b>	<b>P59,958,110</b>	<b>P1,250,004</b>	<b>P2,490,000</b>	<b>P51,934,069</b>	<b>P408,784,807</b>
<b>Changes from Financing Activities</b>							
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)
<b>Total Changes from Financing Activities</b>	<b>(7,264,000)</b>	<b>(12,384,871)</b>	<b>(19,314,572)</b>	<b>1,573,600</b>	<b>45,591,781</b>	<b>49,164,065</b>	<b>57,366,003</b>
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
<b>Balance as at December 31, 2023</b>	<b>P13,736,000</b>	<b>P258,769,473</b>	<b>42,787,300</b>	<b>P2,823,604</b>	<b>P48,081,781</b>	<b>P102,546,825</b>	<b>P468,744,983</b>

	Loans Payable	Long-term Debt	Lease Liabilities	SPCS	RPS	Total
<b>Balance as at January 1, 2022</b>	<b>P1,529,970</b>	<b>P222,921,443</b>	<b>P78,213,359</b>	<b>P167,767,364</b>	<b>P32,751,570</b>	<b>P503,183,706</b>
<b>Changes from Financing Activities</b>						
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)
<b>Total Changes from Financing Activities</b>	<b>18,808,750</b>	<b>41,730,286</b>	<b>(24,220,192)</b>	<b>(4,702,640)</b>	<b>19,182,499</b>	<b>50,798,703</b>
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
<b>Balance as at December 31, 2022</b>	<b>P21,000,000</b>	<b>P272,152,624</b>	<b>P59,958,110</b>	<b>P161,767,709</b>	<b>P51,934,069</b>	<b>P566,812,512</b>

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.

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### 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 3<sup>rd</sup> 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 14<sup>th</sup> 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 13<sup>th</sup> Division of the CA as the SPPC CA Petition was transferred to this division of the CA. This Urgent Motion was granted by the 13<sup>th</sup> 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 13<sup>th</sup> 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 13<sup>th</sup> Division of the CA.

On December 27, 2022, SPI received a copy of the CA 16<sup>th</sup> 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 13<sup>th</sup> 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 13<sup>th</sup> 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.

## THE ISSUER

### **San Miguel Global Power Holdings Corp.**

155 EDSA, Brgy. Wack-Wack  
Mandaluyong City  
Metro Manila 1550  
Philippines

## TRUSTEE

**DB Trustees (Hong Kong) Limited**  
Level 60, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

## REGISTRAR, PRINCIPAL PAYING AGENT, TRANSFER AGENT, AND CALCULATION AGENT

**Deutsche Bank Aktiengesellschaft, Hong Kong Branch**  
Level 60, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

## LEGAL ADVISORS

*To the Issuer as to Philippine law*

**Picazo Buyco Tan Fider & Santos**  
Penthouse, Liberty Center – Picazo Law  
104 H.V. dela Costa Street  
Salcedo Village, Makati City 1227  
Philippines

*To the Joint Lead Managers as to Philippine law*

**SyCip Salazar Hernandez & Gatmaitan**  
SyCipLaw Center  
105 Paseo de Roxas  
Makati City 1226  
Metro Manila  
Philippines

*To the Issuer as to English law*

**Latham & Watkins LLP**  
18th Floor, One Exchange Square  
8 Connaught Place, Central  
Hong Kong

*To the Joint Lead Managers and the Trustee as to  
English law*

**Allen Overy Shearman Sterling LLP**  
50 Collyer Quay  
#09-01 OUE Bayfront  
Singapore 049321

## INDEPENDENT AUDITOR

**R.G. Manabat & Co., formerly Manabat  
Sanagustin & Co, a member firm of KPMG**  
9th Floor, The KPMG Center  
6787 Ayala Avenue  
Makati City 1226  
Philippines

## LISTING AGENT

**Latham & Watkins LLP**  
9 Raffles Place  
#42-02 Republic Plaza  
Singapore 048619

## THE OFFEROR

**San Miguel Global Power Holdings Corp.**  
**(formerly known as SMC Global Power Holdings Corp.)**

5<sup>th</sup> Floor, C5 Office Building Complex-  
#100 E. Rodriguez Jr. Avenue, C5 Road, Bo. Ugong  
Pasig City 1604  
Metro Manila 1550  
Philippines

*Requests for information in relation to the Offers should be directed to:*

## THE DEALER MANAGERS

<b>Australia and New Zealand Banking Group Limited</b>	<b>DBS Bank Ltd.</b>	<b>Mizuho Securities Asia Limited</b>	<b>Standard Chartered Bank</b>
10 Collyer Quay #21-00 Ocean Financial Centre Singapore 049315	12 Marina Boulevard, Level 42 Marina Bay Financial Centre Tower 3 Singapore 018982	14-15/F., K11 Atelier 18 Salisbury Road Tsim Sha Tsui, Kowloon Hong Kong	One Basinghall Avenue London EC2V 5DD United Kingdom
Attention: Debt Capital Markets Asia	Attention: GFM Investment Banking – Fixed Income Origination	Attention: Debt Capital Markets	Attention: Capital Markets Philippines
Email: dcmsg@anz.com	Email: dbstmng@dbs.com	Email: Liability.Management@h k.mizuho-sc.com	Email: Liability_Management@s c.com

*Requests for information in relation to the procedures in relation to offering for exchange or tendering for purchase, as applicable, of Existing Securities and participating in the Offers and the submission of an Exchange Offer and a Tender Instruction should be directed to the Exchange and Tender Agent:*

## THE EXCHANGE AND TENDER AGENT

***D.F. King Ltd***

**In London**  
65 Gresham Street  
London EC2V 7NQ

**In Hong Kong**  
Suite 1601, 16/F, Central Tower, 28 Queen's Road  
Central

Attention: Debt Team  
Telephone: +44 20 7920 9700 / +852 3953 7208  
E-mail: smgp@dfkingltd.com  
Offer Website: <https://clients.dfkingltd.com/smgp>

## LEGAL ADVISERS

**To the Offeror as to English law**

**Latham & Watkins LLP**  
18th Floor, One Exchange Square  
8 Connaught Place, Central  
Hong Kong

**To the Offeror as to Philippine law**

**Picazo Buyco Tan Fider & Santos**  
Penthouse, Liberty Center – Picazo Law  
104 H.V. dela Costa Street  
Salcedo Village, Makati City 1227  
Philippines

**To the Dealer Managers as to English law**

**Allen Overy Shearman Sterling LLP**  
50 Collyer Quay  
#09-01 OUE Bayfront  
Singapore 049321

**To the Dealer Managers as to Philippine law**

**SyCip Salazar Hernandez & Gatmaitan**  
SyCipLaw Center  
105 Paseo de Roxas  
Makati City 1226  
Metro Manila  
Philippines