COVER SHEET

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S. E. C. Registration Number

SMC GLOBAL POWER HOLDINGS CORP.

(Company's Full Name)

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

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

Atty. Julie Ann B. Domino-Pablo
Contact Person

+632-53171000
Company Telephone Number

1 2	3 1	SEC Form 17-Q (3rd Quarter ended 30 September 2022)	0 6	1st Tues.
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders **Domestic** **Foreign**

To be accomplished by SEC Personnel concerned

File Number **LCU**

Document I. D. **Cashier**

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2022**

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

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

4. Exact name of issuer as specified in its charter **SMC GLOBAL POWER HOLDINGS CORP.**

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

6. Industry Classification Code: [ ] (SEC Use Only)

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

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

9. **N/A**
   Former name, former address and former fiscal year, if changed since last report

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

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

	Number of shares of stock and debt outstanding (as of September 30, 2022)
Common Shares	**1,250,004,000**
Consolidated Total Liabilities (in Thousands)	**P474,929,515**

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

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

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months.
Yes [√] No [ ]

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

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of SMC Global Power Holdings Corp. ("SMC Global Power" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended September 30, 2022 (with comparative figures as of December 31, 2021 and for the period ended September 30, 2021) and Selected Notes to the Consolidated Financial Statements are hereto attached as **Annex "A"**.

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

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

PART II - OTHER INFORMATION

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

SIGNATURES

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

Issuer	**SMC GLOBAL POWER HOLDINGS CORP.**
Signature and Title	**PAUL BERNARD D. CAUSON** Chief Finance Officer/ Authorized Signatory
Date	November 14, 2022
Signature and Title	**RAMON U. AGAY** Comptroller/ Authorized Signatory
Date	November 14, 2022

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND DECEMBER 31, 2021
(In Thousands)

	Note	**2022 (Unaudited)**	2021 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*5, 19, 20*	**P44,076,857**	P67,690,151
Trade and other receivables - net	*6, 11, 19, 20*	**89,142,386**	47,272,302
Inventories		**16,226,181**	10,017,822
Prepaid expenses and other current assets	*19, 20*	**39,685,726**	31,489,892
Total Current Assets		**189,131,150**	156,470,167
Noncurrent Assets			
Investments and advances - net		**7,769,199**	10,838,846
Property, plant and equipment - net	*4, 7*	**294,650,100**	211,858,532
Right-of-use assets - net	*4, 8*	**107,860,131**	157,159,661
Deferred exploration and development costs		**765,697**	719,393
Goodwill and other intangible assets - net	*6*	**74,667,396**	72,943,146
Deferred tax assets		**2,842,048**	1,447,415
Other noncurrent assets	*19, 20*	**36,201,300**	24,287,040
Total Noncurrent Assets		**524,755,871**	479,254,033
		P713,887,021	P635,724,200
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*9, 19, 20*	**P15,439,688**	P1,529,970
Accounts payable and accrued expenses	*11, 19, 20*	**76,884,496**	56,055,226
Lease liabilities - current portion	*4, 11, 19, 20*	**19,368,847**	21,677,035
Income tax payable		**223,360**	24,754
Current maturities of long-term debt - net of debt issue costs	*10, 19, 20*	**72,652,320**	30,185,418
Total Current Liabilities		**184,568,711**	109,472,403
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*10, 19, 20*	**217,001,785**	192,736,025
Deferred tax liabilities		**18,876,189**	20,182,639
Lease liabilities - net of current portion	*4, 11, 19, 20*	**46,932,284**	56,536,324
Other noncurrent liabilities	*19, 20*	**7,550,546**	5,068,211
Total Noncurrent Liabilities		**290,360,804**	274,523,199
Total Liabilities		**474,929,515**	383,995,602

Forward

	Note	2022 (Unaudited)	2021 (Audited)
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	*12*	**P1,250,004**	P1,062,504
Additional paid-in capital		**2,490,000**	2,490,000
Senior perpetual capital securities		**167,767,364**	167,767,364
Redeemable perpetual securities		**32,751,570**	32,751,570
Equity reserves		**(1,516,570)**	(1,536,280)
Retained earnings		**35,287,657**	48,247,948
		238,030,025	250,783,106
Non-controlling Interests		**927,481**	945,492
Total Equity		**238,957,506**	251,728,598
		P713,887,021	P635,724,200

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(In Thousands, Except Per Share Data)

				For the Quarter Ended	
	Note	**2022 (Unaudited)**	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
REVENUES	*3, 11, 13*	**P166,147,294**	P93,866,814	**P63,566,560**	P33,587,799
COST OF POWER SOLD	*3, 11, 14*	**148,816,056**	65,385,778	**61,473,570**	24,552,495
GROSS PROFIT		**17,331,238**	28,481,036	**2,092,990**	9,035,304
SELLING AND ADMINISTRATIVE EXPENSES	*3, 6, 7*	**(3,908,752)**	(3,572,228)	**(1,420,636)**	(1,284,489)
OTHER OPERATING INCOME	*3, 7, 11, 15*	**7,101,958**	3,492,616	**6,187,854**	75,302
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*4, 9, 10*	**(12,138,291)**	(13,784,873)	**(3,952,189)**	(4,580,468)
INTEREST INCOME	*5*	**717,977**	416,223	**279,679**	170,438
EQUITY IN NET EARNINGS (LOSSES) OF AN ASSOCIATE AND JOINT VENTURES		**(331,358)**	(20,371)	**(266,097)**	105,072
GAIN ON SALE OF INVESTMENTS	*11*	**2,688,201**	-	**2,688,201**	-
OTHER CHARGES - Net	*16*	**(15,041,380)**	(923,006)	**(9,471,371)**	(1,042,314)
INCOME (LOSS) BEFORE INCOME TAX		**(3,580,407)**	14,089,397	**(3,861,569)**	2,478,845
INCOME TAX EXPENSE (BENEFIT)	*17*	**(945,807)**	395,494	**(3,106,850)**	1,003,904
NET INCOME (LOSS)		**(P2,634,600)**	P13,693,903	**(P754,719)**	P1,474,941
Attributable to:					
Equity holders of the Parent Company		**(P2,618,928)**	P13,767,810	**(P714,756)**	P1,529,370
Non-controlling interests		**(15,672)**	(73,907)	**(39,963)**	(54,429)
		(P2,634,600)	P13,693,903	**(P754,719)**	P1,474,941
Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company					
Basic/Diluted	*18*	**(P12.75)**	P2.40	**(P4.29)**	(P2.00)

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(In Thousands)

	Note	2022 (Unaudited)	2021 (Unaudited)	For the Quarter Ended 2022 (Unaudited)	For the Quarter Ended 2021 (Unaudited)
NET INCOME (LOSS)		**(P2,634,600)**	P13,693,903	**(P754,719)**	P1,474,941
OTHER COMPREHENSIVE INCOME (LOSS)					
Item that will not be reclassified to profit or loss					
Equity reserve for retirement plan		**-**	(59)	**-**	-
Items that may be reclassified to profit or loss					
Gain on exchange differences on translation of foreign operations		**59,278**	2,400,264	**27,811**	1,821,405
Net gain (loss) on cash flow hedges	*20*	**(39,568)**	57,720	**(7,298)**	33,707
		19,710	2,457,984	**20,513**	1,855,112
OTHER COMPREHENSIVE INCOME - Net of tax		**19,710**	2,457,925	**20,513**	1,855,112
TOTAL COMPREHENSIVE INCOME (LOSS) - Net of tax		**(P2,614,890)**	P16,151,828	**(P734,206)**	P3,330,053
Attributable to:					
Equity holders of the Parent Company		**(P2,599,218)**	P16,225,735	**(P694,243)**	P3,384,482
Non-controlling interests		**(15,672)**	(73,907)	**(39,963)**	(54,429)
		(P2,614,890)	P16,151,828	**(P734,206)**	P3,330,053

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(In Thousands)

		Equity Attributable to Equity Holders of the Parent Company												
							Equity Reserves							
	Note	Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Undated Subordinated Capital Securities	Equity Reserves	Translation Reserves	Reserve for Retirement Plan	Hedging Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2022 (Audited)		**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**
Net income (loss)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,618,928)**	**(2,618,928)**	**(15,672)**	**(2,634,600)**
Other comprehensive income (loss) - net of tax		**-**	**-**	**-**	**-**	**-**	**-**	**59,278**	**-**	**(39,568)**	**-**	**19,710**	**-**	**19,710**
Total comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**-**	**59,278**	**-**	**(39,568)**	**(2,618,928)**	**(2,599,218)**	**(15,672)**	**(2,614,890)**
Collection of subscription receivable	*12*	**187,500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**187,500**	**-**	**187,500**
Stock issuance cost		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(136,553)**	**(136,553)**	**(2,339)**	**(138,892)**
Distributions:														
Redeemable perpetual securities	*12*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,616,926)**	**(1,616,926)**	**-**	**(1,616,926)**
Senior perpetual capital securities	*12*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,587,884)**	**(8,587,884)**	**-**	**(8,587,884)**
Transactions with owners		**187,500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,341,363)**	**(10,153,863)**	**(2,339)**	**(10,156,202)**
As at September 30, 2022 (Unaudited)		**P1,250,004**	**P2,490,000**	**P167,767,364**	**P32,751,570**	**P -**	**(P2,379,442)**	**P939,826**	**(P46,195)**	**(P30,759)**	**P35,287,657**	**P238,030,025**	**P927,481**	**P238,957,506**
As at January 1, 2021, (Audited)		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)		-	-	-	-	-	-	-	-	-	13,767,810	13,767,810	(73,907)	13,693,903
Other comprehensive income (loss) - net of tax		-	-	-	-	-	-	2,400,264	(59)	57,720	-	2,457,925	-	2,457,925
Total comprehensive income (loss)		-	-	-	-	-	-	2,400,264	(59)	57,720	13,767,810	16,225,735	(73,907)	16,151,828
Issuance of senior perpetual capital securities	*12, 21*	-	-	35,578,347	-	-	-	-	-	-	-	35,578,347	-	35,578,347
Redemption of undated subordinated capital securities	*12, 21*	-	-	-	-	(13,823,499)	(758,001)	-	-	-	-	(14,581,500)	-	(14,581,500)
Share issuance cost		-	-	-	-	-	-	-	-	-	(25,686)	(25,686)	-	(25,686)
Distributions:														
Senior perpetual capital securities	*12*	-	-	-	-	-	-	-	-	-	(6,387,106)	(6,387,106)	-	(6,387,106)
Redeemable perpetual securities	*12*	-	-	-	-	-	-	-	-	-	(1,487,058)	(1,487,058)	-	(1,487,058)
Undated subordinated capital securities	*12*	-	-	-	-	-	-	-	-	-	(656,168)	(656,168)	-	(656,168)
Transactions with owners		-	-	35,578,347	-	(13,823,499)	(758,001)	-	-	-	(8,556,018)	12,440,829	-	12,440,829
As at September 30, 2021 (Unaudited)		P1,062,504	P2,490,000	P167,778,079	P32,751,570	P -	(P2,379,662)	(P99,957)	(P59,116)	P10,567	P52,390,645	P253,944,630	P952,048	P254,896,678

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

Certified Correct:

PAUL BERNARD D. CAUSON

Chief Finance Officer / Authorized Signatory

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(In Thousands)

	Note	**2022 (Unaudited)**	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**(P3,580,407)**	P14,089,397
Adjustments for:			
Unrealized foreign exchange losses - net		**16,173,986**	2,915,638
Interest expense and other financing charges	*4, 9, 10*	**12,138,291**	13,784,873
Depreciation and amortization	*7, 8, 14*	**8,899,236**	8,441,737
Equity in net losses of an associate and joint ventures - net		**331,358**	20,371
Impairment losses on trade receivables	*6*	**45,849**	-
Retirement cost		**39,062**	35,998
Reversal of allowance on trade and other receivables	*6, 16*	**(22,924)**	(387,486)
Interest income		**(717,977)**	(416,223)
Gain on sale of investments	*11*	**(2,688,201)**	-
Gain on sale of property, plant and equipment	*7, 11, 15*	**(6,111,935)**	-
Operating income before working capital changes		**24,506,338**	38,484,305
Increase in:			
Trade and other receivables - net		**(29,487,384)**	(2,195,883)
Inventories		**(6,215,038)**	(2,505,669)
Prepaid expenses and other current assets		**(9,154,433)**	(4,576,621)
Increase in:			
Accounts payable and accrued expenses		**11,268,230**	9,515,254
Other noncurrent liabilities and others		**2,470,581**	1,017,506
Cash generated from (used for) operations		**(6,611,706)**	39,738,892
Interest income received		**668,652**	402,910
Income taxes paid		**(806,289)**	(81,686)
Interest expense and other financing charges paid		**(14,191,515)**	(14,627,246)
Net cash flows provided by (used in) operating activities		**(20,940,858)**	25,432,870
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	*7, 11*	**872,278**	-
Proceeds from sale of investments	*11*	**506,470**	-
Acquisition of subsidiaries, net of cash		**(11,862)**	-
Additions to deferred exploration and development costs		**(45,985)**	(2,010)
Additions to intangible assets		**(206,175)**	(127,316)
Additions to investments and advances		**(782,433)**	(914,020)
Advances paid to suppliers and contractors		**(3,906,074)**	(10,715,724)
Decrease (increase) in other noncurrent assets		**(4,145,333)**	1,825,599
Additions to property, plant and equipment	*7*	**(33,341,828)**	(23,168,977)
Net cash flows used in investing activities		**(41,060,942)**	(33,102,448)

Forward

	Note	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	*10, 21*	**P72,312,000**	P21,885,000
Proceeds from short-term borrowings	*9, 21*	**40,181,875**	27,576,930
Collection of subscription receivable	*12*	**187,500**	-
Proceeds from issuance of senior perpetual capital securities	*12*	**-**	35,578,347
Distributions paid to undated subordinated capital securities holders	*12*	**-**	(656,168)
Redemption of undated subordinated capital securities	*12, 21*	**-**	(14,581,500)
Payments of stock issuance costs		**(138,892)**	(25,686)
Distributions paid to redeemable perpetual securities holder	*12*	**(1,616,926)**	(1,487,058)
Distributions paid to senior perpetual capital securities holders	*12*	**(8,587,884)**	(6,387,106)
Payments of long-term debts	*10, 21*	**(18,729,366)**	(20,290,017)
Payments of lease liabilities	*4, 21*	**(19,543,034)**	(18,057,305)
Payments of short-term borrowings	*9, 21*	**(26,955,750)**	(27,831,930)
Net cash flows provided by (used in) financing activities		**37,109,523**	(4,276,493)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,278,983**	2,453,860
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(23,613,294)**	(9,492,211)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**67,690,151**	110,717,686
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*5*	**P44,076,857**	P101,225,475

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES

TRADE AND OTHER RECEIVABLES

SEPTEMBER 30, 2022

(Amounts in Thousands)

	Total	Current	Past Due			
			1 - 30 Days	**31 - 60 Days**	**61 - 90 Days**	**Over 90 Days**
Trade	₱ 79,651,978	₱ 48,381,071	₱ 4,637,374	₱ 3,747,281	₱ 2,819,955	₱ 20,066,297
Non-trade	7,303,123	1,191,770	519,789	339,658	20,827	5,231,079
Amounts owed by related parties	4,867,891	3,310,750	147,882	41,101	38,515	1,329,643
Total	91,822,992	₱ 52,883,591	₱ 5,305,045	₱ 4,128,040	₱ 2,879,297	₱ 26,627,019
Less allowance for impairment losses	2,680,606					
Net	**₱ 89,142,386**					

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data and Number of Shares)

1. Summary of Significant Accounting and Financial Reporting Policies

The interim consolidated financial statements of SMC Global Power Holdings Corp. (the "Parent Company") and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting,* and do not include all the information required in the annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2021.

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on November 14, 2022.

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

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

<u>Adoption of Amended Standards</u>
The Financial Reporting Standards Council (FRSC) approved the adoption of a number of amended standards as part of PFRS.

Amended Standards Adopted in 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

New and Amended Standards Not Yet Adopted

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

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

- Classification of Liabilities as Current or Noncurrent (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 requires that the right must have substance and exist at the end of the reporting period;

    - clarified that a right to defer settlement exists only if an entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; 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, 2023, with early application permitted.

- 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 entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes 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 amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

- Disclosure of Accounting Policies (Amendments to PAS 1 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 provide guidance and examples on the application of materiality to accounting policy disclosures.

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

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

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

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

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

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

Financial Instruments

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

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

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

Financial Assets

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

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

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

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

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

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

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

- how employees of the business are compensated; and

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

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

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

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

- prepayment and extension features; and

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

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

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

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

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

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

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

The Group's cash and cash equivalents, trade and other receivables, noncurrent receivables and restricted cash are included under this category.

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 (Notes 5, 19 and 20).

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

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

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

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

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

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

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

The Group's derivative assets that are designated as cash flow hedge are classified under this category (Notes 19 and 20).

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

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

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

The Group's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 19 and 20).

Financial Liabilities

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

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

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

The Group's derivative liabilities that are not classified as cash flow hedge are classified under this category (Notes 19 and 20).

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

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

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category (Notes 4, 9, 10, 19 and 20).

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Impairment of Financial Assets

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

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

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

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

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

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- 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.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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

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

2. Use of Judgments, Estimates and Assumptions

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

The significant judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied in the consolidated financial statements as at and for the year ended December 31, 2021.

3. Segment Information

Operating Segments

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

The coal mining companies, which were acquired in 2010, have not yet started commercial operations and are in the preparatory stages of mining activities.

Segment Assets and Liabilities

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

Inter-segment Transactions

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

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

Major Customers

The Group sells, retails and distributes power, through power supply agreements, retail supply contracts, concession agreement and other power-related service agreements, either directly to customers (other generators, distribution utilities, electric cooperatives and industrial customers) or through the Philippine Wholesale Electricity Spot Market (WESM). Sale of power to Manila Electric Company (Meralco) amounting to P62,417,538 and P36,963,971 for the periods ended September 30, 2022 and 2021, respectively, represents more than 10% of the Group's total revenues.

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

Operating Segments

Financial information about reportable segments follows:

	For the Periods Ended September 30											
	Power Generation		Retail and Other Power-related Services		Coal Mining		Others		Eliminations		Consolidated	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
Revenues												
External	**P134,723,310**	P76,989,484	**P31,272,441**	P16,761,139	**P -**	P -	**P151,543**	P116,191	**P -**	P -	**P166,147,294**	P93,866,814
Inter-segment	**17,317,657**	13,862,804	**7,242**	8,176	**-**	-	**977,857**	703,321	**(18,302,756)**	(14,574,301)	**-**	-
	152,040,967	90,852,288	**31,279,683**	16,769,315	**-**	-	**1,129,400**	819,512	**(18,302,756)**	(14,574,301)	**166,147,294**	93,866,814
Costs and Expenses												
Cost of power sold	**138,774,020**	65,682,412	**27,178,109**	13,439,097	**-**	-	**657,723**	516,288	**(17,793,796)**	(14,252,019)	**148,816,056**	65,385,778
Selling and administrative expenses	**2,857,397**	3,159,272	**710,386**	498,464	**11,730**	5,912	**1,776,409**	1,115,094	**(1,447,170)**	(1,206,514)	**3,908,752**	3,572,228
	141,631,417	68,841,684	**27,888,495**	13,937,561	**11,730**	5,912	**2,434,132**	1,631,382	**(19,240,966)**	(15,458,533)	**152,724,808**	68,958,006
Other operating income	**850,501**	3,384,629	**73,632**	76,191	-	-	**6,648,120**	537,693	**(470,295)**	(505,897)	**7,101,958**	3,492,616
Segment Result	**P11,260,051**	P25,395,233	**P3,464,820**	P2,907,945	**(P11,730)**	(P5,912)	**P5,343,388**	(P274,177)	**P467,915**	P378,335	**20,524,444**	28,401,424
Interest expense and other financing charges											**(12,138,291)**	(13,784,873)
Interest income											**717,977**	416,223
Equity in net losses of an associate and joint ventures											**(331,358)**	(20,371)
Gain on sale of investments											**2,688,201**	-
Other charges - net											**(15,041,380)**	(923,006)
Income tax benefit (expense)											**945,807**	(395,494)
Consolidated Net Income (Loss)											**(P2,634,600)**	P13,693,903

	As at and For the Periods Ended											
	Power Generation		Retail and Other Power-related Services		Coal Mining		Others		Eliminations		Consolidated	
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
Other Information												
Segment assets	**P539,839,030**	P496,862,462	**P53,101,282**	P13,927,745	**P1,344,000**	P736,789	**P192,931,482**	P110,153,274	**(P158,607,416)**	(P71,185,477)	**P628,608,378**	P550,494,793
Investments and advances - net	**10,128,110**	9,368,275	**235,218**	231,597	**-**	-	**326,575,857**	295,842,856	**(329,169,986)**	(294,603,882)	**7,769,199**	10,838,846
Goodwill and other intangible assets - net											**74,667,396**	72,943,146
Deferred tax assets											**2,842,048**	1,447,415
Consolidated Total Assets											**P713,887,021**	P635,724,200
Segment liabilities	**P307,535,789**	P238,452,748	**P38,651,112**	P8,126,374	**P1,461,424**	P842,509	**P30,661,261**	P5,490,372	**(P212,133,725)**	(P112,045,237)	**P166,175,861**	P140,866,766
Long-term debt - net											**289,654,105**	222,921,443
Income tax payable											**223,360**	24,754
Deferred tax liabilities											**18,876,189**	20,182,639
Consolidated Total Liabilities											**P474,929,515**	P383,995,602
Capital expenditures	**P27,400,342**	P39,274,510	**P5,693,743**	P -	**P374,673**	P -	**P140,415**	P420,597	**(P267,345)**	(P100,510)	**P33,341,828**	P39,594,597
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	**7,291,089**	9,541,894	**1,466,620**	1,699,272	**4,022**	-	**159,475**	165,396	**(21,970)**	(32,362)	**8,899,236**	11,374,200
Noncash items other than depreciation and amortization	**16,760,431**	3,609,404	**2,077,216**	(233,052)	**(6)**	(8)	**(2,270,310)**	(1,924,582)	**-**	-	**16,567,331**	1,451,762

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

4. Significant Agreements and Lease Commitments

Independent Power Producer (IPP) Administration (IPPA) Agreements

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

Subsidiary	Power Plant	Location
San Miguel Energy Corporation (SMEC)	Sual Coal -Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
Strategic Power Devt. Corp. (SPDC)	San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province
South Premiere Power Corp. (SPPC)	Ilijan Natural Gas -Fired Combined Cycle Power Plant (Ilijan Power Plant)	Ilijan, Batangas Province

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 SMEC and SPPC, the right to receive an assignment of NPC's interest in existing short-term bilateral power supply contracts;

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

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

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

Relative to the IPPA Agreements, SMEC, SPDC and SPPC have to pay PSALM monthly payments for 15 years until October 1, 2024, 18 years until April 26, 2028 and 12 years until June 26, 2022, respectively. Energy fees amounted to P10,104,180 and P14,228,144 for the periods ended September 30, 2022 and 2021, respectively (Note 14). SMEC and SPDC renewed their performance bonds amounting to US$58,187 and US$20,305, which will expire on November 3, 2023 and January 25, 2023, respectively.

On June 16, 2015, SPPC renewed its performance bond amounting to US$60,000 with a validity period of one year. This performance bond was subsequently drawn by PSALM on September 4, 2015 which is subject to an ongoing case (Note 21).

The lease liabilities are carried at amortized cost using the US dollar and Philippine peso discount rates as follows:

	US Dollar	Philippine Peso
SMEC	3.89%	8.16%
SPPC	3.85%	8.05%
SPDC	3.30%	7.90%

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreement and recognized as part of “Interest expense and other financing charges” account in the interim consolidated statements of income. Interest expense amounted to P2,684,064 and P3,643,878 for the periods ended September 30, 2022 and 2021, respectively.

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

On June 3, 2022, SPPC and PSALM executed a Deed of Sale for the transfer of control and ownership of the Ilijan Power Plant to SPPC following the end of its IPPA Agreement (Note 21). Consequently, the carrying amount of the Ilijan Power Plant was reclassified from "Right-of-use assets" account to “Property, plant and equipment” account in the interim consolidated statements of financial position (Notes 7 and 8).

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 P100,008,352 and P151,827,880 as at September 30, 2022 and December 31, 2021, respectively (Note 8).

The total cash outflows amounted to P22,100,669 and P21,615,533 for the periods ended September 30, 2022 and 2021, respectively.

Maturity analysis of lease payments as at September 30, 2022 and December 31, 2021 are disclosed in Note 19.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
Cash in banks and on hand		**P20,970,314**	P18,485,740
Short-term investments		**23,106,543**	49,204,411
	19, 20	**P44,076,857**	P67,690,151

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates. Interest income from cash and cash equivalents amounted to P636,706 and P395,894 for the periods ended September 30, 2022 and 2021, respectively.

6. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
Trade		**P79,651,978**	P37,096,420
Non-trade		**7,303,123**	9,723,627
Amounts owed by related parties	*11*	**4,867,891**	3,124,337
		91,822,992	49,944,384
Less allowance for impairment losses		**2,680,606**	2,672,082
	19, 20	**P89,142,386**	P47,272,302

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

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

	Note	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
Balance at beginning of period		**P2,672,082**	P3,034,110
Impairment losses during the period		**45,849**	44,006
Cumulative translation adjustment and others		**(14,401)**	4,399
Reversal during the period	*16*	**(22,924)**	(410,433)
Balance at end of period		**P2,680,606**	P2,672,082

Impairment losses recognized in the interim consolidated statements of income under “Selling and administrative expenses” account amounted to P45,849 and nil for the periods ended September 30, 2022 and 2021, respectively. 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 SMEC receivables 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. The issue on excess capacity is the subject of ongoing cases (Note 21).

On March 5, 2022, SMEC 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 SMEC on historic imbalances arising from WESM transactions, cost of fuel, market fees and other charges. Pursuant to said agreement, SMEC, TPEC and TSC have agreed to resolve their conflicting positions, cause the dismissal of all ongoing cases (Note 21), and settle the historic imbalances and the corresponding amounts claimed relative to the excess capacity of the Sual Power Plant.

As of September 30, 2022, SMEC has collected and recognized a receivable from TPEC amounting to P574,474 and P2,055,373, respectively, in accordance with the Settlement Agreement. In addition, SMEC recognized as other intangible assets its full dispatch rights on the capacity of the Sual Power Plant amounting to P1,628,854. The noncurrent portion of the receivable amounting to P1,575,769 is included under "Other noncurrent assets" in the interim consolidated statements of financial position.

7. Property, Plant and Equipment

Property, plant and equipment consist of:

<u>September 30, 2022 and December 31, 2021</u>

	Note	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	Capital Projects in Progress (CPIP)	Total
Cost							
January 1, 2021 (Audited)		P128,513,724	P13,159,019	P4,777,476	P3,861,451	P34,270,780	P184,582,450
Additions		527,220	342,780	339,283	4,803	38,380,511	39,594,597
Acquisition of a subsidiary		-	781,995	-	-	-	781,995
Reclassifications		2,619,673	(70,095)	641,642	5,102	(309,903)	2,886,419
Currency translation adjustments		4,287,195	31,999	199,017	186,554	151,201	4,855,966
December 31, 2021 (Audited)		135,947,812	14,245,698	5,957,418	4,057,910	72,492,589	232,701,427
Additions		727,839	36,477	439,459	-	32,138,053	33,341,828
Acquisition of subsidiaries			3,260,025				3,260,025
Reclassifications	*8*	48,336,092	340,099	1,055,533	139,852	6,272,830	56,144,406
Disposals	*11, 15*	(465,260)	(3,968,283)	(67,252)	(48,713)	(286,618)	(4,836,126)
Currency translation adjustments		-	296	2,213	-	-	2,509
September 30, 2022 (Unaudited)		**184,546,483**	**13,914,312**	**7,387,371**	**4,149,049**	**110,616,854**	**320,614,069**
Accumulated Depreciation and Amortization							
January 1, 2021 (Audited)		11,678,212	444,324	720,724	191,642	-	13,034,902
Depreciation and amortization	*14*	5,248,687	196,429	401,056	114,162	-	5,960,334
Reclassifications		-	-	48,326	-	-	48,326
Currency translation adjustments		1,561,861	1,464	43,991	17,043	-	1,624,359
December 31, 2021 (Audited)		18,488,760	642,217	1,214,097	322,847	-	20,667,921
Depreciation and amortization	*14*	4,715,911	161,262	331,368	93,812	-	5,302,353
Reclassifications	*8*	(181,633)	-	224,146	-	-	42,513
Disposals	*11, 15*	(133,171)	-	(63,612)	(29,456)	-	(226,239)
Currency translation adjustments		-	237	2,210	-	-	2,447
September 30, 2022 (Unaudited)		**22,889,867**	**803,716**	**1,708,209**	**387,203**	**-**	**25,788,995**
Accumulated Impairment Losses							
January 1, 2021 (Audited)		-	-	132,111	-	-	132,111
Impairment		-	-	34,991	-	-	34,991
Currency translation adjustments		-	-	7,872	-	-	7,872
December 31, 2021 (Audited) and September 30, 2022 (Unaudited)		**-**	**-**	**174,974**	**-**	**-**	**174,974**
Carrying Amount							
December 31, 2021 (Audited)		P117,459,052	P13,603,481	P4,568,347	P3,735,063	P72,492,589	P211,858,532
September 30, 2022 (Unaudited)		**P161,656,616**	**P13,110,596**	**P5,504,188**	**P3,761,846**	**P110,616,854**	**P294,650,100**

September 30, 2021

	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	CPIP	Total
Cost						
January 1, 2021 (Audited)	P128,513,724	P13,159,019	P4,777,476	P3,861,451	P34,270,780	P184,582,450
Additions	287,003	167,439	234,214	4,463	22,475,858	23,168,977
Acquisition of a subsidiary	-	779,505	-	-	-	779,505
Reclassifications	2,611,526	(110,817)	672,626	5,247	(1,021,978)	2,156,604
Currency translation adjustments	4,285,347	31,963	238,451	186,408	108,068	4,850,237
September 30, 2021 (Unaudited)	135,697,600	14,027,109	5,922,767	4,057,569	55,832,728	215,537,773
Accumulated Depreciation and Amortization						
January 1, 2021 (Audited)	11,678,212	444,324	720,724	191,642	-	13,034,902
Depreciation and amortization	3,925,573	144,996	228,240	88,391	-	4,387,200
Reclassifications	6	-	35,805	-	-	35,811
Currency translation adjustments	1,377,517	763	48,358	11,952	-	1,438,590
September 30, 2021 (Unaudited)	16,981,308	590,083	1,033,127	291,985	-	18,896,503
Accumulated Impairment Losses						
January 1, 2021 (Audited)	-	-	132,111	-	-	132,111
Currency translation adjustments	-	-	8,190	-	-	8,190
September 30, 2021 (Unaudited)	-	-	140,301	-	-	140,301
Carrying Amount						
September 30, 2021 (Unaudited)	P118,716,292	P13,437,026	P4,749,339	P3,765,584	P55,832,728	P196,500,969

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

b. CPIP pertains to the following:

   i. Projects of Masinloc Power Partners Co. Ltd. (MPPCL) for the construction of the Masinloc Power Plant Unit 4, 20 megawatts (MW) battery energy storage system (BESS), Unit 1 turbine retrofit, and other related facilities.

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

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

   iv. Projects of SMCGP Philippines Energy Storage Co. Ltd. for the construction of BESS facilities in Kabankalan, Negros Occidental

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

   v. Expenditures of Excellent Energy Resources Inc. related to the development of its combined cycle power plant in Batangas.

   vi. Various construction works relating to the respective power plant facilities of SMC Consolidated Power Corporation (SCPC) and San Miguel Consolidated Power Corporation (SMCPC).

c. Reclassifications mainly pertain to the carrying amount of SPPC's power plant located in Ilijan, Batangas, which was reclassified from the "Right-of-use assets" account, following the expiration of its IPPA Agreement with PSALM and its turnover to SPPC (Note 8), and application of advances to contractors against progress billings for capital projects in progress.

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

		September 30	
	Note	**2022 (Unaudited)**	2021 (Unaudited)
Cost of power sold	*14*	**P4,935,211**	P4,099,214
Selling and administrative expenses		**367,142**	287,986
		P5,302,353	P4,387,200

   Total depreciation and amortization recognized in the interim consolidated statements of income include amortization of capitalized interest and decommissioning and dismantling costs amounting to P200,881 and P188,921 for the periods ended September 30, 2022 and 2021, respectively. No impairment loss was recognized for periods ended September 30, 2022 and 2021.

The Group has borrowing costs amounting to P2,247,503 and P1,059,256, which were capitalized for the period ended September 30, 2022 and for the year ended December 31, 2021, respectively. The capitalization rate used to determine the amount of interest eligible for capitalization was 7.47% as at September 30, 2022 and December 31, 2021. The unamortized capitalized borrowing costs amounted to P9,990,250 and P7,943,628 as at September 30, 2022 and December 31, 2021, respectively (Note 10).

As at September 30, 2022 and December 31, 2021, certain property, plant and equipment amounting to P124,430,888 and P127,318,347, respectively, are pledged as security for syndicated project finance loans (Note 10).

Certain fully depreciated property, plant and equipment with aggregate costs amounting to P4,663,482 and P4,460,275 as at September 30, 2022 and December 31, 2021, respectively, are still being used in the Group's operations.

8. Right-of-Use Assets

The movements in right-of-use assets are as follows:

	Land	Buildings and Improvements	Power Plants	Total
Cost				
January 1, 2021 (Audited)	P5,556,227	P94,642	P167,387,089	P173,037,958
Additions	172,797	315,240	-	488,037
Remeasurement and others	(123,522)	-	-	(123,522)
Currency translation adjustments	(14,033)	-	-	(14,033)
December 31, 2021 (Audited)	5,591,469	409,882	167,387,089	173,388,440
Additions	2,723,373	40,837	-	2,764,210
Reclassification and others	43,497	-	(53,988,259)	(53,944,762)
September 30, 2022 (Unaudited)	**8,358,339**	**450,719**	**113,398,830**	**122,207,888**
Accumulated Depreciation and Amortization				
January 1, 2021 (Audited)	278,698	73,370	10,372,806	10,724,874
Depreciation and amortization	64,026	70,713	5,186,403	5,321,142
Remeasurement and others	182,763	-	-	182,763
December 31, 2021 (Audited)	525,487	144,083	15,559,209	16,228,779
Depreciation and amortization	73,281	55,767	3,351,266	3,480,314
Reclassification and others	158,661	-	(5,519,997)	(5,361,336)
September 30, 2022 (Unaudited)	**757,429**	**199,850**	**13,390,478**	**14,347,757**
Carrying Amount				
December 31, 2021 (Audited)	P5,065,982	P265,799	P151,827,880	P157,159,661
September 30, 2022 (Unaudited)	**P7,600,910**	**P250,869**	**P100,008,352**	**P107,860,131**

The carrying amount of the power plants under the IPPA lease arrangements with PSALM amounted to P100,008,352 and P151,827,880 as at September 30, 2022 and December 31, 2021, respectively (Note 4).

The carrying amount of MPPCL's land under lease arrangement amounted to P88,535 as at September 30, 2022 and December 31, 2021.

The combined asset retirement costs of SCPC, SMCPC, UPSI and MPPCL amounted to P560,085 and P588,594 as at September 30, 2022 and December 31, 2021, respectively.

The reclassification in 2022 mainly relates 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 (Note 4).

9. Loans Payable

	Note	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Parent Company			
Philippine peso-denominated		**P15,000,000**	P -
MPPCL			
Foreign currency-denominated		**439,688**	1,529,970
	19, 20	**P15,439,688**	P1,529,970

This account pertains to unsecured Philippine peso and US dollar-denominated loans obtained from various local financial institutions. The interest rates applied ranged from 4.00% to 5.00% and 3.75% as at September 30, 2022 and December 31, 2021, respectively. These loans were obtained to partially refinance maturing obligations, for working capital and for general corporate purposes.

Interest expense on loans payable amounted to P398,487 and P48,386 for the periods ended September 30, 2022 and 2021, respectively.

On March 17 and September 13, 2022, MPPCL paid a total of US$22,500 (equivalent to P1,207,875) as partial settlement of its short-term loan.

On August 10, 2022, the Parent Company fully paid its US$200,000 (equivalent to P11,133 million) short-term loan pursuant to the facility agreement dated April 29, 2022.

10. Long-term Debt

Long-term debt consists of:

	Note	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Bonds			
Parent Company			
Peso-denominated:			
Fixed interest rate of 5.9077%, 7.1051% and 8.0288% maturing in 2025, 2028 and 2032, respectively (a)		**P39,456,866**	P -
Fixed interest rate of 6.8350%, 7.1783% and 7.6000% maturing in 2022, 2024 and 2026, respectively (b)		**16,060,624**	29,857,106
Fixed interest rate of 6.7500% maturing in 2023		**14,961,074**	14,929,804
Fixed interest rate of 5.3750%, 6.2500% and 6.6250% maturing in 2022, 2024 and 2027, respectively		**19,944,332**	19,915,621
Fixed interest rate of 4.7575% and 5.1792% maturing in 2023 and 2026, respectively		**8,817,295**	8,807,704
		99,240,191	73,510,235

Forward

	Note	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Term Loans			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.9265%, with maturities up to 2024		**P14,284,262**	P14,341,187
Fixed interest rate of 5.0000%, with maturities up to 2025		**4,910,714**	4,925,442
Foreign currency-denominated:			
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, maturing in 2023		**29,256,779**	25,336,985
Floating interest rate based on LIBOR plus margin, maturing in 2026		**17,295,566**	14,948,743
Floating interest rate based on LIBOR plus margin, maturing in 2023		**2,904,386**	2,504,152
Floating interest rate based on LIBOR plus margin, maturing in 2024 (c)		**11,500,912**	-
Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2025 (d)		**5,762,866**	-
Floating interest rate based on SOFR plus margin, maturing in 2027 (e)		**17,122,256**	-
Subsidiaries			
Peso-denominated:			
Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (f)		**35,818,870**	37,626,133
Fixed interest rate of 7.7521% and 6.5077% with maturities up to 2030 (g)		**16,209,041**	17,154,198
Foreign currency-denominated:			
Fixed interest rate of 4.7776% and 5.5959%, with maturities up to 2023 and 2030, respectively (h)		**26,574,625**	24,487,442
Floating interest rate based on LIBOR plus margin, with maturities up to 2023 and 2030 (h)		**8,773,637**	8,086,926
		190,413,914	149,411,208
	19, 20	**289,654,105**	222,921,443
Less current maturities		**72,652,320**	30,185,418
		P217,001,785	P192,736,025

a. The amount represents the first tranche of the Parent Company's P60,000,000 fixed rate bonds shelf registration. The first tranche, with an aggregate principal amount of P40,000,000, was issued and listed on the Philippine Dealing and Exchange Corp. (PDEx) for trading on July 26, 2022 at the issue price of 100% of face value.

   It comes in three series, with terms and interest rates as follows:

	Term	Interest Rate Per Annum
Series K Bonds	3 years, due 2025	5.9077%
Series L Bonds	5.75 years, due 2028	7.1051%
Series M Bonds	10 years, due 2032	8.0288%

The proceeds from the issuance of the bonds were used: (i) to partially finance the Parent Company's investments in power-related assets, particularly Liquefied Natural Gas (LNG) projects and related assets, coal power plant projects, BESS and solar power plant projects; (ii) for general corporate purposes; and (iii) for payment of transaction-related fees, costs and expenses.

b. On April 25, 2022, the Parent Company redeemed the Series H Bonds, amounting to P13,844,860, which forms part of the P30,000,000 Series H-I-J fixed rate bonds issued in April 2019, 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 US$200,000 3-year term loan drawn by the Parent Company on January 21, 2022, from a facility agreement with a foreign bank executed on September 8, 2021. The initial loan amount under the facility agreement was increased from US$100,000 to US$200,000 on December 16, 2021. The loan is subject to a floating interest rate based on LIBOR plus margin and will mature in September 2024.

   The funds were used for capital expenditures relating to expansion projects and payment of other transaction related fees, costs and expenses of the facility.

d. 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.

e. 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.

f. On March 28, June 28 and September 28, 2022, SCPC has partially paid a total of P1,865,000 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.

g. The loan includes amount payable to Bank of Commerce (BOC), an associate of entities under common control, amounting to P2,469,824 and P2,615,936 as at September 30, 2022 and December 31, 2021, respectively (Note 11).

   On February 17, May 17 and August 17, 2022, SMCPC has partially paid a total of P972,558 of its P21,300,000, 12-year term loan, pursuant to the terms and conditions of its OLSA with a syndicate of local banks.

h. On April 29 and October 28, 2022, MPPCL made principal repayments of its term loans pursuant to its Omnibus Refinancing Agreement (ORA) and Omnibus Expansion Financing Agreement (OEFA) amounting to US$23,550 and US$28,507, respectively.

Unamortized debt issue costs amounted to P2,938,404 and P2,062,866 as at September 30, 2022 and December 31, 2021, respectively. Accrued interest amounted to P2,091,507 and P1,199,171 as at September 30, 2022 and December 31, 2021, respectively. Interest expense amounted to P10,352,947 and P9,493,512 (including P2,042,902 and P61,476, capitalized as part of CPIP, respectively) for the periods ended September 30, 2022 and 2021, respectively (Note 7).

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

The fair value of the Bonds, amounting to P102,742,476 and P78,768,298 as at September 30, 2022 and December 31, 2021, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 20).

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

The loans of MPPCL obtained from its ORA and OEFA are secured by real estate and chattel mortgages on all present assets (purchased under its asset purchase agreement, and all its rights in a land lease agreement, with PSALM) and all future assets as defined in its loan agreements, amounting to US$665,000 and US$525,000, respectively.

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

As at September 30, 2022 and December 31, 2021, the Group is in compliance with the covenants, including the required financial ratios, of the debt agreements.

The movements in debt issue costs are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	**P2,062,866**	P2,134,901
Additions	**1,443,055**	527,832
Currency translation adjustments	**-**	20,879
Capitalized amount	**(204,601)**	(1,981)
Amortization	**(362,916)**	(618,765)
Balance at end of period	**P2,938,404**	P2,062,866

Repayment Schedule

The annual maturities of the long-term debts as at September 30, 2022 are as follows:

	Gross Amount				
Year	**US Dollar**	**Peso Equivalent of US Dollar**	**Peso**	**Debt Issue Costs**	**Net**
October 1, 2022 to September 30, 2023	US$678,212	P39,760,208	P33,197,644	P305,532	P72,652,320
October 1, 2023 to September 30, 2024	281,185	16,484,471	27,807,284	479,224	43,812,531
October 1, 2024 to September 30, 2025	132,655	7,776,899	20,950,264	339,400	28,387,763
October 1, 2025 to September 30, 2026	334,125	19,588,078	16,531,654	498,190	35,621,542
October 1, 2026 to September 30, 2027	335,700	19,680,412	5,173,244	584,016	24,269,640
October 1, 2027 and thereafter	296,048	17,355,785	68,286,566	732,042	84,910,309
	US$2,057,925	**P120,645,853**	**P171,946,656**	**P2,938,404**	**P289,654,105**

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 19.

11. Related Party Disclosures

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

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

The following are the transactions with related parties and the outstanding balances as at September 30, 2022 (Unaudited) and December 31, 2021 (Audited):

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
San Miguel Corporation (SMC)	**2022**	**P514,396**	**P532,303**	**P375,042**	**P315,048**	On demand or 30 days;	Unsecured;
	2021	399,320	721,640	92,027	18,228	non-interest bearing	no impairment
	2022	**-**	**-**	**168,547**	**-**	1 year;	Unsecured;
	2021	-	-	12,551	-	non-interest bearing	no impairment
Entities under Common Control	**2022**	**5,469,423**	**2,795,118**	**1,684,029**	**6,471,741**	On demand or 30 days;	Unsecured;
	2021	3,908,994	2,124,649	1,028,637	4,945,538	non-interest bearing	no impairment
	2022	**8,245,087**	**-**	**12,270,795**		1 to 4 years;	Unsecured;
	2021	-	-	-	-	interest bearing	no impairment
	2022	**-**	**-**	**-**	**492**	More than 1 year;	Unsecured
	2021	-	-	-	492	non-interest bearing	
Associates	**2022**	**908,787**	**10,653**	**705,449**	**28,101**	On demand or 30 days;	Unsecured;
	2021	1,999,770	10,954	1,238,266	29,570	non-interest bearing	no impairment
	2022	**4,884**	**-**	**103,614**	**-**	9 years;	Unsecured;
	2021	9,408	-	139,775	-	interest bearing	no impairment
Joint Venture	**2022**	**23,869**	**146,627**	**10,944**	**38,227**	30 days;	Unsecured;
	2021	29,732	1,299,496	3,985	155,292	non-interest bearing	no impairment
	2022	**4,184**	**-**	**170,078**	**-**	92 days;	Unsecured;
	2021	5,138	-	143,665	-	interest bearing	no impairment
	2022	**39,906**	**-**	**1,064,713**	**-**	10.5 years	Unsecured;
	2021	18,840	-	1,026,815	-	interest bearing	no impairment
Associates and Joint Ventures of Entities under Common Control	**2022**	**78,657**	**-**	**43,072**	**1,155**	30 days;	Unsecured;
	2021	54,913	-	8,116	1,155	non-interest bearing	no impairment
	2022	**-**	**148,433**	**-**	**2,469,824**	12 years;	Secured
	2021	-	211,738	-	2,615,936	interest bearing	
Others	**2022**	**3,615,713**	**-**	**535,542**	**51,604**	On demand or 30 days;	Unsecured;
	2021	2,488,888	-	574,430	51,604	non-interest bearing	no impairment
	2022	**P18,904,906**	**P3,633,134**	**P17,131,825**	**P9,376,192**		
	2021	P8,915,003	P4,368,477	P4,268,267	P7,817,815		

a. Amounts owed by related parties consist of trade and other 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 interim consolidated statements of financial position (Note 6), derivative assets, prepayments for rent and insurance and security deposits.

   Sale of various properties by Dewsweeper Industrial Park, Inc. (DIPI), Multi-Ventures Investment Holdings, Inc. (MVI), Bluelight Industrial Estate, Inc. (Bluelight) and Grand Planters International, Inc. (GPII)

   The Group, through DIPI, MVI, Bluelight, and GPII sold certain parcels of land located in the provinces of Quezon, Cavite, and Negros Occidental to certain entities under common control, for a total consideration of P8,722,783, payable based on the terms of the respective agreements.

   Sale of shares of Ondarre Holding Corporation (OHC) and Soracil Prime Inc. (Soracil)

   On August 26, 2022, the Parent Company executed agreements with an entity under common control for the sale of its 100% ownership interests 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 based on the terms of the agreement.

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, subscriptions payable to Olongapo Electricity Distribution Company, Inc. (OEDC) and power purchases from Angat Hydropower Corporation (AHC). As at September 30, 2022 and December 31, 2021, amounts owed to related parties for the lease of office space and parcels of land presented as part of "Lease liabilities - current portion" and "Lease liabilities - net of current portion" amounted to P5,198,920 and P4,363,371, respectively.

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 interim consolidated statements of financial position (Note 6).

d. Amounts owed by a joint venture consists of interest bearing loans granted and management fees charged to AHC by PowerOne Ventures Energy Inc. included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the interim consolidated statements of financial position (Note 6).

e. Amounts owed to an associate and joint venture of entities under common control pertains to an interest-bearing long-term loan of SMCPC to BOC, included as part of "Long-term debt" account in the interim consolidated statements of financial position (Note 10). The loan is secured by certain property, plant and equipment as at September 30, 2022 and December 31, 2021 (Note 7).

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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Short-term employee benefits	**P128,862**	P134,074
Retirement cost	**12,325**	15,520
	P141,187	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.

12. Capital Stock, Distributions and Redemption of Capital Securities

The Parent Company's authorized capital stock is P2,000,000, divided into 2,000,000,000 common shares with par value of P1.00.

Capital stock consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Subscribed capital stock	**P1,250,004**	P1,250,004
Less subscription receivable:		
Balance at beginning of year	**187,500**	187,500
Collection	**(187,500)**	-
Balance at end of period	**-**	187,500
	P1,250,004	P1,062,504

In April 2022, the Parent Company collected subscription receivable from SMC amounting to P187,500.

The number of issued and outstanding shares is 1,250,004,000 common shares as at September 30, 2022.

Redemption of Undated Subordinated Capital Securities (USCS)
On February 26, 2021, the Parent Company completed the redemption of the US$300,000 USCS issued on August 26, 2015, 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 paid 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 carrying value of the securities redeemed amounted to P758,001 and was recognized as part of the "Equity reserves" account in the interim consolidated statements of financial position.

The proceeds from the US$350,000 senior perpetual capital securities (SPCS) issued on December 15, 2020 was used in part for the redemption of the US$300,000 USCS.

In February 2021, the Parent Company paid distributions amounting to P656,168 to holders of the US$300,000 USCS issued in August 2015.

Distributions to Redeemable Perpetual Securities (RPS) and SPCS Holders
The Parent Company paid P1,616,926 and P8,587,884 to the holders of RPS and SPCS, respectively, in 2022, and P1,487,058 and P6,387,106 to the holders of RPS and SPCS, respectively, in 2021, as distributions in accordance with the terms and conditions of their respective separate subscription agreements.

In October and November 2022, the Parent Company paid distributions to the holders of the US$750,000 SPCS, US$800,000 SPCS and US$500,000 SPCS amounting to US$26,250, US$26,000 and US$14,875, respectively.

13. Revenues

Revenues consist of:

	Note	September 30 2022 (Unaudited)	2021 (Unaudited)
Sale of power:			
Power generation and trading		**P134,723,310**	P76,989,484
Retail and other power-related services		**31,272,441**	16,761,139
Other services		**151,543**	116,191
	3, 11	**P166,147,294**	P93,866,814

Revenues from other services mainly pertain to operations and maintenance services provided by a subsidiary to an entity under common control (Note 11).

14. Cost of Power Sold

Cost of power sold consist of:

	Note	September 30 2022 (Unaudited)	2021 (Unaudited)
Coal, fuel oil and other consumables	*11*	**P88,069,345**	P25,178,106
Power purchases	*11*	**38,770,951**	14,922,270
Energy fees	*4*	**10,104,180**	14,228,144
Depreciation and amortization	*7, 8*	**8,406,929**	8,081,145
Plant operations and maintenance, and other fees		**3,464,651**	2,976,113
	3	**P148,816,056**	P65,385,778

15. Other Operating Income

Other operating income consist of:

	Note	September 30 2022 (Unaudited)	2021 (Unaudited)
Gain on sale of properties, plant and equipment	*7, 11*	**P6,111,935**	P -
PSALM fixed fee reduction		**851,875**	3,349,837
Miscellaneous		**138,148**	142,779
	3	**P7,101,958**	P3,492,616

Miscellaneous pertains mainly to management and shared services fees, power bill surcharges, rent and utilities income.

16. Other Charges - net

Other income (charges) consist of:

	Note	September 30 2022 (Unaudited)	2021 (Unaudited)
Marked-to-market gain on derivatives	*20*	**P2,311,086**	P203,275
Construction revenue		**100,546**	79,690
Reversal of allowance on other receivables	*6*	**22,924**	11,463
Construction cost		**(100,546)**	(79,690)
Foreign exchange losses - net	*19*	**(17,502,074)**	(1,161,685)
Miscellaneous income		**126,684**	23,941
		(P15,041,380)	(P923,006)

Construction revenue is recognized by reference to the stage of completion of the construction activity at the reporting date. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction costs pass through the profit or loss before it is capitalized as concession rights.

Miscellaneous income pertains mainly to gain on sale of scrap.

17. Impact of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

The components of income tax expense (benefit) are as follows:

	September 30 2022 (Unaudited)	2021 (Unaudited)
Current	**P1,755,340**	P860,484
Deferred	**(2,701,147)**	2,686,926
Adjustments due to CREATE Act	**-**	(3,151,916)
	(P945,807)	P395,494

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 rate from 30% to 25% or 20% effective July 1, 2020; (ii) reduction of Minimum Corporate Income Tax rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up in the first quarter of 2021, are as follows:

	Increase (Decrease)
ASSETS	
Prepaid expenses and other current assets	**P189,260**
Investments and advances - net	**1,545**
Deferred tax assets	**(282,395)**
	(P91,590)
LIABILITIES AND EQUITY	
Income tax payable	**(P997)**
Deferred tax liabilities	**(3,243,994)**
Equity reserves	**(60)**
Retained earnings	**3,151,043**
Non-controlling interests	**2,418**
	(P91,590)
Equity in net losses of associate and joint ventures	**(P1,545)**
Provision for Income Tax	
Current	**(190,257)**
Deferred	**(2,961,659)**
	(3,151,916)
	(P3,153,461)
Net Income Attributable to	
Equity holders of the Parent Company	**P3,151,043**
Non-controlling interests	**2,418**
	P3,153,461

18. Basic and Diluted Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share is computed as follows:

	September 30	
	2022 (Unaudited)	2021 (Unaudited)
Net income (loss) attributable to equity holders of the Parent Company	**(P2,618,928)**	P13,767,810
Distributions for the period to:		
USCS holders	**-**	(218,723)
RPS holder	**(1,629,443)**	(1,491,323)
SPCS holders	**(11,691,125)**	(9,055,687)
Net income (loss) attributable to common shareholders of the Parent Company (a)	**(15,939,496)**	P3,002,077
Weighted average number of common shares outstanding (in thousands) (b)	**1,250,004**	1,250,004
Basic/Diluted Earnings (Loss) Per Share (a/b)	**(P12.75)**	P2.40

As at September 30, 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 (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 Battery Energy Storage facilities, 600 MW Mariveles Circulating Fluidized Bed Coal-fired Power Plant, 2 x 350 MW Masinloc Power Generation Units 4 and 5, and the 1,313.1 MW Batangas Combined Cycle Gas Power Plant, are expected to go into commercial operations in the next 4 to 5 years (Note 7). These projects are contracted or expected to be contracted to creditworthy offtakers such as Meralco and the National Grid Corporation of the Philippines, and should contribute significantly to the profitability of the Group following their commercial operations in the coming years.

Excluding the impact of foreign exchange losses in 2022, the basic/diluted loss per common share would have been (P1.34).

19. Financial Risk and Capital Management Objectives and Policies

<u>Objectives and Policies</u>

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

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

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

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

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

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

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

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

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

Liquidity Risk

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

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

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

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

September 30, 2022 (Unaudited)	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P44,076,857**	**P44,076,857**	**P44,076,857**	**P -**	**P -**	**P -**
Trade and other receivables - net*	**86,174,118**	**86,174,118**	**86,174,118**	**-**	**-**	**-**
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent asset" accounts)	**1,111,261**	**1,111,261**	**956,740**	**154,521**	**-**	**-**
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**174,331**	**174,331**	**174,331**	**-**	**-**	**-**
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**16,854,115**	**17,449,845**	**2,350,051**	**3,541,465**	**9,743,388**	**1,814,941**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**8,743,318**	**8,743,318**	**6,782,921**	**502,209**	**20**	**1,458,168**
Financial Liabilities						
Loans payable	**15,439,688**	**15,705,195**	**15,705,195**	**-**	**-**	**-**
Accounts payable and accrued expenses (including Premium on option liabilities - current)*	**62,075,274**	**62,078,150**	**62,078,150**	**-**	**-**	**-**
Long-term debt - net (including current maturities)	**289,654,105**	**356,796,101**	**88,618,915**	**56,821,911**	**114,829,976**	**96,525,299**
Lease liabilities (including current portion)	**66,301,131**	**84,665,271**	**22,411,511**	**22,850,532**	**19,273,681**	**20,129,547**
Other noncurrent liabilities (including current portion of Concession liability)	**5,670,258**	**5,722,056**	**8,400**	**238,128**	**4,976,645**	**498,883**

**Excluding statutory receivables and payables*

December 31, 2021 (Audited)	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P67,690,151	P67,690,151	P67,690,151	P -	P -	P -
Trade and other receivables - net*	47,223,910	47,223,910	47,223,910	-	-	-
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	111,932	111,932	111,932	-	-	-
Derivative asset designated as cash flow hedge (included under "Other noncurrent assets" account)	42,173	42,173	-	42,173	-	-
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	1,560,209	2,126,273	54,194	157,764	48,394	1,865,921
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	4,430,396	4,430,396	2,550,607	547,407	15	1,332,367
Financial Liabilities						
Loans payable	1,529,970	1,541,923	1,541,923	-	-	-
Accounts payable and accrued expenses*	48,147,723	48,147,723	48,147,723	-	-	-
Long-term debt - net (including current maturities)	222,921,443	275,616,650	33,320,507	77,621,184	100,357,971	64,316,988
Lease liabilities (including current portion)	78,213,359	95,868,508	25,301,773	20,567,920	29,382,548	20,616,267
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	4,146,692	4,592,768	38,721	777,733	3,403,186	373,128

**Excluding statutory receivables and payables*

Credit Risk

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

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

Trade and Other Receivables

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

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

The Group establishes an allowance for impairment losses that represents its estimate of expected losses in respect of trade and other receivables. The main components of this allowance include a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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

	Note	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
Cash and cash equivalents (excluding cash on hand)	*5*	**P44,074,749**	P67,688,162
Trade and other receivables - net*	*6*	**86,174,118**	47,223,910
Derivative assets not designated as cash flow hedge		**1,111,261**	111,932
Derivative assets designated as cash flow hedge		**174,331**	42,173
Noncurrent receivables		**16,854,115**	1,560,209
Restricted cash		**8,743,318**	4,430,396
		P157,131,892	P121,056,782

**Excluding statutory receivables*

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

September 30, 2022 (Unaudited)	**Financial Assets at Amortized Cost** 12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Financial Assets at FVOCI**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P44,074,749**	**P -**	**P -**	**P -**	**P -**	**P44,074,749**
Trade and other receivables	**-**	**86,174,118**	**2,680,606**	**-**	**-**	**88,854,724**
Derivative assets not designated as cash flow hedge	**-**	**-**	**-**	**1,111,261**	**-**	**1,111,261**
Derivative asset designated as cash flow hedge	**-**	**-**	**-**	**-**	**174,331**	**174,331**
Noncurrent receivables (including current portion)	**-**	**16,854,115**	**-**	**-**	**-**	**16,854,115**
Restricted cash	**8,743,318**	**-**	**-**	**-**	**-**	**8,743,318**
	P52,818,067	**P103,028,233**	**P2,680,606**	**P1,111,261**	**P174,331**	**P159,812,498**

December 31, 2021 (Audited)	Financial Assets at Amortized Cost 12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P67,688,162	P -	P -	P -	P -	P67,688,162
Trade and other receivables	-	47,223,910	2,672,082	-	-	49,895,992
Derivative assets not designated as cash flow hedge	-	-	-	111,932	-	111,932
Derivative asset designated as cash flow hedge	-	-	-	-	42,173	42,173
Noncurrent receivables (including current portion)	-	1,560,209	-	-	-	1,560,209
Restricted cash	4,430,396	-	-	-	-	4,430,396
	P72,118,558	P48,784,119	P2,672,082	P111,932	P42,173	P123,728,864

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

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

	September 30, 2022 (Unaudited)				December 31, 2021 (Audited)			
	Trade	**Non-trade**	**Amounts Owed by Related Parties**	**Total**	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	**P48,244,695**	**P439,794**	**P1,693,051**	**P50,377,540**	P17,990,189	P1,074,987	P1,885,024	P20,950,200
Past due:								
1-30 days	**4,527,221**	**519,485**	**147,882**	**5,194,588**	4,601,818	185,891	500,031	5,287,740
31-60 days	**3,664,807**	**339,448**	**41,101**	**4,045,356**	1,748,212	215,610	40,776	2,004,598
61-90 days	**2,769,845**	**20,617**	**38,515**	**2,828,977**	1,504,672	14,848	31,752	1,551,272
Over 90 days	**19,849,494**	**5,229,126**	**1,329,643**	**26,408,263**	11,251,529	8,230,403	620,250	20,102,182
	P79,056,062	**P6,548,470**	**P3,250,192**	**P88,854,724**	P37,096,420	P9,721,739	P3,077,833	P49,895,992

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

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period. 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 38% and 39% of the Group's total revenues for the periods ended September 30, 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:

September 30, 2022 (Unaudited)	**< 1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso-denominated	**P33,197,644**	**P27,807,284**	**P20,950,264**	**P16,531,654**	**P5,173,244**	**P68,286,566**	**P171,946,656**
Interest rate	**4.7575% to 7.7521%**	**5.0000% to 7.7521%**	**5.0000% to 7.7521%**	**5.1792% to 7.7521%**	**6.2836% to 7.7521%**	**6.2836% to 8.0288%**	
Foreign currency-denominated (expressed in Philippine peso)	**7,839,921**	**1,375,519**	**1,440,357**	**1,505,197**	**1,574,667**	**13,058,162**	**26,793,823**
Interest rate	**4.7776% to 5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	
Floating Rate							
Foreign currency-denominated (expressed in Philippine peso)	**31,920,287**	**15,108,952**	**6,336,542**	**18,082,881**	**18,105,745**	**4,297,623**	**93,852,030**
Interest rate	**LIBOR + Margin**	**LIBOR + Margin**	**LIBOR/ SOFR + Margin**	**LIBOR + Margin**	**LIBOR/ SOFR + Margin**	**LIBOR + Margin**	
	P72,957,852	**P44,291,755**	**P28,727,163**	**P36,119,732**	**P24,853,656**	**P85,642,351**	**P292,592,509**

December 31, 2021 (Audited)	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P27,779,564	P23,342,184	P34,309,804	P9,504,744	P16,589,154	P37,203,624	P148,729,074
Interest rate	5.0000% to 7.7521%	4.7575% to 7.7521%	5.0000% to 7.7521%	5.0000% to 7.7521%	5.1792% to 7.7521%	6.2836% to 7.7521%	
Foreign currency-denominated (expressed in Philippine peso)	1,994,622	6,852,327	1,224,792	1,281,197	1,339,616	12,044,460	24,737,014
Interest rate	4.7776% to 5.5959%	4.7776% to 5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	
Floating Rate							
Foreign currency-denominated (expressed in Philippine peso)	660,258	30,328,621	403,096	421,660	15,740,587	3,963,999	51,518,221
Interest rate	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	
	P30,434,444	P60,523,132	P35,937,692	P11,207,601	P33,669,357	P53,212,083	P224,984,309

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 P601,296 and P515,182 for the period ended September 30, 2022 and for the year ended December 31, 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 is as follows:

		September 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Note	**US Dollar**	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	*5*	**US$195,680**	**P11,471,741**	US$582,496	P29,706,729
Trade and other receivables	*6*	**80,886**	**4,741,931**	236,449	12,058,685
Prepaid expenses		**57,538**	**3,373,165**	-	-
Noncurrent receivables		**3**	**180**	-	-
		334,107	**19,587,017**	818,945	41,765,414
Liabilities					
Loans payable	*9*	**7,500**	**439,687**	30,000	1,529,970
Accounts payable and accrued expenses		**83,881**	**4,917,532**	590,308	30,105,121
Long-term debt (including current maturities)	*10*	**2,057,925**	**120,645,853**	1,495,230	76,255,235
Lease liabilities (including current portion)	*4*	**579,170**	**33,953,862**	762,458	38,884,578
Other noncurrent liabilities		**-**	**-**	67,749	3,455,137
		2,728,476	**159,956,934**	2,945,745	150,230,041
Net Foreign Currency-denominated Monetary Liabilities		**US$2,394,369**	**P140,369,917**	US$2,126,800	P108,464,627

The Group reported net losses on foreign exchange amounting to P17,502,074 and P1,161,685 for the periods ended September 30, 2022 and 2021, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 16).

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

	US Dollar to Philippine Peso
September 30, 2022	**P58.625**
December 31, 2021	50.999
September 30, 2021	51.000
December 31, 2020	48.023

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
September 30, 2022 (Unaudited)	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P191,977)**	**(P190,674)**	**P191,977**	**P190,674**
Trade and other receivables	**(80,826)**	**(61,974)**	**80,826**	**61,974**
Prepaid expenses	**(57,538)**	**(43,153)**	**57,538**	**43,153**
Noncurrent receivables	**(3)**	**(2)**	**3**	**2**
	(330,344)	**(295,803)**	**330,344**	**295,803**
Loans payable	**7,500**	**5,625**	**(7,500)**	**(5,625)**
Accounts payable and accrued expenses	**82,669**	**64,404**	**(82,669)**	**(64,404)**
Long-term debt (including current maturities)	**2,057,925**	**1,891,444**	**(2,057,925)**	**(1,891,444)**
Lease liabilities (including current portion)	**579,170**	**434,378**	**(579,170)**	**(434,378)**
	2,727,264	**2,395,851**	**(2,727,264)**	**(2,395,851)**
	P2,396,920	**P2,100,048**	**(P2,396,920)**	**(P2,100,048)**

December 31, 2021 (Audited)	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P574,118)	(P548,884)	P574,118	P548,884
Trade and other receivables	(236,398)	(178,079)	236,398	178,079
	(810,516)	(726,963)	810,516	726,963
Loans payable	30,000	22,500	(30,000)	(22,500)
Accounts payable and accrued expenses	590,013	444,524	(590,013)	(444,524)
Long-term debt (including current maturities)	1,495,230	1,325,423	(1,495,230)	(1,325,423)
Lease liabilities (including current portion)	762,458	571,843	(762,458)	(571,843)
Other noncurrent liabilities	67,749	50,841	(67,749)	(50,841)
	2,945,450	2,415,131	(2,945,450)	(2,415,131)
	P2,134,934	P1,688,168	(P2,134,934)	(P1,688,168)

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

Commodity Price Risk

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

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

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

Other Market Price Risk

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

Capital Management

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

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, distribution payment, pay-off existing debts, return capital to shareholders or issue new shares, subject to compliance with certain covenants of its long-term debts, SPCS, and RPS (Notes 10 and 12).

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

The 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 interim 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.

20. Financial Assets and Financial Liabilities

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

	September 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P44,076,857**	**P44,076,857**	P67,690,151	P67,690,151
Trade and other receivables - net*	**86,174,118**	**86,174,118**	47,223,910	47,223,910
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**1,111,261**	**1,111,261**	111,932	111,932
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**174,331**	**174,331**	42,173	42,173
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**16,854,115**	**16,854,115**	1,560,209	1,560,209
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**8,743,318**	**8,743,318**	4,430,396	4,430,396
	P157,134,000	**P157,134,000**	P121,058,771	P121,058,771
Financial Liabilities				
Loans payable	**P15,439,688**	**P15,439,688**	P1,529,970	P1,529,970
Accounts payable and accrued expenses*	**62,075,274**	**62,075,274**	48,147,723	48,147,723
Long-term debt - net (including current maturities)	**289,654,105**	**297,301,974**	222,921,443	242,668,663
Lease liabilities (including current portion)	**66,301,131**	**66,301,131**	78,213,359	78,213,359
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	**5,670,258**	**5,670,258**	4,146,692	4,146,692
	P439,140,456	**P446,788,325**	P354,959,187	P374,706,407

**Excluding statutory receivables and payables*

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

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

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

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

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

Long-term Debt and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine peso-denominated loans range from 2.56% to 7.04% and 0.99% to 4.74% as at September 30, 2022 and December 31, 2021, respectively. Discount rates used for foreign currency-denominated loans range from 3.14% to 4.73% and 0.25% to 1.50% as at September 30, 2022 and December 31, 2021, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

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

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivative Instruments Accounted for as Cash Flow Hedges

Call Spread Swaps

As at September 30, 2022 and December 31, 2021, the Group has outstanding call spread swaps designated as cash flow hedges with an aggregate notional amount of US$60,000 and with an average strike rate range of P52.95 to P56.15. The call spread swaps are designated to hedge foreign currency exposure on US dollar-denominated loans maturing in March 2023. As at September 30, 2022, the positive fair value of the call spread swaps, included under "Prepaid expenses and other current assets" account amounted to P174,331. As at December 31, 2021, the positive fair value of the call spread swaps, included under "Other noncurrent assets" account amounted to P42,173.

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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	**P8,809**	(P47,153)
Changes in fair value of derivatives	**132,158**	23,285
Amount reclassified to profit or loss:		
Interest expense and other financing charges	**20,274**	32,677
Foreign exchange gain - net (included under "Other charges - net" account)	**(192,000)**	-
Ending balance	**(P30,759)**	P8,809

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized in the interim consolidated statements of income for the period ended September 30, 2022 and for the year ended December 31, 2021.

Derivative Instruments not Designated as Hedges

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

Freestanding Derivatives

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

Currency Forwards

The Group entered into short-term foreign currency forward contracts with aggregate notional amount of US$35,000 and US$50,000 as at September 30, 2022 and December 31, 2021, respectively. The positive fair value of these currency forwards, included under "Prepaid expenses and other current assets" account amounted to P42,225 and P49,775 at September 30, 2022 and December 31, 2021, respectively.

Commodity Swaps
The Group has outstanding fixed swap agreements covering the coal requirements of a subsidiary with various maturities in 2022 and 2023. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding notional quantity covered by the commodity swaps is 150,000 metric tons and 96,000 metric tons as at September 30, 2022 and December 31, 2021, respectively. As at September 30, 2022, the positive fair value of these commodity swaps, included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts amounted to P914,515 and P154,521, respectively. As at December 31, 2021, the positive fair value of these commodity swaps, included under "Prepaid expenses and other current assets" amounted to P62,157.

The Group recognized marked-to-market gains from freestanding derivatives amounting to P2,311,086 and P203,275 for the periods ended September 30, 2022 and 2021, respectively (Note 16).

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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	**P154,105**	P9,299
Net change in fair value of derivatives:		
Not designated as accounting hedge	**2,311,086**	278,397
Designated as accounting hedge	**132,158**	23,285
	2,597,349	310,981
Less fair value of settled instruments	**1,311,757**	156,876
Ending balance	**P1,285,592**	P154,105

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.

21. 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*

SMEC, SPPC, SPDC, MPPCL and other generation companies became parties to a Petition for Certiorari and Prohibition with prayer for TRO and/or Preliminary Injunction (the "SC Petition") filed in the Supreme Court ("SC") by special interest groups which sought to stop the imposition of the increase in generation charge of Meralco for the November 2013 billing month. The approval of the Energy Regulatory Commission ("ERC") in its December 9, 2013 order on the staggered imposition by Meralco of its generation rate for November 2013 from its consumers (the "December 9, 2013 ERC Order") prompted the filing of these consolidated petitions. On December 23, 2013, the SC issued a TRO ordering Meralco not to collect, and the generators not to demand payment, for the increase in generation charge for the November 2013 billing month. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that since the power supplied by generators is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. The TRO was originally for a period of 60 days.

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

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

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

A decision was promulgated by the Supreme Court En Banc on August 3, 2021 (the "SC Decision") affirming the December 9, 2013 ERC Order and declaring as null and void the March 3, 2014 ERC Order. SMEC, SPPC, and SPDC however received a copy of the SC Decision through their counsels only on July 5, 2022, while MPPCL received the same on July 6, 2022.

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

These motions were denied with finality by the 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.

ii. ERC Order Voiding WESM Prices

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

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

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

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

On June 26, 2014, SMEC, SPPC, SPDC and MPPCL appealed said ERC denial before the Court of Appeals ("CA") through a Petition 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 SMEC, SPPC, SPDC and MPPCL declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months of November to December 2013.

Motions for Reconsideration of the November 7, 2017 Decision and several other motions were filed by various intervenors, which 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 SMEC, SPPC, SPDC and MPPCL, among others, have become final and executory.

The ERC and Meralco also filed separate Petitions for Review appealing the November 7, 2017 Decision and Omnibus Resolution dated March 29, 2019, 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 third division of the SC handling the petition by the ERC.

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

On August 3, 2021, a decision was rendered by the Supreme Court En Banc on a separate case (as discussed under "*TRO Issued to Meralco*") declaring the March 3, 2014 ERC Order as null and void. Considering that this decision of the Supreme Court En Banc ("SC Decision") covers the March 3, 2014 ERC Order, the difference between the actual Luzon WESM prices and the regulated prices (based on the March 3, 2014 ERC Order) for WESM sales and purchases by SMEC, SPPC, SPDC, SMELC and MPPCL will have to be settled with the Independent Electricity Market Operator of the Philippines ("IEMOP", the current operator of the WESM).

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

The 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. Upon receipt of the certificate of finality from the SC, a claim for refund may be made by the relevant subsidiaries with IEMOP in the aggregate amount of up to P2,321,785.

iii. *Generation Payments to PSALM*

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

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

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

On September 8, 2015, SPPC filed a Complaint with the Regional Trial Court of Mandaluyong City (the "RTC"). 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 CA a Petition for Review on Certiorari assailing the RTC's order of denial. The CA ruled in favor of SPPC and affirmed the RTC's issuance of a writ of preliminary injunction against PSALM prohibiting it from terminating the Ilijan IPPA Agreement while the main case in the lower court is pending and named Meralco as intervenor (the "2017 CA Decision").

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

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

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

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

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

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. 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 CA Decision of April 7, 2022.

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

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

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

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

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

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

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

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

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. The hearing scheduled on May 6, 2022 was cancelled because the RTC had not yet resolved SPPC's Motion to Amend Pre-trial Order, which was later granted in an order dated May 20, 2022, and 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.

In a Resolution dated December 7, 2021, the RTC denied PSALM's Motion to 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. SPPC is due to file its Comment on October 15, 2022.

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 dated 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 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.

On June 13, 2017, the DOJ endorsed the complete records of the complaint to the Office of the Ombudsman for appropriate action.

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.

SMEC
On October 21, 2015, SMEC 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 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 SMEC.

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 the RA No. 3019. 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 DOJ Resolution of July 29, 2016, through the filing of 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, SMEC filed a Motion for Partial Reconsideration of said October 25, 2017 DOJ Resolution.

While the said Motion for Partial Reconsideration is pending, SMEC 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 SMEC.

v. Civil Cases
SMEC
On June 17, 2016, SMEC filed with the RTC, Pasig City ("RTC Pasig") a civil complaint for consignation against PSALM arising from PSALM's refusal to accept SMEC'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 ("Sale of the Excess Capacity"). With the filing of the complaint, SMEC 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 SMEC made consequent therewith."

On October 3, 2016, SMEC filed an Omnibus Motion to Admit Supplemental Complaint and to Allow Future Consignation without Tender ("Omnibus Motion"). Together with this Omnibus Motion, SMEC 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, SMEC 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. SMEC also filed a Motion to Admit Second Supplemental Complaint in relation to said consignation.

On May 22, 2018, the RTC Pasig issued an order dismissing the complaint for consignation filed by SMEC 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, SMEC filed its Motion for Reconsideration ("MR") to the May 22, 2018 order which dismissed the consignation case. The MR was heard on July 13, 2018 where the parties were given time to file their responsive pleadings. PSALM filed its Comment dated July 26, 2018 to the MR and SMEC 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 Pasig Branch 268. On February 7, 2020, a clarificatory hearing was held and RTC Pasig Branch 268 noted the pending incidents, which are: (a) SMEC's Motion for Partial Reconsideration and Supplemental Motion for Reconsideration of the Order dated May 22, 2018; (b) SMEC'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 Pasig Branch 268: (a) granted SMEC's Motion for Reconsideration of the Order of May 22, 2018, which dismissed the case for lack of jurisdiction; (b) granted SMEC's Omnibus Motion to Admit Supplemental Complaint and Allow Future Consignations without Tender; and (c) reinstated the Complaint (the "September 30, 2021 Order").

RTC Pasig 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). SMEC has already filed an opposition to the omnibus motion.

In an Order dated May 30, 2022, RTC Pasig 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 Pasig Branch 268 set the pre-trial on August 1, 2022. SMEC 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 Pasig 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. The parties agreed to reschedule the pre-trial conference to October 3, 2022.

On October 5, 2022, SPPC 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 SMEC, 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, SMEC received a copy of a Complaint filed by TPEC and TSC with the ERC against SMEC and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the abovementioned cases. SMEC filed a Motion to Dismiss and Motion to Suspend Proceeding of the instant case.

On June 6, 2022, SMEC, TPEC and TSC filed a Joint Motion to Dismiss the ERC complaint.

As of September 30, 2022 and December 31, 2021, the total amount consigned with the RTC Pasig is P491,242, included under "Other noncurrent assets", particularly "Restricted cash" account, in the interim consolidated statements of financial position.

b. Request for Price Adjustment on the Meralco Power Supply Agreements (PSAs)

On October 22, 2019, each of SMEC and SPPC 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 SMEC covers the supply of 330 MW baseload capacity to Meralco ("SMEC PSA") both for a period of 10 years (collectively, the "PSAs"). The PSAs were awarded by Meralco to each of SPPC and SMEC 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 SMEC PSA.

On May 11, 2022, each of SPPC and SMEC sought jointly with Meralco temporary contract price adjustments under the SPPC PSA and SMEC PSA before the ERC, as the primary regulator in the power industry tasked with consumer protection, to recover incremental fuel costs covering January to May 2022 billing periods arising from a Change in Circumstances (as defined in the PSAs) to be collected over a period of 6 months.

On September 29, 2022, the ERC denied the foregoing proposed price adjustments. SPPC and SMEC are currently exploring all available legal remedies to resolve the matter.

c. <u>Events After the Reporting Date</u>

i. Tender Offer to Holders of SPCS by the Parent Company

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 Singapore Exchange Securities Trading Ltd. (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 and the relevant accrued distribution amount on November 9, 2022.

ii. Issuance of RPS by UPSI and the Parent Company

On October 28 and November 8, 2022, UPSI and the Parent Company issued US$88,000 and US$85,000 RPS (the "Securities"), respectively, at an issue price of 100% in favor of SMC (the "Security Holder").

The Security Holder shall have the right to receive distribution at the rate of 6.25% per annum on both Securities, payable quarterly in arrears every January 28, April 28, July 28, and October 28 of each year commencing on January 28, 2023 on the US$88,000 RPS, and every February 8, May 8, August 8, and November 8 of each year commencing on February 8, 2023 on the US$85,000 RPS. UPSI and the Parent Company has a right to defer distribution under certain conditions.

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

iii. Declaration of distributions to SPCS holders

On November 14, 2022, BOD of the Parent Company approved the payment of distributions, in the total amount of US$37,538, plus applicable taxes, on December 9, 2022 and January 21, 2023, to the holders of the US$750,000 SPCS issued in June 2021 and US$600,000 SPCS issued in January 2020, respectively.

d. Supplemental Cash Flows Information

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

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

	Loans Payable	Long-term Debt	Lease Liabilities	USCS	SPCS	Total
Balance as at January 1, 2021 (Audited)	P1,680,805	P219,552,782	P99,511,094	P13,823,499	P132,199,732	P466,767,912
Changes from Financing Activities						
Proceeds from borrowings	27,576,930	21,885,000	-	-	-	49,461,930
Proceeds from issuance of SPCS	-	-	-	-	35,578,347	35,578,347
Payments of borrowings	(27,831,930)	(20,290,017)	-	-	-	(48,121,947)
Payments of lease liabilities	-	-	(18,057,305)	-	-	(18,057,305)
Redemption of USCS	-	-	-	(14,581,500)	-	(14,581,500)
Total Changes from Financing Activities	(255,000)	1,594,983	(18,057,305)	(14,581,500)	35,578,347	4,279,525
Effect of Changes in Foreign Exchange Rates	104,195	4,549,963	2,643,750	-	-	7,297,908
Other Changes	-	(69,160)	534,122	758,001	-	1,222,963
Balance as at September 30, 2021 (Unaudited)	P1,530,000	P225,628,568	P84,631,661	P -	P167,778,079	P479,568,308

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

e. Commitments

The outstanding purchase commitments of the Group amounted to P125,449,077 as at September 30, 2022. Amount authorized but not yet disbursed for capital projects is approximately P120,306,641 as at September 30, 2022.

The Group's material commitments for capital expenditure projects involve the construction of power plants, mostly utilizing high efficiency low emission technologies, LNG and BESS in line with the Group's expansion projects and acquisition of fixed assets needed for normal operations of the business. The funds to be used for these projects will come from available cash and proceeds from outstanding long-term loans and issued SPCS.

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

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

h. The effects of Coronavirus Disease 2019 and Russia-Ukraine conflict in the performance of the Group as at the third quarter of 2022 are discussed in the Management's Discussion and Analysis of Financial Position and Financial Performance.

i. Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

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

The following are the major performance measures that SMC Global Power Holdings Corp. and Subsidiaries (the "Group") use. Analyses are employed by comparisons and measurements based on the financial data as at September 30, 2022 and December 31, 2021 for liquidity, solvency and profitability ratios and for the periods ended September 30, 2022 and 2021 for operating efficiency ratios.

LIQUIDITY RATIO

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

	Conventional		***Adjusted*** [1]	
(in Millions Peso)	**September 2022**	December 2021	**September 2022**	December 2021
(A) Current Assets	**189,131**	156,470	**189,131**	156,470
(B) Current Liabilities	**184,569**	109,472	**165,307**	87,876
Current Ratio (A) / (B)	**1.02**	1.43	**1.14**	1.78

(1) Current portion of lease liabilities, in relation to the IPPA Agreements with PSALM, are excluded from the total current liabilities as these current obligations on lease are pass-through charges billable to customers. As at September 30, 2022 and December 31, 2021, current portion of lease liabilities to PSALM amounted to P19,262 million and P21,596 million, respectively.

SOLVENCY RATIO

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

Per relevant Loan Covenants of SMC Global Power

(in Millions Peso)	**September 2022**	December 2021
(A) Net Debt [2]	**276,217**	184,001
(B) Total Equity [3]	**237,716**	247,603
Net Debt-to-Equity Ratio (A) / (B)	**1.16**	0.74

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

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

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

(in Millions Peso)	***Conventional*** September 2022	***Conventional*** December 2021	***Adjusted*** [4] September 2022	***Adjusted*** [4] December 2021
(A) Total Assets	**713,887**	635,724	**613,879**	483,896
(B) Total Equity	**238,957**	251,728	**238,957**	251,728
Asset-to-Equity Ratio (A) / (B)	**2.99**	2.53	**2.57**	1.92

(4) Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at September 30, 2022 and December 31, 2021, the carrying amount of the IPPA power plant assets amounted to P100,008 million and P151,828 million, respectively.

PROFITABILITY RATIO

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

(in Millions Peso)	**September 2022**	December 2021
(A) Net Income (Loss) [5]	**(350)**	15,978
(B) Total Equity	**238,957**	251,728
Return on Equity (A) / (B)	**(0.1%)**	6.3%

(5) Annualized for quarterly reporting.

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

Per relevant Loan Covenants of SMC Global Power

(in Millions Peso)	**September 2022**	December 2021
(A) EBITDA [6]	**29,606**	33,542
(B) Interest Expense [7]	**11,858**	13,405
Interest Coverage Ratio (A) / (B)	**2.50**	2.50

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

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

OPERATING EFFICIENCY

Volume Growth = **Current Period Offtake Volume** / **Prior Period Offtake Volume** - **1**

(in GWh)	**Periods Ended September 30** **2022**	2021
(A) Current Period Offtake Volume	**21,336**	20,531
(B) Prior Period Offtake Volume	**20,531**	19,956
Volume Growth [(A / B) – 1]	**3.9%**	2.9%

Revenue Growth = **Current Period Revenue** / **Prior Period Revenue** - **1**

(in Millions Peso)	**Periods Ended September 30** **2022**	**2021**
(A) Current Period Revenue	**166,147**	93,867
(B) Prior Period Revenue	**93,867**	87,866
Revenue Growth [(A / B) – 1]	**77.0%**	6.8%

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

(in Millions Peso)	**Periods Ended September 30** **2022**	**2021**
(A) Income from Operations	**20,524**	28,401
(B) Revenues	**166,147**	93,867
Operating Margin (A) / (B)	**12.4%**	30.3%

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
Proceeds from Issuance of P40 Billion Fixed Rate Bonds consisting of Series "K", "L" and "M" Bonds
For the Period Ended September 30, 2022
(Amounts in Thousands)

1. Gross and Net Proceeds as Disclosed in the Final Prospectus/Offering Circular

Gross Proceeds			₱	40,000,000
Estimated Fees, Commissions, and Expenses relating to the Issue:				
Gross Underwriting and Selling Fees	₱	170,000		
Documentary Stamp Tax		300,000		
SEC Registration Fee		10,562		
SEC Legal Research Fee		106		
PDEX Listing Application Fee		300		
Listing and Maintenance Fee		450		
Legal Fees		3,300		
Audit Fee		3,000		
Rating Fee		8,000		
Printing Cost		250		
Trustee Fees		200		
Paying Agency and Registry Fees		375		
Other Expenses		500		497,043
Net Proceeds			₱	39,502,957

2. Actual Gross and Net Proceeds

Gross Proceeds			₱	40,000,000
Gross Underwriting and Selling Fees	₱	227,384		
Documentary Stamp Tax		300,000		
SEC Registration Fee		10,563		
SEC Legal Research Fee		106		
Legal Fees		3,195		
Audit Fee		3,696		
Rating Fee		8,000		
Trustee Fees		210		
Other expenses		148		553,302
			₱	39,446,698

3. Each Expenditure Item where the Proceeds were Used

Investments in LNG projects and related assets	₱	12,521,405
Investments in coal power plant projects		5,276,825
Investments in battery energy storage systems projects		4,494,859
Investments in solar power plant projects		
General corporate purposes		
	₱	22,293,089

4. Balance of the Proceeds as of the End of Reporting Period, September 30, 2022	₱	17,153,609

ANNEX "B"

SMC GLOBAL POWER

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

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of SMC Global Power Holdings Corp. ("SMC Global Power" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended September 30, 2022 (with comparative figures as at December 31, 2021 and for the period ended September 30, 2021). All necessary adjustments have been made to present fairly the consolidated financial position, financial performance and cash flows of the Group as at September 30, 2022, and for all the other periods presented. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. SIGNIFICANT TRANSACTIONS AND MAJOR DEVELOPMENTS IN 2022

UPDATE ON BATTERY ENERGY STORAGE SYSTEM ("BESS") PROJECTS

On January 6, 2022, an Energy Regulatory Commission ("ERC") Order granted Provisional Authority for the implementation of the Ancillary Services Procurement Agreement ("ASPA") between the National Grid Corporation of the Philippines ("NGCP") and SMCGP Philippines Energy Storage Co. Ltd. ("SMCGP Philippines Energy") for 5 years commencing on January 26, 2022. Following the receipt of the ERC Order, SMCGP Philippines Energy declared the commercial operations of its 20 megawatts ("MW") Kabankalan 1 BESS with the Independent Electricity Market Operator of the Philippines ("IEMOP") starting January 26, 2022.

The remaining BESS projects with a total capacity of 1,000 MW are expected to go into commercial operations in 2023. The BESS projects are expected to be contracted to the NGCP and should contribute significantly to the profitability of the Group following their commercial operations.

TURNOVER OF THE ILIJAN POWER PLANT

On June 3, 2022, South Premiere Power Corp. ("SPPC") and Power Sector Assets and Liabilities Management Corporation ("PSALM") executed a Deed of Sale for the transfer of control and ownership of the Ilijan Power Plant to SPPC following the end of its Independent Power Producer Administrator ("IPPA") Agreement.

REDEMPTION OF SERIES H BONDS BY SMC GLOBAL POWER

On April 25, 2022, SMC Global Power redeemed its Series H Bonds amounting to P13,845 million, which forms part of the P30,000 million Series H-I-J fixed rate bonds issued in April 2019. SMC Global Power partially used the proceeds of the P10,000 million term loan availed in April 2022 and cash generated from operations for the redemption of the Series H Bonds.

AVAILMENT OF LONG-TERM DEBTS

On January 21, 2022, SMC Global Power availed of a US$200 million 3-year term loan from facility agreement with a foreign bank executed on September 8, 2021. The initial loan facility amount of US$100 million was increased to US$200 million on December 16, 2021. The loan is subject to a floating interest rate plus margin and will mature in September 2024.

The proceeds were used to finance expansion projects and settle other transaction related fees, costs and expenses of the facility.

On May 24, 2022, SMC Global Power availed a US$100 million from a 3-year term loan subject of a facility agreement executed with a group of foreign banks on May 18, 2022. The loan is subject to a floating interest rate plus margin and will mature in May 2025.

The proceeds were used for working capital requirements relating to expansion projects, for general corporate purposes, and settlement of other transaction related fees, costs and expenses of the facility.

On August 26, 2022, SMC Global Power availed a US$300 million 5-year term loan from a facility agreement with a group of foreign banks executed on August 18, 2022. The loan is subject to a floating interest rate plus margin and will mature in August 2027.

The proceeds were used for general corporate purposes, including capital expenditures and refinancing, and payment of other transaction related fees, costs and expenses of the facility.

AVAILMENT OF SHORT-TERM LOANS

On April 8, 2022, SMC Global Power availed a 1-year term loan amounting to P10,000 million. The proceeds will partially refinance its maturing debt obligations and for general corporate purposes.

In October 2022, SMC Global Power availed a P5,000 million fixed rate short-term loan from a local bank. The proceeds shall be used for refinancing and general corporate purposes.

PAYMENT OF MATURING LONG-TERM DEBT

In the first three quarters of 2022, SMC Consolidated Power Corporation ("SCPC"), San Miguel Consolidated Power Corporation ("SMCPC") and SMC Global Power paid a total of P2,938 million of their scheduled long-term debt amortizations pursuant to the terms and conditions of their respective facility agreements.

On April 29, 2022, Masinloc Power Partners Co. Ltd. ("MPPCL") made principal repayments of term loans pursuant to its Omnibus Refinancing Agreement and Omnibus Expansion Financing Agreement, amounting to US$23 million and US$14 million, respectively.

SHELF-REGISTRATION OF P60,000 MILLION AND ISSUANCE OF P40,000 MILLION FIXED RATE PESO-DENOMINATED BONDS BY SMC GLOBAL POWER

On July 26, 2022, SMC Global Power issued and listed with the Philippine Dealing and Exchange Corp. a total of P40,000 million fixed rate bonds, the first tranche of the P60,000 million shelf-registered fixed rate Peso-denominated bonds approved by the Philippine Securities and Exchange Commission on July 11, 2022.

The bonds comprised of P5,000 million Series K Bonds due 2025, P25,000 million Series L Bonds due 2028 and P10,000 million Series M Bonds due 2032, with interest rates per annum of 5.9077%, 7.1051% and 8.0288%, respectively.

The proceeds from the issuance of the bonds were used: (i) to partially finance SMC Global Power's investments in power-related assets, particularly Liquefied Natural Gas ("LNG") projects and related assets, coal power plant projects, BESS and solar power plant projects; (ii) for general corporate purposes; and (iii) for payment of transaction-related fees, costs and expenses.

SALE OF INVESTMENTS IN SHARES OF STOCKS AND PARCELS OF LAND

In August and September 2022, pursuant to normal course of business of acquiring and disposing of land for potential project sites, SMC Global Power and its subsidiaries sold ownership interests in land holding subsidiaries and certain parcels of land, as follows:

- SMC Global Power executed agreements with an affiliate company for the sale of its 100% ownership interests in Ondarre Holding Corporation ("OHC") and Soracil Prime Inc. ("Soracil"), owners of certain parcels of land located in Barangay Wack-wack, Mandaluyong City.

- SMC Global Power signed an agreement with an external party for the sale of its 100% ownership interests in Strategic Energy Development Inc. ("SEDI"), owner of real properties, including land with a 9 year old 15 MW heavy fuel oil power plant facility located in Tagum City, Davao del Norte.

- Wholly-owned land holding subsidiaries, Dewsweeper Industrial, Inc., Bluelight Industrial Estate, Inc. ("Bluelight"), Multi-Ventures Investment Holdings, Inc. ("MVHI"), and Grand Planters International, Inc., executed agreements with affiliate companies for the sale of certain parcels of land located in the provinces of Quezon, Cavite, and Negros Occidental.

The total consideration for the foregoing sale transactions amounted to P13,787 million, payable in cash based on the terms of the agreement.

REQUEST FOR PRICE ADJUSTMENTS ON THE MERALCO POWER SUPPLY AGREEMENTS (PSA)

On October 22, 2019, each of SMEC and SPPC filed before the ERC a Joint Application with Manila Electric Company ("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 SMEC covers the supply of 330 MW baseload capacity to Meralco ("SMEC PSA") both for a period of 10 years (collectively, the "PSAs"). The PSAs were awarded by Meralco to each of SPPC and SMEC 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 SMEC PSA.

On May 11, 2022, each of SPPC and SMEC sought jointly with Meralco temporary contract price adjustments under the SPPC PSA and SMEC PSA before the ERC, as the primary regulator in the power industry tasked with consumer protection, to recover incremental fuel costs covering January to May 2022 billing periods arising from a Change in Circumstances (as defined in the PSAs) to be collected over a period of 6 months.
On September 29, 2022, the ERC denied the foregoing proposed price adjustments. SPPC and SMEC are currently exploring all available legal remedies to resolve the matter.

EVENTS AFTER REPORTING DATE

i. Tender Offer to Holders of SPCS by SMC Global Power

On October 26, 2022, the Board of Directors of SMC Global Power authorized the conduct of tender offer to the holders of its US-dollar denominated SPCS listed with the Singapore Exchange Securities Trading Ltd. ("SGX-ST") to purchase for cash said SPCS up to a total aggregate principal amount of US$400 million. The conduct of the tender offer commenced on October 26, 2022 and expired on November 4, 2022 (the "Expiration Deadline"). All valid tender offers from security holders, representing an aggregate of US$124 million in principal amount of SPCS were accepted by SMC Global Power. Security holders that validly tendered their securities at or prior to the Expiration Deadline and which SMC Global Power accepted for purchase from such security holder were paid the applicable purchase price and the relevant accrued distribution amount on November 9, 2022.

ii. Issuance of RPS by Universal Power Solutions, Inc. ("UPSI") and SMC Global Power

On October 28 and November 8, 2022, UPSI and SMC Global Power issued US$88 million and US$85 million RPS (the "Securities"), respectively, at an issue price of 100% in favor of SMC (the "Security Holder").

The Security Holder shall have the right to receive distribution at the rate of 6.25% per annum on both Securities, payable quarterly in arrears every January 28, April 28, July 28, and October 28 of each year commencing on January 28, 2023 on the US$88 million RPS, and every February 8, May 8, August 8, and November 8 of each year commencing on February 8, 2023 on the US$85 million RPS. UPSI and SMC Global Power has a right to defer distribution under certain conditions.

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

II. FINANCIAL PERFORMANCE

2022 vs. 2021

	September 30		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2022**	2021	Amount	%	**2022**	2021
Revenues	**P166,147**	P93,867	P72,280	77%	**100%**	100%
Cost of power sold	**(148,816)**	(65,386)	83,430	128%	**(90%)**	(70%)
Gross profit	**17,331**	28,481	(11,150)	(39%)	**10%**	30%
Selling and administrative expenses	**(3,909)**	(3,572)	337	9%	**(2%)**	(4%)
Other operating income	**7,102**	3,492	3,610	103%	**4%**	4%
Interest expense and other financing charges	**(12,138)**	(13,785)	(1,647)	(12%)	**(7%)**	(14%)
Interest income	**718**	416	302	73%	**0%**	0%
Equity in net losses of an associate and joint ventures	**(331)**	(20)	311	1,555%	**(0%)**	(0%)
Gain on sale of investments	**2,688**	-	2,688	(high)	**2%**	0%
Other charges - net	**(15,042)**	(923)	14,119	1,530%	**(9%)**	(1%)
Income before income tax	**(3,581)**	14,089	(17,670)	(125%)	**(2%)**	15%
Income tax expense (benefit)	**(946)**	395	(1,341)	(339%)	**(0%)**	0%
Net income (loss)	**(P2,635)**	P13,694	(P16,329)	(119%)	**(2%)**	15%

Revenues
The Group's consolidated revenues for the first three quarters of 2022 registered at P166,147 million, 77% or P72,280 million higher than last year's P93,867 million for the same period. The increase was mainly due to: (i) higher average realization prices attributable to higher fuel cost passed on to customers as a result of rising coal prices and the increase in overall spot sales price in Luzon; (ii) improvement in nominations from Meralco, other distribution utilities and industrial customers as Corona Virus Disease 2019 ("COVID-19") quarantine restrictions continue to loosen up, thereby increasing offtake volumes by 4% to 21,336 gigawatt hours ("GWh") from 20,531 GWh in 2021; and (iii) commencement of commercial operations of the 20 MW Kabankalan 1 BESS on January 26, 2022.

Cost of Power Sold
Cost of power sold significantly increased by 128% or P83,430 million, from P65,386 million for the first three quarters of 2021 to P148,816 million for the same period of 2022. The increase was mainly attributable to the following: (i) higher generation costs on account of rising coal prices and increase in gas prices for the Ilijan Power Plant incurred prior to the turnover, (ii) higher volume of power purchased from the Philippine Wholesale Electricity Spot Market ("WESM"), due to the deration of the Ilijan Power Plant on account of Malampaya gas supply restriction until June 4, 2022 and the plant's shutdown for inspection, repairs, upgrades and retrofitting activities starting June 5, 2022; and (iii) continuing high WESM prices.

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

Selling and Administrative Expenses

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

Other Operating Income

Higher other operating income by P3,610 million or 103% was due primarily to the gain on sale of properties by the Group during the period, partly offset by the lower income from reduction of PSALM fixed fee charges mainly on account of lower outage hours of Sual Unit 2 in 2022, following its extended shutdown during the entire first quarter of 2021 up to May 12, 2021.

Interest Expense and Other Financing Charges

Interest expense and other financing charges amounted to P12,138 million for the first three quarters of 2022, a decrease by 12% from last year, primarily due to lower interest recognized on the declining principal balances of the IPPA entities' lease liabilities especially with the expiration of the Ilijan IPPA Agreement.

Interest Income

Interest income amounted to P718 million for the first three quarters of 2022, an increase by 73% from last year, driven primarily by higher average interest rate and higher interest income for the period on shareholder advances granted to a Angat Hydropower Corporation ("AHC").

Equity in Net Losses of an Associate and Joint Ventures

Equity in net losses of an associate and joint ventures amounted to P331 million for the first three quarters of 2022, higher than last year, due mainly to the decline in the financial performance of AHC.

Gain on Sale of Investments

Gain on sale of investments, amounting to P2,688 million, was mainly from the sale of Soracil, OHC, and SEDI.

Other Charges - net

Other charges amounted to P15,042 million for the first three quarters of 2022, higher compared with last year's P923 million. This was mainly due to the net foreign exchange losses amounting to P17,502 million recognized driven by the unprecedented depreciation of the Philippine peso against the US dollar during the period.

Income Tax Expense (Benefit)

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

Net Income (Loss)

The Group sustained a net loss for the first three quarters of 2022 amounting to P2,365 million compared with the net income from last year of P13,694 million. This was due primarily to lower gross margin and net unrealized foreign exchange losses amounting to P16,174 million for the first three quarters of 2022. Without the recognized net foreign exchange losses and CREATE Law adjustments recognized in the first quarter of 2021, net income would have increased by 8% from previous year.

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

1. **POWER GENERATION**

   a. **San Miguel Energy Corp. (SMEC, IPPA of Sual Power Plant)**

   For the first three quarters of 2022, net generation of 5,266 GWh, at 70% net capacity factor rate was 47% higher than the same period last year. This was mainly due to fewer outages in 2022 as Sual Unit 2 was on extended outage for the repair of turbine blades and diaphragm, and Unit 1 on forced and maintenance shutdown during the first half of 2021. Likewise, total offtake volume increased to 6,554 GWh from 5,969 GWh for the same period last year on account of higher Meralco nominations and the improvement in volumes sold to spot and affiliate generators for the first three quarters of 2022.

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

   Operating income of P1,074 million was 76% lower than P4,528 million last year on account of higher generation cost due to significant increase in cost of coal and spot purchase prices offset by the decline in power purchase volumes from affiliate and external generators as a result of higher plant availability during the period.

   b. **South Premiere Power Corp. (SPPC, owner of Ilijan Power Plant)**

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

   Revenues of P23,515 million for the quarter ended September 30, 2022 was 3% higher compared to the same period last year despite lower offtake volumes. This was mainly on account of the improved average realization prices for bilateral sales.

   Operating loss of P7,192 million in 2022 was a significant drop by 272% from the operating income of P4,186 million of the same period last year. This was attributable to increased power purchases combined with higher average spot purchase price caused by high market demand during the period.

   c. **Strategic Power Dev't. Corp. (SPDC, IPPA of San Roque Power Plant)**

   The San Roque Power Plant's net generation of 425 GWh, at 19% net capacity factor rate, for the first three quarters of 2022 fell by 40% due to lower water inflows resulting to low water reservoir level. Moreover, total offtake volume of 640 GWh decreased by 16% compared to the same period last year due to the lower spot sales volume.

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

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

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

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

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

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

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

For the first three quarters of 2022, a total of 1,197 GWh was generated by the plant at a capacity factor rate of 69% lower than last year by 13%. Revenues at P13,147 million grew by 75% on account of higher average realization price due to higher pass-on fuel cost as a result of rising cost of coal. Accordingly, operating income registered at P5,011 million, 57% higher than the same period last year.

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

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

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

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

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

Revenues of P4,171 million was 45% higher than last year driven primarily by the increase in average realization price. The improvement in revenues was curtailed by higher systems loss and cost of power purchases. Consequently, operating loss of P792 million in 2022 was higher than the P160 million recognized in 2021 for the same period.

b. **SCPC - RES**

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

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

c. **MPPCL - RES and BESS**

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

d. **SMCGP Philippines Energy - BESS**

On January 6, 2022, the ERC granted provisional authority for the implementation of the ASPA between the NGCP and SMCGP Philippines Energy commencing on January 26, 2022. SMCGP Philippines Energy reported revenues and operating income of P604 million and P319 million, for the three quarters of 2022, respectively.

2021 vs. 2020

	September 30		**Horizontal Analysis Increase (Decrease)**		**Vertical Analysis**	
In Millions	**2021**	**2020**	**Amount**	**%**	**2021**	**2020**
Revenues	**P93,867**	P87,866	P6,001	7%	**100%**	100%
Cost of power sold	**(65,386)**	(54,496)	10,890	20%	**(70%)**	(62%)
Gross profit	**28,481**	33,370	(4,889)	(15%)	**30%**	38%
Selling and administrative expenses	**(3,572)**	(4,381)	(809)	(18%)	**(4%)**	(5%)
Other operating income	**3,492**	456	3,036	666%	**4%**	0%
Interest expense and other financing charges	**(13,785)**	(13,789)	(4)	(0%)	**(14%)**	(16%)
Interest income	**416**	882	(466)	(53%)	**0%**	1%
Equity in net losses of an associate and joint ventures	**(20)**	(589)	(569)	(97%)	**(0%)**	(1%)
Other income (charges) - net	**(923)**	5,026	(5,949)	(118%)	**(1%)**	6%
Income before income tax	**14,089**	20,975	(6,886)	(33%)	**15%**	23%
Income tax expense	**395**	6,495	(6,100)	(94%)	**0%**	7%
Net income	**P13,694**	P14,480	(P786)	(5%)	**15%**	16%

Revenues

The Group’s consolidated revenues for the first three quarters of 2021 registered at P93,867 million, 7% or P6,001 million higher than the P87,866 million posted revenues for the same period in 2020. The increase was mainly driven by higher spot sales volume, coupled with high average spot prices, and higher nominations from Distribution Utilities as demand gradually improve with the reopening of economic activities and easing of community quarantine restrictions.

Cost of Power Sold
Cost of power sold likewise increased by 20% or P10,890 million, from P54,496 million for the first three quarters of 2020 to P65,386 million for the same period of 2021. The increase was mainly attributable to: (i) rising coal prices, (ii) full three quarters operations of Masinloc Unit 3 which commenced on September 26, 2020, (iii) higher power purchases resulting from the lack of peak capacity to serve the Group's improved bilateral requirements with the continued deration of the Ilijan Power Plant due to gas supply restrictions, and (iv) the extended outages of the Sual Power Plant. Moreover, spot prices surged in May 2021 when the Group and the rest of the power industry experienced a very high system demand.

Selling and Administrative Expenses
Selling and administrative expenses decreased by 18% or P809 million, from P4,381 million for the first three quarters of 2020 to P3,572 million for the same period of 2021. The decrease was mainly due to: (i) contributions of P200 million for COVID-19 community response initiatives incurred in 2020, (ii) lower taxes and licenses due to the decline in local business taxes of SPPC and lower documentary stamp taxes incurred by MPPCL and SMC Global Power, and (iii) reversal of impairment losses on trade receivables due to improvement in collections.

Other Operating Income
Higher other operating income by P3,036 million or 666% was due primarily to higher income from reduction of PSALM fixed fee charges mainly on account of higher outage hours of Sual Unit 2, during the entire first quarter of 2021 up to May 12, 2021.

Interest Income
Interest income decreased by 53% or P466 million from P882 million in 2020 to P416 million in 2021 same period, due mainly to lower average interest rate and shorter placement periods as funds were utilized to defray capital expenditures for ongoing construction projects.

Equity in Net Losses of an Associate and Joint Ventures
Equity in net losses of associate and joint ventures registered at P20 million loss in 2021, down from the P589 million loss in 2020, due to the share in lower net losses of AHC.

Other Income (Charges) - net
Other income (charges) decreased by 118% or P5,949 million, from P5,026 million other income in 2020 to P923 million other charges in 2021. This was due mainly to: (i) the recognition in 2020 of P3,826 million in settlement received from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts, and (ii) net foreign exchange differential, arising mainly from the Group's US dollar-denominated liabilities, made a complete turnaround from P1,216 million gain in 2020 to P1,162 million loss in 2021 as a result of the depreciation of the Philippine peso against the US dollar in the first three quarters of 2021 by P2.98 (from P48.02 to P51.00) vs the appreciation of Philippine peso experienced for the same period in 2020 by P2.14 (from P50.64 to P48.50).

Income Tax Expense
Provision for income tax decline from P6,495 million for 2020 to P395 million for 2021. This resulted primarily from the adjustment made in the first quarter of 2021 for the impact of the CREATE Law in 2020 primarily arising from the IPPA entities' lease liabilities.

Net Income
Consequently, the consolidated net income of the Group for the first three quarters decreased by 5% or P786 million from P14,480 million in 2020 to P13,694 million in 2021.

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

1. **POWER GENERATION**

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

For the first three quarters of 2021, net generation of 3,594 GWh at 55% net capacity factor rate was 26% lower than the same period in 2020 mainly due to higher outage hours resulting mainly from the prolonged outage of Unit 2, due to the repair of intermediate pressure turbine blades and diaphragm, and forced and planned maintenance shutdown of Unit 1 during the period. Total offtake volume likewise decreased to 5,969 GWh, from 7,125 GWh in 2020, on account of lower spot and replacement power sales and decline in demand from industrial and RES customers during the quarantine period.

Revenues of P26,666 million was 10% lower than the P29,540 million revenues in 2020, mainly attributable to the decline in offtake volume partly moderated by the increase in average realization price driven by the rate escalation in accordance with the provisions of its PSA.

Operating income of P4,528 million was 54% lower than P9,837 million registered for the same period in 2020 also on account of higher power purchases during the outages of both Sual units.

b. **SPPC, IPPA of Ilijan Power Plant**

The net generation of Ilijan Power Plant for the first three quarters of 2021 fell by 13% on account of longer outage hours resulting from the planned maintenance shutdown of Blocks 1 & 2 and its continued deration due to gas supply restrictions during the period. Total offtake volume of 5,650 GWh decreased by 3% compared to the same period in 2020 on account of lower replacement power requirements.

As a result, revenues of P22,938 million for the period ended September 30, 2021 was lower by 9% compared to the same period in 2020 of P25,337 million on account of the decline in offtake volume coupled with lower average realization prices.

Operating income of P4,186 million in 2021 went down by 49% from the P8,196 million posted in 2020. The decline was attributable to lower average realization price along with increase in power purchases on account of the plant deration and higher spot purchase prices especially during the month of May 2021 when the power industry experienced the highest system demand.

c. **SPDC, IPPA of San Roque Power Plant**

The San Roque Power Plant's net generation of 710 GWh, at 31% net capacity factor rate, for the first three quarters of 2021 increased by 86% due to longer operating hours and higher water discharge during the period. Total offtake volume of 762 GWh likewise increased by 55% compared to 493 GWh in 2020 attributable to higher spot sales and replacement power supplied to affiliate generators.

Revenues for the period increased by 71% from P2,282 million in 2020 to P3,907 million in 2021 mainly due to higher average realization price and total offtake volume.

The foregoing factors resulted to an upturn in operating income from P624 million in 2020 to P1,935 million in 2021.

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

Total net generation of the plant of 3,092 GWh for the first three quarters of 2021 at 88% net capacity factor, was 21% higher than the 2,558 GWh registered in 2020, due to higher plant availability as a result of lower outage hours. SCPC dispatched 1,241 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its RES customers. Total offtake volume of 1,336 GWh fell from total offtake volume registered in 2020 by 17% due to lower nominations from bilateral customers during the period.

For the first three quarters of 2021, revenues decreased by 10% from P7,188 million in 2020 to P6,502 million in 2021 due to decline in offtake volume and lower average selling price for replacement power sales. However, with lower purchase cost, operating income registered at P2,710 million in 2021, a 6% improvement compared to the same period in 2020.

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

For the first three quarters of 2021, a total of 1,374 GWh was generated by the plant at a capacity factor rate of 79%. This was slightly lower by 1% compared to the same period in 2020. Revenues at P7,515 million declined by 10% on account of lower nominations from its existing bilateral customers. Likewise, average realization price decreased due to lower pass-on fuel costs with the utilization of lower kcal coal. Consequently, operating income registered at P3,198 million, which was 9% lower than the reported operating income in 2020.

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

The Masinloc Power Plant operating Units 1, 2, and 3 with a combined net capacity of 924 MW, contributed a total net generation of 4,658 GWh for the first three quarters of 2021. This was significantly higher compared to 3,022 GWh in 2020 mainly resulting from higher combined operating hours of Units 1 and 2 in 2021. The start of commercial operations of Unit 3 was on September 26, 2020.

Total offtake volume of 5,397 GWh exceeded the total offtake volume registered in 2020, on account of higher spot sales volume and replacement power sales to affiliate generators driven by the high generation of the power plant. Year-to-date revenues, and operating income increased to P23,197 million and P5,311 million, respectively, due mainly to higher average realization prices for replacement power and the increase in spot prices for the spot sales volume during the period.

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

a. **APEC, Concessionaire for the rehabilitation, operations and maintenance of Albay Electric Cooperative, Inc.**

Revenues of P2,868 million in 2021 was 11% higher than P2,589 million posted in 2020 primarily driven by the increase in average realization price. On the other hand, operating loss of P160 million in 2021 was higher than the P110 million recognized in 2020 for the same period on account of higher cost of power purchases.

b. **SCPC - RES**

For the first three quarters of 2021, the total offtake volume registered at 1,998 GWh. This was 29% higher than the 1,550 GWh in 2020 due to increase in nominations from contestable customers and the transfer of contestable customers from San Miguel Electric Corp. (“SMELC”). As a result, revenues increased by 39% from P7,253 million in 2020 to P10,088 million in 2021. Consequently, with better margin, operating income registered at P2,132 million in 2021. This was 136% higher than the P903 million posted in 2020.

c. **MPPCL - RES**

MPPCL has retail supply contracts (RSC) with various contestable customers. Starting May 26, 2020, several RSCs from SMELC were assigned to MPPCL RES.

For the first three quarters of 2021, total offtake volume and revenues inclusive of ancillary revenue from 10 MW Battery Energy Storage System (“BESS”) more than doubled compared to the same period in 2020, registering at 615 GWh and P3,796 million, respectively, attributed mainly to the contracts assigned from SMELC. Consequently, operating income registered at P980 million in 2021, much higher than in 2020.

III. FINANCIAL POSITION

2022 vs. 2021

In Millions	**September 30, 2022**	December 31, 2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2022**	2021
Cash and cash equivalents	**P44,077**	P67,690	(P23,613)	(35%)	**6%**	11%
Trade and other receivables - net	**89,142**	47,272	41,870	89%	**13%**	7%
Inventories	**16,226**	10,018	6,208	62%	**2%**	2%
Prepaid expenses and other current assets	**39,686**	31,490	8,196	26%	**6%**	5%
Total Current Assets	**189,131**	156,470	32,661	21%	**27%**	25%
Investments and advances - net	**7,769**	10,839	(3,070)	(28%)	1%	2%
Property, plant and equipment - net	**294,650**	211,859	82,791	39%	41%	33%
Right-of-use assets - net	**107,860**	157,160	(49,300)	(31%)	15%	25%
Deferred exploration and evaluation costs	**766**	719	47	6%	0%	0%
Goodwill and other intangible assets - net	**74,668**	72,943	1,725	2%	**11%**	11%
Deferred tax assets	**2,842**	1,447	1,395	96%	**0%**	0%
Other noncurrent assets	**36,201**	24,287	11,914	49%	**5%**	4%
Total Noncurrent Assets	**524,756**	479,254	45,502	9%	**73%**	75%
Total Assets	**P713,887**	P635,724	P78,163	12%	**100%**	100%
Loans payable	**P15,440**	P1,530	P13,910	909%	**2%**	0%
Accounts payable and accrued expenses	**76,885**	56,055	20,830	37%	**11%**	9%
Lease liabilities - current portion	**19,369**	21,677	(2,308)	(11%)	**3%**	3%
Income tax payable	**223**	25	198	792%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**72,652**	30,185	42,467	141%	**10%**	5%
Total Current Liabilities	**184,569**	109,472	75,097	69%	**26%**	17%
Long-term debt - net of current maturities and debt issue costs	**217,002**	192,736	24,266	13%	**30%**	30%
Deferred tax liabilities	**18,876**	20,183	(1,307)	(6%)	**3%**	3%
Lease liabilities - net of current portion	**46,932**	56,536	(9,604)	(17%)	**7%**	9%
Other noncurrent liabilities	**7,551**	5,069	2,482	49%	**1%**	1%
Total Noncurrent Liabilities	**290,361**	274,524	15,837	6%	**41%**	43%
Total Liabilities	**474,930**	383,996	90,934	24%	**67%**	60%

Forward

In Millions	**September 30, 2022**	December 31, 2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2022**	2021
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**P1,250**	P1,062	P188	18%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**167,767**	167,767	-	0%	**24%**	26%
Redeemable perpetual capital securities	**32,752**	32,752	-	0%	**4%**	6%
Equity reserves	**(1,517)**	(1,536)	(19)	(1%)	**0%**	0%
Retained earnings	**35,288**	48,248	(12,960)	(27%)	**5%**	8%
	238,030	250,783	(12,753)	(5%)	**33%**	40%
Non-controlling Interests	**927**	945	(18)	(2%)	**0%**	0%
Total Equity	**238,957**	251,728	(12,771)	(5%)	**33%**	40%
Total Liabilities and Equity	**P713,887**	P635,724	P78,163	12%	**100%**	100%

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

a. Increase in property, plant and equipment by P82,791 million as a result of the (i) ongoing construction of the Batangas Combined Cycle Power Plant ("BCCPP") project, Mariveles Power Plant and BESS projects; (ii) acquisition of land holding subsidiaries - MVHI and Bluelight, and (iii) turnover of the Ilijan Power Plant following the expiration of the Ilijan IPPA agreement in June 2022.

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

c. Increase in other noncurrent assets by P11,914 million was mainly attributable to the long-term receivables on the sale of various properties and investments, offset by application of advances to progress billings for the ongoing construction of the BCCPP and Mariveles Power Plant projects.

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

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

f. Increase in deferred tax assets by P1,395 million was due primarily to the deferred income tax benefit recognized by MPPCL on unrealized foreign exchange losses from the revaluation of its US dollar-denominated liabilities.

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

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

i. Decrease in investment and advances by P3,070 million was mainly due to the consolidation of deposits made by SMC Global Power to MVHI and Bluelight, which were formerly included as part of deposits to external companies following the acquisition of such entities in August 2022.

The Group's consolidated total liabilities as at September 30, 2022 amounted to P474,930 million, 24% or P90,934 million higher than the December 31, 2021 balance of P383,996 million. The major items accounting for the increase are as follows:

a. Increase in current maturities of long-term debt - net of debt issue costs by P42,467 million was attributable to the: (i) reclassification from noncurrent of the Group's term loans and bonds maturing within one year; (ii) unrealized foreign exchange loss recognized on the revaluation of US dollar-denominated loans; and (iii) partly offset by the redemption by SMC Global Power of its Series H Bonds amounting to P13,845 million in April 2022, and payments of principal amortizations made by MPPCL, SCPC and SMCPC during the period.

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

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

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

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

f. Increase in income tax payable by P198 million was primarily due to higher taxable income for the period of SCPC and MPPCL.

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

h. Decrease in deferred tax liabilities by P1,307 million was due to provision for deferred income tax benefit recognized on the net operating loss carry over of SMEC and SPPC, downward movement of SPDC as payments to PSALM during the period were lower compared to lease-related expenses offset by the provision for deferred income tax expense arising from lease-related expenses of SMEC.

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

a. Decrease in retained earnings by P12,960 million was mainly attributable to distributions to SPCS and RPS holders and the net loss recognized for the period.

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

2021 vs. 2020

In Millions	**September 30, 2021**	December 31, 2020	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2021**	2020
Cash and cash equivalents	**P101,226**	P110,718	(P9,492)	(9%)	**16%**	18%
Trade and other receivables - net	**39,992**	36,162	3,830	11%	**6%**	6%
Inventories	**8,235**	5,582	2,653	48%	**1%**	1%
Prepaid expenses and other current assets	**28,965**	24,916	4,049	16%	**5%**	4%
Total Current Assets	**178,418**	177,378	1,040	1%	**28%**	29%
Investments and advances - net	**10,851**	9,957	894	9%	**2%**	2%
Property, plant and equipment - net	**196,501**	171,415	25,086	15%	**31%**	28%
Right-of-use assets - net	**158,670**	162,313	(3,643)	(2%)	**25%**	27%
Deferred exploration and evaluation costs	**717**	715	2	0%	**0%**	0%
Goodwill and other intangible assets - net	**72,917**	72,858	59	0%	**11%**	12%
Deferred tax assets	**1,453**	1,646	(193)	(12%)	**0%**	0%
Other noncurrent assets	**21,933**	13,734	8,199	60%	**3%**	2%
Total Noncurrent Assets	**463,042**	432,638	30,404	7%	**72%**	71%
Total Assets	**641,460**	P610,016	P31,444	5%	**100%**	100%
Loans payable	**P1,530**	P1,681	(P151)	(9%)	**0%**	0%
Accounts payable and accrued expenses	**51,001**	40,279	10,722	27%	**8%**	7%
Lease liabilities - current portion	**23,743**	24,007	(264)	(1%)	**4%**	4%
Income tax payable	**126**	10	116	1,160%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**21,309**	22,722	(1,413)	(6%)	**3%**	4%
Total Current Liabilities	**97,709**	88,699	9,010	10%	**15%**	15%
Long-term debt - net of current maturities and debt issue costs	**204,320**	196,831	7,489	4%	**32%**	32%
Deferred tax liabilities	**18,928**	19,456	(528)	(3%)	**3%**	3%
Lease liabilities - net of current portion	**60,889**	75,504	(14,615)	(19%)	**9%**	12%
Other noncurrent liabilities	**4,718**	3,222	1,496	46%	**1%**	1%
Total Noncurrent Liabilities	**288,855**	295,013	(6,158)	(2%)	**45%**	48%
Total Liabilities	**386,564**	383,712	2,852	1%	**60%**	63%

Forward

In Millions	September 30, 2021	December 31, 2020	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2021	2020
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**P1,062**	P1,062	P -	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**167,778**	132,200	35,578	27%	**26%**	22%
Redeemable perpetual capital securities	**32,752**	32,752	-	0%	**5%**	5%
Undated subordinated capital securities	**-**	13,823	(13,823)	(100%)	**0%**	2%
Equity reserves	**(2,528)**	(4,228)	1,700	(40%)	**0%**	0%
Retained earnings	**52,391**	47,179	5,212	11%	**9%**	8%
	253,945	225,278	28,667	13%	**40%**	37%
Non-controlling Interests	**951**	1,026	(75)	(7%)	**0%**	0%
Total Equity	**254,896**	226,304	28,592	13%	**40%**	37%
Total Liabilities and Equity	**P641,460**	P610,016	P31,444	5%	**100%**	100%

The Group's consolidated total assets as at September 30, 2021 amounted to P641,460 million, higher by 5% or P31,444 million than December 31, 2020 balance of P610,016 million. The increase was attributable to the following factors:

a. Increase in trade and other receivables - net by P3,830 million was due mainly to higher trade receivables of MPPCL, SMEC, SCPC and SMCPC over total collections in 2021.

b. Increase in inventories by P2,653 million was due mainly to higher average prices for coal inventories, with the rising of coal indices, and the purchase of spare parts for repairs and maintenance of Masinloc Power Plant and in preparation for the upcoming planned maintenance of Limay and Davao Greenfield Power Plants.

c. Increase in prepaid expenses and other current assets by P4,049 million was due mainly to higher input taxes recognized on capital expenditures relating to ongoing BESS projects of UPSI and MPPCL, and Ilijan LNG project, restricted cash set aside by SMCPC and SCPC for debt servicing requirements and advance payments to suppliers by MPPCL, SMCPC and SCPC.

d. Increase in property, plant and equipment by P25,086 million was mainly due to additional construction costs incurred for the Mariveles Power Plant and BESS projects.

e. Increase in other noncurrent assets by P8,199 million was due mainly to advance payments to contractors of the Ilijan LNG project and Masinloc Power Plant's Units 4 and 5 projects, offset by MPPCL's use of its restricted cash for loan and interest payments.

f. Increase in investments and advances by P894 million was due mainly to additional deposits to various land holding companies to be applied to future stock subscriptions, offset by the share in net losses from an associate and joint ventures.

g. Decrease in cash and cash equivalents by P9,492 million was due mainly to the (i) additions in power, plant and equipment, (ii) redemption of the US$300 million USCS on February 26, 2021, (iii) distributions paid to holders of SPCS, RPS and USCS by SMC Global Power, (iv) payments of maturing long-term borrowings by SMC Global Power, MPPCL, SCPC and SMCPC, offset by (v) net proceeds from the issuance of US$600 million and US$150 million SPCS on June 9 and September 15, 2021, respectively, and (vi) additional term loans availed by SMC Global Power.

h. Decrease in deferred tax assets by P193 million was due primarily to the impact of CREATE Law which reduced the corporate income tax rate from 30% to 25% thereby decreasing the deferred income tax recognized on unrealized foreign exchange losses and lease-related transactions of Mariveles Power Generation Corporation ("MPGC"), MPPCL, SEDI, and SCPC.

The Group's consolidated total liabilities as at September 30, 2021 amounted to P386,564 million, 1% or P2,852 million slightly higher than the December 31, 2020 balance of P383,712 million. The major items accounting for the increase are as follows:

a. Increase in accounts payable and accrued expenses by P10,722 million was mainly due to the additional payables recognized for the Mariveles Power Plant construction, for coal and power purchases and higher output taxes of the Group.

b. Increase in income tax payable by P116 million mainly pertain to the income tax due recognized by MPPCL for the third quarter of 2021.

c. Increase in long-term debt - net of debt issue costs (including current maturities) by P6,076 million was mainly attributable to: (i) various term loans availed by SMC Global Power, (ii) foreign exchange losses recognized on the translation of US dollar-denominated borrowings, and offset by (iii) payments of maturing long-term borrowings by SMC Global Power, MPPCL, SCPC and SMCPC.

d. Increase in other noncurrent liabilities by P1,496 million was mainly due to the recognition of retention payable related to the ongoing Mariveles Power Plant project of MPGC.

e. Decrease in lease liabilities (including current portion) by P14,879 million was mainly on account of lease payments made by the IPPAs to PSALM.

f. Decrease in loans payable by P151 million was mainly due to the US$5 million partial settlement out of the US$35 million loan of MPPCL on September 20, 2021 offset by the translation loss recognized with the depreciation of the Philippine peso against US dollar.

IV. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	September 30	
	2022	2021
Net cash flows provided by (used in) operating activities	**(P20,941)**	P25,433
Net cash flows used in investing activities	**(41,061)**	(33,102)
Net cash flows provided by (used in) financing activities	**37,110**	(4,277)

Net cash flows used in operations activities for the period basically consist of increase in noncash current assets mainly trade receivables and inventory, changes in certain current liabilities and others, partly offset by cash generated from operations for the period. The increase in trade receivables was mainly due to higher trade revenues driven by higher coal prices and overall offtake volumes. The increase in inventory were mainly due to prevailing high prices of coal.

Net cash flows used in investing activities are as follows:

(in Millions)	September 30	
	2022	2021
Proceeds from sale of property, plant and equipment	**P872**	P -
Proceeds from sale of investments	**506**	-
Acquisition of subsidiaries, net of cash	**(12)**	-
Additions to deferred exploration and development costs	**(46)**	(2)
Additions to intangible assets	**(206)**	(127)
Additions to investments and advances	**(782)**	(914)
Advances paid to suppliers and contractors	**(3,906)**	(10,716)
Decrease (increase) in other noncurrent assets	**(4,145)**	1,826
Additions to property, plant and equipment	**(33,342)**	(23,169)

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

(in Millions)	September 30	
	2022	2021
Proceeds from long-term debt	**P72,312**	P21,885
Proceeds from short-term borrowings	**40,182**	27,577
Collection of subscription receivable	**188**	-
Proceeds from issuance of SPCS	**-**	35,578
Distributions paid to USCS holders	**-**	(656)
Redemption of USCS	**-**	(14,582)
Payment of stock issuance costs	**(139)**	(26)
Distributions paid to RPS holder	**(1,617)**	(1,487)
Distributions paid to SPCS holders	**(8,588)**	(6,387)
Payments of long-term debts	**(18,729)**	(20,290)
Payments of lease liabilities	**(19,543)**	(18,057)
Payments of short-term borrowings	**(26,956)**	(27,832)

The effect of exchange rate changes on cash and cash equivalents amounted to P1,279 million and P2,454 million on September 30, 2022 and 2021, respectively.

V. KEY PERFORMANCE INDICATORS

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

LIQUIDITY RATIO

Current Ratio = Current Assets / Current Liabilities

	Conventional		Adjusted [1]	
(in Millions Peso)	**September 2022**	December 2021	**September 2022**	December 2021
(A) Current Assets	**189,131**	156,470	**189,131**	156,470
(B) Current Liabilities	**184,569**	109,472	**165,307**	87,876
Current Ratio (A) / (B)	**1.02**	1.43	**1.14**	1.78

[1] Current portion of lease liabilities, in relation to the IPPA Agreements with PSALM, are excluded from the total current liabilities as these current obligations on lease are pass-through charges billable to customers. As at September 30, 2022 and December 31, 2021, current portion of lease liabilities to PSALM amounted to P19,262 million and P21,596 million, respectively.

SOLVENCY RATIO

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

Per relevant Loan Covenants of SMC Global Power

(in Millions Peso)	**September 2022**	December 2021
(A) Net Debt [2]	**276,217**	184,001
(B) Total Equity [3]	**237,716**	247,603
Net Debt-to-Equity Ratio (A) / (B)	**1.16**	0.74

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

[2] Consolidated net total debt plus total PSALM lease liabilities.
[3] Consolidated total equity.

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

(in Millions Peso)	*Conventional* September 2022	*Conventional* December 2021	*Adjusted* [(4)] September 2022	*Adjusted* [(4)] December 2021
(A) Total Assets	**713,887**	635,724	**613,879**	483,896
(B) Total Equity	**238,957**	251,728	**238,957**	251,728
Asset-to-Equity Ratio (A) / (B)	**2.99**	2.53	**2.57**	1.92

(4) Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at September 30, 2022 and December 31, 2021, the carrying amount of the IPPA power plant assets amounted to P100,008 million and P151,828 million, respectively.

PROFITABILITY RATIO

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

(in Millions Peso)	**September 2022**	December 2021
(A) Net Income (Loss) [(5)]	**(350)**	15,978
(B) Total Equity	**238,957**	251,728
Return on Equity (A) / (B)	**(0.1%)**	6.3%

(5) Annualized for quarterly reporting.

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

Per relevant Loan Covenants of SMC Global Power

(in Millions Peso)	**September 2022**	December 2021
(A) EBITDA [(6)]	**29,606**	33,542
(B) Interest Expense [(7)]	**11,858**	13,405
Interest Coverage Ratio (A) / (B)	**2.50**	2.50

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

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

OPERATING EFFICIENCY

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

	Periods Ended September 30	
(in GWh)	**2022**	2021
(A) Current Period Offtake Volume	**21,336**	20,531
(B) Prior Period Offtake Volume	**20,531**	19,956
Volume Growth [(A / B) – 1]	**3.9%**	2.9%

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

	Periods Ended September 30	
(in Millions Peso)	**2022**	**2021**
(A) Current Period Revenue	**166,147**	93,867
(B) Prior Period Revenue	**93,867**	87,866
Revenue Growth [(A / B) – 1]	**77.0%**	6.8%

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

	Periods Ended September 30	
(in Millions Peso)	**2022**	**2021**
(A) Income from Operations	**20,524**	28,401
(B) Revenues	**166,147**	93,867
Operating Margin (A) / (B)	**12.4%**	30.3%

VI. OTHER MATTERS

a. Fuel Commodity Price Volatility

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

The Group has been able to effectively mitigate the adverse impact of commodity price risks, primarily for coal fuel, thru the fuel price *passthru* mechanism or the periodic tariff rate review allowed under its power supply agreements or retail supply contracts with most of its offtakers. It also has supply-side risk mitigation, including among others, maintaining a pool of international and local sources of coal fuel which provide a certain level of fuel price risk mitigation and more importantly, fuel supply security.

b. Malampaya Gas Supply Restrictions

The Ilijan Power Plant uses natural gas from the Malampaya gas facility in Palawan ("Malampaya") as fuel for its power generation. As early as March 2021, the National Power Corporation issued notices of gas supply restrictions from Malampaya. This significantly reduced the net generation of the Ilijan Power Plant to 60% of its total installed capacity for the remainder of 2021. The Group was constrained to use its available capacity from its portfolio of generation assets, and in certain cases, purchase from the WESM spot market, to augment its generation from the Ilijan Power Plant to meet its bilateral demand from its customers, primarily from Meralco pursuant to its power supply agreements. This reduced the gross margins of the Group in cases where the cost of replacement supply exceeds the power generation costs from the Ilijan Power Plant using Malampaya natural gas. This accounts for a significant portion in the reduction of the Group's gross margins and operating income in 2022 and 2021 from the comparative numbers in prior periods.

On June 23, 2022, SPPC entered into a gas supply agreement for 70.26 Petajoules of banked gas with the Philippine National Oil Company ("PNOC") at a daily volume of dispatch sufficient to run the Ilijan Power Plant at 45% to 75% plant factor. This volume of gas is adequate and expected to support the Ilijan Power Plant's fuel requirements until February 2024. To date, the delivery of the banked gas by PNOC has yet to commence.

In addition to the banked gas, SPPC will commence purchase of commercial LNG for the Ilijan Power Plant once the LNG Terminal, currently being built and to be operated by Atlantic Gulf and Pacific Co. beside the Ilijan Power Plant, commences operation later this year.

c. Effect of COVID-19

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization.

The Philippine government issued a series of directives and social distancing measures as part of its efforts to contain the outbreak in the Philippines. The graduated lockdown schemes imposed varying degrees of restrictions on travel and business operations. The day-to-day operations of the Group, being primarily engaged in power generation, were not significantly affected by the enhance community quarantine ("ECQ") or other graduated quarantine measures because the Philippine government considers power generation as an essential service and operations related thereto continue to be permitted. As a result, the Group's power generation activities and any repairs and preventive maintenance works remain generally unhampered.

The demand from industrial customers in the Luzon Grid decreased significantly during the ECQ period in 2020 as a result of the cessation or suspension of business operations, but demand gradually increased with the easing of quarantine restrictions and the gradual reopening of economic activities in the National Capital Region. In contrast, the demand from most of the Group's utility customers remained stable, and at times increased compared to their historical demand, which compensated for the reduction of industrial demand. Notably, a significant portion of utility demand represents residential and small-scale industrial customers and commercial businesses, which had consistent and levelled load profiles throughout the quarantine periods, resulting in improved fuel and operational efficiencies in the Group's power plants. From the Group's perspective, its bilateral energy volumes were derived mainly from contracted capacity with utility companies. Their PSAs mostly require a take-or-pay arrangement or impose minimum offtake volumes which thus allow the Group to continuously bill these customers at the relevant contracted volumes or capacities even during the various community quarantine periods.

As part of the Philippine government's ECQ measures, the primary regulators in the local power industry - the ERC and the DOE-issued separate advisories allowing deferred payment, over four equal monthly installments, of power bills falling due within the ECQ period. Subsequently, in view of the enactment of the Bayanihan to Recover as One Act in September 2020, the primary regulators issued advisories directing the implementation of a minimum 30-day grace period and staggered payment without interests, penalties and other charges to all payments falling due within the period of community quarantine. In 2021, there were a few distribution utilities customers that entered into a payment arrangement scheme with the Group that will assist them in implementing DOE advisories in support to their member consumers during certain community quarantine periods. As at report date, the power bills covered by the deferred payment schemes have been substantially collected.

The Philippine government continues to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. In August 2021, the Department of Interior and Local Government of the Philippines announced that it will phase out the large-scale community quarantine measures and replace the same with granular lockdowns and implement an alert level system. As at report date, Metro Manila is under Alert Level 1 and with relatively lighter COVID-19 quarantine restrictions, overall system demand has recovered to pre-pandemic levels.

d. Commitments
The outstanding purchase commitments of the Group amounted to P125,449 million as at September 30, 2022. Amounts authorized but not yet disbursed for capital projects were approximately P120,307 million as at September 30, 2022.

The Group's material commitments for capital expenditure projects involve the construction of power plants, mostly utilizing high efficiency low emission technologies, LNG and BESS in line with the Group's expansion projects and acquisition of fixed assets needed for normal operations of the business. The funds to be used for these projects will come from available cash and proceeds from outstanding long-term loans and issued SPCS.

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

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

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

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

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

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