SMC GLOBAL POWER

04 August 2016

Philippine Dealing & Exchange Corp.
37th Floor, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City

Attention: **Ms. Vina Vanessa S. Salonga**
Head - Issuer Compliance and Disclosure Department

Subject: **Quarterly Report to the Securities and Exchange Commission (SEC)**

Gentlemen:

In compliance with the Philippine Dealing & Exchange Corp. ('PDEx") guidelines, please find enclosed copy of our disclosure to the SEC, in the form of SEC 17-Q.

As agreed with you, we shall inform PDEx in case of any changes.

Thank you.

Very truly yours,

ELENITA D. GO
Corporate Information Officer

108052016003695

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
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ANNEX "A"

SMC GLOBAL POWER HOLDINGS CORP.
(A Wholly-owned Subsidiary of San Miguel Corporation)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2016 AND DECEMBER 31, 2015
(In Thousands)

	Note		2016 Unaudited		2015 Audited
ASSETS					
Current Assets					
Cash and cash equivalents	*9, 10*	₱	**25,690,466**	₱	22,241,361
Trade and other receivables - net	*4*		**19,971,809**		18,473,625
Inventories			**889,026**		1,263,218
Prepaid expenses and other current assets			**14,402,213**		15,068,747
Total Current Assets			**60,953,514**		57,046,951
Noncurrent Assets					
Property, plant and equipment - net	*5*		**258,060,175**		255,452,996
Investments and advances - net			**10,977,243**		10,612,937
Deferred exploration and development costs			**690,659**		689,548
Intangible assets and goodwill			**2,478,758**		2,413,249
Deferred tax assets			**2,164,738**		2,745,943
Other noncurrent assets - net	*4, 9, 10*		**2,304,519**		2,248,226
Total Noncurrent Assets			**276,676,092**		274,162,899
TOTAL ASSETS		₱	**337,629,606**	₱	331,209,850
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and accrued expenses	*4, 9, 10*	₱	**28,966,626**	₱	32,841,050
Finance lease liabilities - current portion	*6, 9, 10*		**16,170,613**		16,546,763
Loans payable	*9, 10*		**13,821,000**		-
Current maturities of long term debt - net of debt issue costs	*4, 9, 10*		**1,534,881**		15,647,244
Income tax payable			**677,762**		99,275
Total Current Liabilities			**61,170,882**		65,134,332
Noncurrent Liabilities					
Long-term debt - net of current maturities and debt issue costs	*4, 9, 10*		**52,904,948**		42,960,617
Finance lease liabilities - net of current portion	*6, 9, 10*		**157,596,567**		162,646,430
Deferred tax liabilities			**4,533,047**		3,882,930
Other noncurrent liabilities - net of current portion	*9, 10*		**152,982**		150,283
Total Noncurrent Liabilities			**215,187,544**		209,640,260
Total Liabilities			**276,358,426**		274,774,592
Equity					
Capital stock			**1,062,504**		1,062,504
Additional paid-in capital			**2,490,000**		2,490,000
Undated subordinated capital securities			**26,933,565**		26,933,565
Reserves			**785,279**		785,279
Reserve for retirement plan			**(15,648)**		(15,648)
Retained earnings			**30,015,480**		25,179,558
Total Equity			**61,271,180**		56,435,258
TOTAL LIABILITIES AND EQUITY		₱	**337,629,606**	₱	331,209,850

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

Certified Correct:

ALEXANDER BENHUR M. SIMON
Chief Finance Officer

SMC GLOBAL POWER HOLDINGS CORP.
(A Wholly-owned Subsidiary of San Miguel Corporation)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2016 AND 2015
(In Thousands, Except Per Share Data)

	Note	2016 Unaudited	2015 Unaudited
REVENUES			
Sale of power	4	₱ **18,844,536**	₱ 18,949,937
Retail and other power-related services	4	**1,086,485**	806,863
		19,931,021	19,756,800
COST AND EXPENSES			
Cost of power sold:			
Energy fees	6	**5,301,711**	5,775,107
Coal, fuel oil and other consumables	4	**2,546,551**	2,961,213
Depreciation and amortization	5	**1,617,126**	1,610,782
Power purchases		**1,601,070**	1,376,559
Plant operations and maintenance fees	4	**106,408**	139,711
		11,172,866	11,863,372
Operating expenses		**1,447,898**	1,058,979
		12,620,764	12,922,351
OPERATING INCOME		**7,310,257**	6,834,449
INTEREST INCOME		**58,771**	198,733
INTEREST EXPENSE AND OTHER FINANCING CHARGES	6	**(3,120,299)**	(3,248,959)
EQUITY IN NET EARNINGS OF AN ASSOCIATE AND JOINT VENTURES - Net		**154,826**	74,639
OTHER INCOME	3	**3,153,128**	18,969
INCOME BEFORE TAX		**7,556,683**	3,877,831
INCOME TAX EXPENSE - Net		**2,031,537**	1,282,231
NET INCOME/ TOTAL COMPREHENSIVE INCOME		₱ **5,525,146**	₱ 2,595,600
Basic/Diluted Earnings Per Share	7	₱ **3.85**	₱ 1.79

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

Certified Correct:

ALEXANDER BENHUR M. SIMON
Chief Finance Officer

SMC GLOBAL POWER HOLDINGS CORP.
(A Wholly-owned Subsidiary of San Miguel Corporation)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2016 AND 2015
(In Thousands)

	Capital Stock	Additional Paid-in Capital	Undated Subordinated Capital Securities	Reserves	Reserve for Retirement Plan	Retained Earnings	Total Equity
Balance as of January 1, 2016 (Audited)	**₱ 1,062,504**	**₱ 2,490,000**	**₱ 26,933,565**	**₱ 785,279**	**₱ (15,648)**	**₱ 25,179,558**	**₱ 56,435,258**
Net income	**-**	**-**	**-**	**-**	**-**	**5,525,146**	**5,525,146**
Equity reserve for retirement plan - net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**5,525,146**	**5,525,146**
Issuance of undated subordinated capital securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Distributions paid	**-**	**-**	**-**	**-**	**-**	**(689,224)**	**(689,224)**
Balance as of March 31, 2016 (Unaudited)	**₱ 1,062,504**	**₱ 2,490,000**	**₱ 26,933,565**	**₱ 785,279**	**₱ (15,648)**	**₱ 30,015,480**	**₱ 61,271,180**
Balance as of January 1, 2015 (Audited)	₱ 1,062,504	₱ 2,490,000	₱ 13,110,066	₱ 785,279	₱ -	₱ 29,301,328	₱ 46,749,177
Issuance of undated subordinated capital securities	-	-	-	-	-	-	-
Net income/total comprehensive income	-	-	-	-	-	2,595,600	2,595,600
Dividends declared	-	-	-	-	-	(1,500,000)	(1,500,000)
Distributions paid	-	-	-	-	-	-	-
Balance as of March 31, 2015 (Unaudited)	₱ 1,062,504	₱ 2,490,000	₱ 13,110,066	₱ 785,279	₱ -	₱ 30,396,928	₱ 47,844,777

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

Certified Correct:

ALEXANDER BENHUR M. SIMON
Chief Finance Officer

SMC GLOBAL POWER HOLDINGS CORP.
(A Wholly-owned Subsidiary of San Miguel Corporation)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2016 AND 2015
(In Thousands)

	Note	2016 Unaudited	2015 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱ **7,556,683**	₱ 3,877,831
Adjustments for:			
Interest expense and other financing charges	*6*	**3,120,299**	3,248,959
Unrealized foreign exchange gains - net	*9*	**(4,249,580)**	(61,419)
Depreciation and amortization		**1,651,112**	1,627,947
Equity in net earnings of an associate and joint venture - net		**(154,826)**	(74,639)
Impairment losses on trade and other receivables		**119**	-
Retirement benefit expense		**3,288**	-
Interest income		**(58,771)**	(198,733)
Operating income before working capital changes		**7,868,324**	8,419,946
Decrease (increase) in:			
Trade and other receivables - net		**(1,605,037)**	(943,949)
Inventories		**374,192**	304,719
Prepaid expenses and other current assets		**666,534**	(836,241)
Other noncurrent assets		**(56,293)**	300,240
Decrease in:			
Accounts payable and accrued expenses		**(2,784,850)**	104,533
Other noncurrent liabilities		**(589)**	(338,152)
Cash generated from operations		**4,462,281**	7,011,096
Interest income received		**58,136**	202,639
Finance cost paid		**(985,623)**	(933,427)
Income taxes paid		**(221,728)**	(14,743)
Net cash flows provided by operating activities		**3,313,066**	6,265,565
CASH FLOWS FROM INVESTING ACTIVITIES			
Net additions to property, plant and equipment		**(4,237,329)**	(5,245,158)
Additions to investments and advances		**(209,480)**	(1,012,522)
Additions to intangible assets		**(86,472)**	-
Deferred exploration and development costs		**(1,111)**	(3,406)
Net cash flows used in investing activities		**(4,534,392)**	(6,261,086)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowing		**14,364,000**	-
Proceeds from long-term borrowings		**10,864,715**	8,825,000
Payment of long-term borrowings		**(13,674,300)**	(193,200)
Payments of finance lease liabilities		**(5,932,243)**	(5,480,155)
Distributions to undated subordinated capital securities holders		**(689,224)**	-
Dividends paid		**-**	(1,500,000)
Net cash flows provided by financing activities		**4,932,948**	1,651,645
EFFECT OF EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS		**(262,517)**	112,660
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,449,105**	1,768,784
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**22,241,361**	38,297,122
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		₱ **25,690,466**	₱ 40,065,906

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

Certified Correct:

ALEXANDER BENHUR M. SIMON
Chief Finance Officer

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
MARCH 31, 2016
(In Thousands)

			Past Due		
	Total	Current	1 - 30 Days	31 - 60 Days	Over 60 Days
Trade	₱ 14,938,665	₱ 11,467,638	₱ 491,856	₱ 271,547	2,707,624
Others	6,274,630	885,257	26,594	31,876	5,330,903
Total	21,213,295	₱ 12,352,895	₱ 518,450	₱ 303,423	₱ 8,038,527
Less allowance for impairment losses	1,241,486				
Net	₱ **19,971,809**				

Certified Correct:

ALEXANDER BENHUR M. SIMON
Chief Finance Officer

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data)

1. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its interim consolidated financial statements as of and for the period ended March 31, 2016 and comparative financial statements for the same period in 2015 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, *Interim Financial Reporting*. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

The principal accounting policies and methods adopted in preparing the interim consolidated financial statements of the Group are the same as those followed in the most recent annual audited consolidated financial statements.

Adoption of New and Amended Standards
The Financial Reporting Standards Council (FRSC) approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

Amendments to Standards Adopted in 2016

The Group has adopted the following PFRS starting January 1, 2016 and accordingly, changed its accounting policies in the following areas:

- Disclosure Initiative (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments clarify the following: (i) the materiality requirements in PAS 1; (ii) that specific line items in the statements of income, statements of comprehensive income and the statements of financial position may be disaggregated; (iii) that entities have flexibility as to the order in which they present the notes to the financial statements; and (iv) that share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statements of financial position, the statements of income and statements of comprehensive income.

- Clarification of Acceptable Methods of Depreciation and Amortization *(Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets).* The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated, or when the intangible asset is expressed as a measure of revenue. The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices.

- *Annual Improvements to PFRS Cycles 2012-2014* contain changes to four standards, of which the following are applicable to the Group:

  - *Disclosure of information "elsewhere in the interim financial report' (Amendment to PAS 34).* PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" – i.e., incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g., management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross reference are not made available to users of the interim financial statements on the same terms and at the same time.

    The amendment to PAS 34 is applied retrospectively, in accordance with PAS 8.

Except as otherwise indicated, the adoption of these foregoing 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, 2016 and have not been applied in preparing the interim consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the interim consolidated financial statements.

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

- PFRS 9 (2014), *Financial Instruments*, replaces PAS 39, *Financial Instruments: Recognition and Measurement,* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment of all financial assets that are not measured at FVPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset, and supplements the new general hedge accounting requirements published in 2013. The new model on hedge accounting requirements provides significant improvements by aligning hedge accounting more closely with risk management. The new standard is required to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

- PFRS 16, *Leases,* supersedes PAS 17, *Leases,* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced. PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted PFRS 15, *Revenue from Contracts with Customers*. The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date once adopted locally.

- PFRS 15, replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and Standard Interpretation Committee - 31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange nonmonetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry. If approved, the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *Disclosure initiative (Amendments to PAS 7, Statement of Cash Flows).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes – e.g. by providing a reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities. If the required disclosure is provided in combination with disclosures of changes in other assets and liabilities, it shall disclose the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities. On February 17, 2016, the FRSC has adopted the amendments to PAS 7, which apply prospectively for annual periods beginning on or after January 1, 2017 with early adoption permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

  On February 17, 2016, the FRSC has adopted the Amendments to PAS 12, which will become effective for annual periods beginning on or after January 1, 2017.

2. 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 (CODM) in reviewing the business performance of the operating segments. The differing economic characteristics and activities of these power plants make it more useful to users of the consolidated financial statements to have information about each component of the Group's profit or loss, assets and liabilities.

The coal mining companies, which were acquired in 2010, have not yet started commercial operations and are in the exploratory stage of mining activities. The mining companies' total assets do not exceed 10% of the combined assets of all operating segments. Accordingly, management believes that as of December 31, 2015 and 2014, the information about this component of the Group would not be useful to the users of the consolidated financial statements.

The Group's inter-segment sales of power are accounted for based on contracts entered into by the parties and are eliminated in the consolidation. Segment assets do not include investments and advances, intangible assets and goodwill and deferred tax assets. Segment liabilities do not include long-term debt, deferred tax liabilities and income tax payable. Capital expenditures consist of additions to property, plant and equipment of each reportable segment.

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 agreements, 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, retail and/or distribution of power to individual external customers that represents 10% or more of the Group's total revenues is as follows:

	For the Period Ended March 31	
	2016	2015
Meralco	**P10,983,839**	P10,242,070
WESM	**995,415**	2,305,976

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 Period Ended March 31											
	Power Generation		Retail and Other Power-related Services		Coal Mining		Others		Eliminations		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Sale of Power												
External	**P18,844,536**	P18,949,937	**P1,086,485**	P806,863	**P -**	P -	**P -**	P -	**P -**	P -	**P19,931,021**	P19,756,800
Inter-segment	**1,609,809**	1,373,258	-	-	-	-	-	-	**(1,609,809)**	(1,373,258)	-	-
	20,454,345	20,323,195	**1,086,485**	806,863	-	-	-	-	**(1,609,809)**	(1,373,258)	**19,931,021**	19,756,800
Cost and Expenses												
Cost of power sold	**11,694,709**	12,377,570	**1,077,134**	859,060	-	-	-	-	**(1,598,977)**	(1,373,258)	**11,172,866**	11,863,372
Operating expenses	**1,244,921**	973,370	**19,750**	23,390	**7,216**	5,118	**446,425**	219,968	**(270,414)**	(162,867)	**1,447,898**	1,058,979
	12,939,630	13,350,940	**1,096,884**	882,450	**7,216**	5,118	**446,425**	219,968	**(1,869,391)**	(1,536,125)	**12,620,764**	12,922,351
Segment Result	**P7,514,715**	P6,972,255	**(P10,399)**	(P75,587)	**(P7,216)**	(P5,118)	**(P446,425)**	(P219,968)	**P259,582**	P162,867	**P7,310,257**	P6,834,449

3. Other Income (Charges)

Other income (charges) consists of:

	For the Period Ended March 31	
	2016	2015
Foreign exchange losses - net	**P3,117,472**	P17,826
Surcharge and other service fees	**17,821**	901
Rental income	**12,226**	1,800
PSALM* monthly fees reduction	**2,489**	-
Miscellaneous income (charges) - net	**3,120**	(1,558)
	P3,153,128	P18,969

** Power Sector Assets and Liabilities Management Corporation*

Miscellaneous income (charges) mostly pertain to sale of fly ash to a related party.

4. Related Party Disclosures

The Group, in the normal course of business, purchases products and services from and sells products and renders services to related parties. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as of March 31, 2016 and December 31, 2015:

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
SMC	**March 31, 2016**	**P -**	**P 306,437**	**P252**	**P6,129**	On demand or 30 days; non-interest bearing	Unsecured; no impairment
	December 31, 2015	-	1,177,187	252	106,573		
Entities Under Common Control	**March 31, 2016**	**2,496,078**	**560,702**	**1,587,805**	**489,323**	On demand or 30 days; non-interest bearing	Unsecured; no impairment
	December 31, 2015	8,817,828	2,835,155	1,461,602	358,842		
Associate	**March 31, 2016**	**225,552**	**-**	**84,995**	**28,101**	30 days; non-interest bearing	Unsecured; no impairment
	December 31, 2015	958,043	-	92,621	28,101		
	March 31, 2016	**-**	**-**	**247,332**	**-**	8 years; interest bearing	Unsecured; no impairment
	December 31, 2015	-	-	256,472	-		
Associates of Entities Under Common Control	**March 31, 2016**	**160,019**	**-**	**63,751**	**6**	30 days; non-interest bearing	Unsecured; no impairment
	December 31, 2015	735,355	118,896	78,952	6		
	March 31, 2016	**-**	**-**	**-**	**3,003,000**	10 years; interest bearing	Secured
	December 31, 2015	-	-	-	3,102,750		
Others	**March 31, 2016**	**2,933**	**-**	**4,257**	**119**	On demand or 30 days; non-interest bearing	Unsecured; no impairment
	December 31, 2015	7,419	321,143	1,677	160,378		
	March 31, 2016	**P2,884,582**	**P867,139**	**P1,988,392**	**P3,526,678**		
	December 31, 2015	P10,518,645	P4,452,381	P1,891,576	P3,756,650		

a. Amounts owed by related parties consist of trade and other receivables and security deposits.

b. Amounts owed to related parties consist of trade and non-trade payables, management fees, purchases of fuel, reimbursement of expenses, rent, insurance and services rendered by related parties.

c. Amounts owed by an associate consists of interest bearing loan granted to Olongapo Electricity Distribution Company, Inc. included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position.

d. The amount owed to associate of an entity under common control consists of interest bearing loan obtained from Bank of Commerce included as part of "Long-term debt" account in the consolidated statements of financial position.

5. Property, Plant and Equipment

Property, plant and equipment consists of:

March 31, 2016 and December 31, 2015

	Power Plants	Building	Land and Leasehold Improvements	Other Equipment	Capital Projects in Progress	Total
Cost						
January 1, 2015 (Audited)	P226,788,832	P5,831,097	P346,648	P1,158,076	P21,413,097	P255,537,750
Additions	-	10,346	2,649,691	159,223	31,013,561	33,832,821
Disposals	-	-	-	(754)	-	(754)
December 31, 2015 (Audited)	226,788,832	5,841,443	2,996,339	1,316,545	52,426,658	289,369,817
Additions	-	-	1,121	13,786	4,222,422	4,237,329
Disposals	-	-	-	(1,772)	-	(1,772)
March 31, 2016 (Unaudited)	**226,788,832**	**5,841,443**	**2,997,460**	**1,328,559**	**56,649,080**	**293,605,374**
Accumulated Depreciation and Amortization						
January 1, 2015 (Audited)	26,930,663	265,831	46,231	161,702	-	27,404,427
Additions	6,030,650	301,958	44,848	135,629	-	6,513,085
Disposals	-	-	-	(691)	-	(691)
December 31, 2015 (Audited)	32,961,313	567,789	91,079	296,640	-	33,916,821
Additions	1,507,663	75,766	12,259	34,462	-	1,630,150
Disposals	-	-	-	(1,772)	-	(1,772)
March 31, 2016 (Unaudited)	**34,468,976**	**643,555**	**103,338**	**329,330**	**-**	**35,545,199**
Carrying Amount						
December 31, 2015 (Audited)	P193,827,519	P5,273,654	P2,905,260	P1,019,905	P52,426,658	P255,452,996
March 31, 2016 (Unaudited)	**P192,319,856**	**P5,197,888**	**P2,894,122**	**P999,229**	**P56,649,080**	**P258,060,175**

March 31, 2015

	Power Plants	Building	Land and Leasehold Improvements	Other Equipment	Capital Projects in Progress	Total
Cost						
January 1, 2015 (Audited)	P226,788,832	P5,831,097	P346,648	P1,158,076	P21,413,097	P255,537,750
Additions	-	-	-	5,796	5,267,081	5,272,877
Disposals	-	-	-	(754)	-	(754)
March 31, 2015 (Unaudited)	226,788,832	5,831,097	346,648	1,163,118	26,680,178	260,809,873
Accumulated Depreciation and Amortization						
January 1, 2015 (Audited)	26,930,663	265,831	46,231	161,702	-	27,404,427
Additions	1,508,621	75,090	9,121	30,080	-	1,622,912
Disposals	-	-	-	(691)	-	(691)
March 31, 2015 (Unaudited)	28,439,284	340,921	55,352	191,091	-	29,026,648
Carrying Amount						
March 31, 2015 (Unaudited)	P198,349,548	P5,490,176	P291,296	P972,027	P26,680,178	P231,783,225

Depreciation and amortization are recognized in profit or loss as follows:

	For the Period Ended March 31	
	2016	2015
Cost of power sold	**P1,611,254**	P1,610,781
Operating expenses	**18,896**	12,131
	P1,630,150	P1,622,912

6. Independent Power Producer (IPP) Administration (IPPA) Agreements

As a result of the biddings conducted by PSALM for the Appointment of the IPP Administrator for the Contracted Capacity of the following power plants, the Group was declared the winning bidder and 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 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 contracted 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 to 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 for the period ended March 31, 2016 and 2015 amounted to P5,301,711 and P5,775,107, respectively.

The finance 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 consolidated statements of comprehensive income. Interest expense for the period ended March 31, 2016 and 2015 amounted to P2,485,464 and P2,593,433, respectively.

The future minimum lease payments for each of the following periods are as follows:

March 31, 2016	**US Dollar Payments**	**Peso Equivalent of US Dollar Payments**	**Peso Payments**	**Total**
Not later than 1 year	**US$250,884**	**P11,558,221**	**P12,013,121**	**P23,571,342**
More than 1 year and not later than 5 years	**1,083,263**	**49,905,923**	**51,876,349**	**101,782,272**
Later than 5 years	**1,044,348**	**48,113,110**	**50,059,056**	**98,172,166**
	2,378,495	**109,577,254**	**113,948,526**	**223,525,780**
Less: Future finance charges on finance lease liabilities	**364,324**	**16,784,407**	**32,974,193**	**49,758,600**
Present values of finance lease liabilities	**US$2,014,171**	**P92,792,847**	**P80,974,333**	**P173,767,180**

December 31, 2015	US Dollar Payments	Peso Equivalent of US Dollar Payments	Peso Payments	Total
Not later than 1 year	US$250,209	P11,774,823	P11,980,712	P23,755,535
More than 1 year and not later than 5 years	1,071,953	50,446,106	51,333,916	101,780,022
Later than 5 years	1,118,634	52,642,925	53,617,024	106,259,949
	2,440,796	114,863,854	116,931,652	231,795,506
Less: Future finance charges on finance lease liabilities	383,180	18,032,425	34,569,888	52,602,313
Present values of finance lease liabilities	US$2,057,616	P96,831,429	P82,361,764	P179,193,193

The present values of minimum lease payments for each of the following periods are as follows:

March 31, 2016	US Dollar Payments	Peso Equivalent of US Dollar Payments	Peso Payments	Total
Not later than 1 year	**US$195,793**	**P9,020,178**	**P7,150,435**	**P16,170,613**
More than 1 year and not later than 5 years	**768,499**	**35,404,744**	**25,366,606**	**60,771,350**
Later than 5 years	**1,049,879**	**48,367,925**	**48,457,292**	**96,825,217**
	US$2,014,171	**P92,792,847**	**P80,974,333**	**P173,767,180**

December 31, 2015	US Dollar Payments	Peso Equivalent of US Dollar Payments	Peso Payments	Total
Not later than 1 year	US$197,094	P9,275,262	P7,271,501	P16,546,763
More than 1 year and not later than 5 years	767,797	36,132,517	25,606,142	61,738,659
Later than 5 years	1,092,725	51,423,650	49,484,121	100,907,771
	US$2,057,616	P96,831,429	P82,361,764	P179,193,193

7. Basic and Diluted Earnings Per Share

Basic and diluted EPS is computed as follows:

	For the Period Ended March 31	
	2016	2015
Net income attributable to equity holders of the Parent Company	**P5,525,146**	P2,595,600
Distributions to undated subordinated capital securities holders for the period	**(711,008)**	(359,196)
Net income attributable to common shareholders of the Parent Company (a)	**4,814,138**	2,236,404
Weighted average number of common shares outstanding (in thousands) (b)	**1,250,004**	1,250,004
Basic/diluted EPS (a/b)	**P3.85**	P1.79

As of March 31, 2016 and 2015, the Group has no dilutive debt or equity instruments.

8. Dividends

On March 25, 2015, the SMC Global Power Holdings Corp.'s ("SMC Global Power" or "Parent Company") Board of Directors (BOD) declared cash dividends amounting to a total of P1,500,000 (at approximately P1.20 per share) payable on March 31, 2015 to stockholders of record as of March 25, 2015.

9. Financial Risk and Capital Management, Objectives and Policies

Objectives and Policies

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

- Interest Rate Risk
- Foreign Currency Risk
- Liquidity Risk
- Credit 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, other receivables (current and noncurrent), restricted cash, non-trade payables, and long-term debt. These financial instruments are used mainly for working capital management and investment purposes. The trade-related financial assets and financial liabilities of the Group such as trade receivables, accounts payable and accrued expenses and finance lease liabilities arise directly from and are used to facilitate its daily operations.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group. The BOD has established the Audit Committee, which is responsible for ensuring that the Group has established risk management policies and procedures, monitoring and evaluating the effectiveness of the Group's internal control system, which includes the risk management processes and policies, among others. The committee reports regularly to the BOD on its activities.

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 oversees how management monitors compliance with Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The BOD is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BOD.

The BOD constituted the Audit 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 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 financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with legal and regulatory requirements, including the disclosure control and procedures; 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 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. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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 movements affect reported equity from increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any.

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 P7,678 and P2,092 for the period ended March 31, 2016 and for the year-ended December 31, 2015, 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 equity.

Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

March 31, 2016	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P1,402,200	P1,402,200	P1,402,200	P1,402,200	P1,402,200	P3,542,400	P10,553,400
Step-down interest rate	6.0606%	6.0606%	6.0606%	6.0606%	6.0606%	6.0606%	
Philippine peso-denominated	171,000	171,000	171,000	171,000	171,000	432,000	1,287,000
Step-down interest rate	6.2921%	6.2921%	6.2921%	6.2921%	6.2921%	6.2921%	
Foreign currency-denominated (expressed in Philippine peso)	13,821,000	-	-	-	-	-	13,821,000
Interest rate	1.615%						
Floating Rate							
Foreign currency-denominated (expressed in Philippine peso)	-	785,494	33,272,906	1,083,797	1,140,232	7,484,071	43,766,500
Interest rate		LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	
	P15,394,200	P2,358,694	P34,846,106	P2,656,997	P2,713,432	P11,458,471	P69,427,900

December 31, 2015	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P1,402,200	P1,402,200	P1,402,200	P1,402,200	P1,402,200	P3,892,950	P10,903,950
Step-down interest rate	6.0606%	6.0606%	6.0606%	6.0606%	6.0606%	6.0606%	-
Philippine peso-denominated	171,000	171,000	171,000	171,000	171,000	474,750	1,329,750
Step-down interest rate	6.2921%	6.2921%	6.2921%	6.2921%	6.2921%	6.2921%	-
Foreign currency-denominated (expressed in Philippine peso)	14,118,000	-	-	-	-	-	14,118,000
Interest rate	7%						
Floating Rate							
Foreign currency-denominated (expressed in Philippine peso)	-	-	32,942,000	-	-	-	32,942,000
Interest rate			LIBOR + Margin				
	P15,691,200	P1,573,200	P34,515,200	P1,573,200	P1,573,200	P4,367,700	P59,293,700

Foreign Currency Risk

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.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents are as follows:

	March 31, 2016		December 31, 2015	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US$341,096	P15,714,283	US$210,578	P9,909,822
Trade and other receivables	148,193	6,827,251	81,746	3,846,983
	489,289	22,541,534	292,324	13,756,805
Liabilities				
Accounts payable and accrued expenses	262,495	12,093,145	278,830	13,121,735
Finance lease liabilities	2,014,171	92,792,848	2,057,616	96,831,429
Loans payable	300,000	13,821,000	-	-
Long-term debt	950,000	43,766,500	1,000,000	47,060,000
	3,526,666	162,473,493	3,336,446	157,013,164
Net foreign currency-denominated monetary liabilities	US$3,037,377	P139,931,959	US$3,044,122	P143,256,359

The Group reported net unrealized foreign exchange gain amounting to P4,249,580 and P61,419 for the period ended March 31, 2016 and 2015, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movement of the Philippine peso against US dollar as shown in the following table:

	Philippine Peso to US Dollar
March 31, 2016	**46.07**
December 31, 2015	47.06
March 31, 2015	44.70
December 31, 2014	44.72

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. Foreign exchange movements affect reported equity from increases or decreases in unrealized and realized foreign exchange gains or losses.

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 monetary liabilities) for the periods ended:

	March 31, 2016		December 31, 2015	
	P1 Decrease in the US Dollar Exchange Rate	**P1 Increase in the US Dollar Exchange Rate**	P1 Decrease in the US Dollar Exchange Rate	P1 Increase in the US Dollar Exchange Rate
Cash and cash equivalents	**(P341,096)**	**P341,096**	(P210,578)	P210,578
Trade and other receivables	**(148,193)**	**148,193**	(81,746)	81,746
	(489,289)	**489,289**	(292,324)	292,324
Accounts payable and accrued expenses	**262,495**	**(262,495)**	278,830	(278,830)
Finance lease liabilities	**2,014,171**	**(2,014,171)**	2,057,616	(2,057,616)
Loans payable	**300,000**	**(300,000)**	-	-
Long-term debt	**950,000**	**(950,000)**	1,000,000	(1,000,000)
	3,526,666	**(3,526,666)**	3,336,446	(3,336,446)
	P3,037,377	**(P3,037,377)**	P3,044,122	(P3,044,122)

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.

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 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 as of:

March 31, 2016	**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	**P25,690,466**	**P25,690,466**	**P25,690,466**	**P -**	**P -**	**P -**
Trade and other receivables - net*	**19,971,559**	**19,971,559**	**19,971,559**	-	-	-
Restricted cash (included under "Other noncurrent assets" account - net)	**1,467,700**	**1,467,700**	**1,467,700**	-	-	-
Noncurrent receivable (included under "Other noncurrent assets - net" account)	**247,332**	**247,332**	-	**26,753**	**88,848**	**131,731**
Financial Liabilities						
Accounts payable and accrued expenses*	**23,345,966**	**23,345,966**	**23,345,966**	-	-	-
Finance lease liabilities (including current portion)	**173,767,180**	**223,525,780**	**23,571,342**	**23,831,835**	**77,950,437**	**98,172,166**
Loans payable	**13,821,000**	**13,821,000**	**13,821,000**	-	-	-
Long-term debt - net (including current maturities)	**54,439,829**	**55,606,900**	**1,573,200**	**2,358,694**	**40,216,535**	**11,458,471**
Concession payable (including current portion; classified under "Other noncurrent liabilities" account)	**106,343**	**192,500**	**8,400**	**8,400**	**25,200**	**150,500**

**Excluding statutory receivables and payables*

December 31, 2015	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P22,241,361	P22,241,361	P22,241,361	P -	P -	P -
Trade and other receivables - net*	18,473,455	18,473,455	18,473,455	-	-	-
Restricted cash (included under "Other noncurrent assets" account - net)	1,311,740	1,311,740	1,311,740	-	-	-
Noncurrent receivable (included under "Other noncurrent assets - net" account)	253,812	253,812	-	26,418	87,735	139,659
Financial Liabilities						
Accounts payable and accrued expenses*	27,707,659	27,707,659	27,707,659	-	-	-
Finance lease liabilities (including current portion)	179,193,193	231,795,506	23,755,535	24,016,154	77,763,868	106,259,949
Loans payable	-	-	-	-	-	-
Long-term debt - net (including current maturities)	58,607,861	59,293,700	15,691,200	1,573,200	37,661,600	4,367,700
Concession payable (including current portion; classified under "Other noncurrent liabilities" account)	106,899	194,600	8,400	8,400	25,200	152,600

**Excluding statutory receivables and payables*

Credit Risk

Credit risk is the risk of financial loss to the Group if 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. Where appropriate, the Group obtains collateral or arranges master netting agreements.

Trade and Other Receivables

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

The Group has established a credit policy under which each new customer or counterparty is analyzed individually for creditworthiness before the standard payment 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 incurred 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, as applicable, 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 as of March 31, 2016 and December 31, 2015, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	March 31, 2016	December 31, 2015
Cash and cash equivalents (excluding cash on hand)	**P25,689,880**	P22,240,755
Trade and other receivables - net*	**19,971,559**	18,473,455
Restricted cash	**1,467,700**	1,311,740
Noncurrent receivable	**247,332**	253,812
	P47,376,471	P42,279,762

**Excluding statutory receivables*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group has no significant concentration of credit risk since the Group deals with a large number of homogeneous trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

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 debt and undated subordinated capital securities.

The Group defines capital as capital stock, additional paid-in capital, undated subordinated capital securities and retained earnings, both appropriated and unappropriated.

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.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

10. Financial Assets and Financial Liabilities

Date of Recognition. 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. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs.

'Day 1' Difference. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the consolidated statements of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial Assets

The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at FVPL, loans and receivables, available-for-sale (AFS) financial assets and held-to-maturity (HTM) investments. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of March 31, 2016 and December 31, 2015, the Group has no financial assets at FVPL, AFS financial assets and HTM investments.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the consolidated statements of comprehensive income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the consolidated statements of comprehensive income. Gains or losses are recognized in the consolidated statements of comprehensive income when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. 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.

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

Financial Liabilities

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

As of March 31, 2016 and December 31, 2015, the Group has no financial liabilities at FVPL.

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 comprehensive income. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

The Group's liabilities arising from its trade or borrowings such as accounts payable and accrued expenses, finance lease liabilities, loans payable, long-term debt and concession payable are included under this category.

Derecognition of Financial Assets and Financial Liabilities

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

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. 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 comprehensive income.

Impairment of Financial Assets

The Group assesses, at the reporting date, whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the period is recognized in the consolidated statements of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

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, the amount separately determined as the fair value of the liability component on the date of issue.

Debt Issue Costs

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 rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the consolidated statements of comprehensive income.

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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Fair Value of 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 as of:

	March 31, 2016		December 31, 2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P25,690,466**	**P25,690,466**	P22,241,361	P22,241,361
Trade and other receivables – net*	**19,971,559**	**19,971,559**	18,473,455	18,473,455
Restricted cash (included under "Other noncurrent assets – net" account)	**1,467,700**	**1,467,700**	1,311,740	1,311,740
Noncurrent receivable (included under "Other noncurrent assets – net" account)	**247,332**	**247,332**	253,812	253,812
	P47,377,057	**P47,377,057**	P42,280,368	P42,280,368
Financial Liabilities				
Accounts payable and accrued expenses*	**P23,345,966**	**P23,345,966**	P27,707,659	P27,707,659
Finance lease liabilities (including current portion)	**173,767,180**	**173,767,180**	179,193,193	179,193,193
Loans payable	**13,821,000**	**13,821,000**	-	-
Long-term debt – net (including current maturities)	**54,439,829**	**55,307,052**	58,607,861	59,760,982
Concession payable (including current portion; classified under "Other noncurrent liabilities" account)	**106,343**	**116,047**	106,899	116,047
	P265,480,318	**P266,357,245**	P265,615,612	P266,777,881

**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), Restricted Cash, Noncurrent Receivable, Accounts Payable and Accrued Expenses (excluding statutory payables) and Loans Payable. The carrying amounts of these financial assets and financial liabilities approximate fair values primarily due to the relatively short-term nature/maturities of these financial instruments. The fair value of noncurrent receivable is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Long-term Debt. 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 of reporting date. The discount rates used for Philippine peso-denominated loans range from 1.80% to 4.30% and from 2.39% to 4.57% as of March 31, 2016 and December 31, 2015, respectively. The discount rates used for foreign currency-denominated loans is 0.43% as of December 31, 2015. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Finance 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.

Concession Payable. The fair value of fixed concession fees is based on the present value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date.

Fair Value Measurements

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 in the principal market for the asset or liability, or 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.

The fair value of the long-term debt was categorized as Level 2 in the fair value hierarchy based on inputs other than quoted prices included within Level 1 that are observable at the reporting date. The Group has no financial instruments valued based on Level 1 and Level 3 as of March 31, 2016 and December 31, 2015. During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

11. Events After the Reporting Date

a. On April 11, 2016, the BOD and stockholders of SMC Global Power authorized the issuance, offer and sale to the public in the Philippines of bonds in the aggregate principal amount of P15,000,000 to be issued in 3 tranches (the "Fixed Rate Bonds"). Proceeds of the offering will be used to refinance the outstanding short-term loan in the amount of US$300,000 set to mature on July 25, 2016 (the "US$300,000 Short-Term Loan").

   On April 18, 2016, SMC Global Power filed with the Philippine Securities and Exchange Commission (SEC) relevant documents for the registration of the Fixed Rate Bonds. On June 23, 2016, the SEC issued a Permit to Sell Securities for the public offering of the Fixed Rate Bonds.

   The Fixed Rate Bonds were listed with the Philippine Dealing & Exchange Corp. on July 11, 2016. Subsequently, the proceeds were used to refinance the US$300,000 Short-Term Loan prior to its maturity on July 25, 2016.

b. On June 7, 2016, the BOD of SMC Global Power declared cash dividends amounting to a total of P1,500,000 payable to stockholders of record as of the same date. The cash dividends were paid on June 14, 2016.

c. On June 8, 2016, SMC Consolidated Power Corporation (SCPC), a wholly-owned subsidiary, made a subsequent drawdown of US$3,642 from its US$400,000, seven-year term loan with a syndicate of banks, to defray the interest payment due in June 2016.

d. On June 16, 2016, Meralco Powergen Corporation (MGen), a subsidiary of Meralco, and Zygnet Prime Holdings, Inc. (Zygnet) subscribed to 2,500 and 102 common shares of Mariveles Power Generation Corporation (MPGC), respectively. As a result, SMC Global Power holds 49% of the outstanding capital stock of MPGC while MGen holds 49% and Zygnet 2%. MPGC shall develop, construct, finance, own, operate and maintain a 4x150 megawatts circulating fluidized bed coal-fired power plant and associated facilities in Mariveles, Bataan (the "Mariveles Power Plant").

   On July 13, 2016, SMC Global Power subscribed to 9,643,200 shares, out of the increase in the authorized capital stock of MPGC, at the subscription price of P100 per share. The subscription price of P964,320 represents SMC Global Power's 49% share in the 5% downpayment due to Formosa Heavy Industries Corporation for the construction of the Mariveles Power Plant.

e. On July 11, 2016, PowerOne Ventures Energy Inc. (PVEI), a wholly-owned subsidiary of SMC Global Power, subscribed to 27,724,200 shares, out of the increase in the authorized capital stock of Angat Hydropower Corporation (AHC), at the subscription price of P200 per share. Total subscription amounting to P5,544,840 represents PVEI's 60% share in the additional equity infusion required by AHC from its existing stockholders as of date pursuant to AHC's project financing requirements.

12. **Other Matters**

a. 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.

b. There were no material changes in estimates of amounts reported in prior financial years.

c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

d. 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.

e. 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.

f. 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.

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

h. The Group's material commitments for capital expenditure projects have been approved and are still ongoing and not yet completed as of end of March 31, 2016. These consist of construction of power plants and acquisition of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short-term and long-term loans.

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 of and for the period ended March 31, 2016 (with comparative figures as of December 31, 2015 and for the period ended March 31, 2015). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as of March 31, 2016, and for all the other periods presented, have been made. 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. 2016 SIGNIFICANT TRANSACTIONS

LONG-TERM DEBT

- *Refinancing of Long-term Debt*

- SMC Global Power Holdings Corp.

On January 26, 2016, the Parent Company redeemed its US$300 million (P14,115 million), 7%, five- year bond, issued on January 14, 2011 under the Regulations of the U.S. Securities Act of 1933, as amended. The bond issue was listed in the Singapore Exchange Securities Trading Limited.

The Parent Company availed of a US$300 million (P14,364 million) bridge financing, six-month term loan, with a local bank on January 14, 2016 for the redemption of the US$300 million bond.

- *Availment of Long-term Debt to Finance Capital Projects*

- SMC Consolidated Power Corporation (SCPC)

On March 8, 2016, SCPC, a wholly owned subsidiary, made an initial drawdown of US$250 million (P11,739 million) from the US$400 million, seven-year term loan with a syndicate of banks. The loan bears interest rate of London interbank offered rate plus a margin, payable in arrears on the last day of the agreed interest period. Repayment of the loan principal shall commence on October 31, 2017, and every three months thereafter.

Proceeds of the loan was earmarked for the financing of the construction of the 2x150 megawatts (MW) Limay Power Plant (Phase I), in Bataan. As of March 31, 2016, the proceeds of the loan is still in the consolidated cash in bank balance of the Group.

II. FINANCIAL PERFORMANCE

2016 vs. 2015

Revenues

The Group's off take volume for the first quarter of 2016 was 4,456,548 megawatt hours (MwH), 16% higher than 2015. All the power plants delivered higher bilateral volumes with Ilijan Power Plant leading the growth. The Ilijan Power Plant experienced maintenance outage and natural gas restrictions, limiting its generation capacity last year. This resulted to consolidated net revenues of P19,931 million, 1% higher than last year of P19,757 million. Both bilateral and Philippine Wholesale Electricity Spot Market (WESM) volumes have lower average realization prices.

Cost of Power Sold

Cost of power sold declined by 6% from P11,863 million in 2015 to P11,173 million in 2016 due to following principal factors: (i) cost of coal and other fuel oil decreased by 14% from P2,961 million to P2,547 million due to lower average coal prices per metric ton for the Sual and Limay Cogeneration Power Plants coupled with Sual's lower coal consumption brought by the decrease in net generation, (ii) energy fees declined by 8% from P5,775 million to P5,302 million mainly because of lower natural gas prices payable to Power Sector Assets and Liabilities Management Corporation (PSALM) with respect to the fuel of the Ilijan Power Plant and (iii) power purchases from WESM and other external sources/generators increased by 16% from P1,377 million to P1,601 million to serve the increase in bilateral requirements.

Operating Expenses

Operating expenses grew by 37% from P1,059 million for the period ended March 31, 2015 to P1,448 million of the same period in 2016. This is mainly due to: (i) higher business taxes of P183 million relating to local business taxes of the Independent Power Producer Administration (IPPA) Power Plants and real property taxes of the Limay Cogeneration Power Plant, (ii) additional corporate social responsibility projects of P172 million, and (iii) higher repairs and maintenance incurred for the Limay Cogeneration Power Plant by P38 million.

Consolidated income from operations reached P7,310 million, 7% higher than last year. The increase was mainly due to the improved bilateral volume and margin brought by lower generation costs.

Other Income (Charges)

Interest income declined from P199 million to P59 million due to lower interest income recognized on lower average balance of money market placements and nil interest collected on non-trade receivables versus last year's interest collection of P106 million.

Equity in net earnings of an associate and joint venture increased from P75 million in 2015 to P155 million in 2016, primarily because of the recognition by SMC Global Power's 60% equity interest amounting to P153 million in the net earnings of Angat Hydropower Corporation (AHC) and 35% equity interest of P2 million in the net earnings of Olongapo Electricity Distribution Company, Inc. (OEDC).

Foreign exchange gain significantly increased from P18 million in 2015 to P3,117 million in 2016 primarily because of the appreciation of the Philippine Peso against the United States (US) Dollar as shown in the following table:

	Philippine Peso to US Dollar
March 31, 2016	**46.07**
December 31, 2015	47.06
March 31, 2015	44.70
December 31, 2014	44.72

Income Tax Expense

Income tax expense grew by 59% from P1,282 million in 2015 to P2,032 million in 2016 resulting from the following: (i) improved operating income of the Group which consequently increased the current income tax by P112 million and (ii) higher deferred income tax expense by P645 million recognized on the temporary difference between the actual PSALM monthly payments of the IPPA Power Plants over the depreciation and other finance lease liability-related expenses.

Net Income

As a result of the aforementioned reasons, the consolidated net income of the Group increased from P2,596 million in 2015 to P5,525 million in 2016. Unrealized foreign exchange gain grew from P61 million in 2015 to P4,250 million in 2016 as an effect of the aforesaid appreciation of the Philippine Peso against the US Dollar.

2015 vs. 2014

Revenues

SMC Global Power's off take volume for the first quarter of 2015 was 3,835,985 MwH, 7% lower than 2014. The decline was a result of limited generation capacity for Ilijan Power Plant due to Malampaya major inspection and maintenance outage of Ilijan's Block 2 units during the second-half of March 2015. This was partly offset by 6% increase in Sual's off take volume with higher bilateral and WESM volumes.

The resulting SMC Global Power's consolidated revenues was P19,757 million, 1% lower than 2014. Sual also benefitted from higher average realization prices resulting from rate adjustments due to changes in US Dollar exchange and other pass-through costs.

Cost of Power Sold

Cost of power sold declined by 8% from P12,957 million in 2014 to P11,863 million in 2015 due to following principal factors: (i) energy fees decreased by 21% from P7,296 million to P5,775 million brought by the significant reduction in the net generation of the Ilijan Power Plant resulting from the aforesaid Malampaya gas facility inspection and Ilijan Block 2's maintenance, (ii) cost of coal and other fuel oil decreased by 6% from P3,142 million to P2,961 million due to lower average coal prices per metric ton for the Sual Power Plant, and (iii) power purchases from WESM and other external sources/generators substantially increased from P894 million to P1,377 million due to lower net generation as a result of the outages.

Operating Expenses

Operating expenses grew by 193% from P362 million for the period ended March 31, 2014 to P1,059 million of the same period in 2015. The principal factors contributing to this were: (i) higher business taxes of P208 million relating to local business taxes of the IPPA Power Plants and real property taxes of the Limay Cogeneration Power Plant, (ii) the support fee in the amount of P197 million paid by SMC Global Power to its business partner, Korea Water Resources Corporation, in a joint venture relating to the acquisition of the Angat Hydroelectric Power Plant, (iii) an increase in management fees of P154 million, (iv) increase in rental charges by P83 million, (v) additional corporate social responsibility projects of P37 million, and (vi) higher insurance expense for the Limay Cogeneration Power Plant by P14 million.

Notwithstanding the decline in net revenues, the consolidated operating income of the Group for the period ended March 31, 2015 amounted to P6,834 million which surpassed the P6,640 million posted for the period ended March 31, 2014 by 3%. The increase in the consolidated operating income is attributed to the decline in net generation costs.

Other Income (Charges)

Interest income increased from P66 million in 2014 to P199 million in 2015 due to collection of interest on non-trade receivables from an external party amounting to P106 million and higher interest income brought by higher average balance of the Group's money market placements.

Equity in net earnings (losses) recognized in 2015 from the 60% interest in AHC amounted to P80 million while (P5 million) was recognized from the 35% interest in OEDC. In 2014, equity in net losses of OEDC amounted to P8 million. No equity take-up recognized in AHC as of March 31, 2014, since the 60% stake thereon was only acquired in November 2014.

Foreign exchange gain posted in 2015 of P18 million was a complete turnaround from the P1,162 million foreign exchange loss posted in 2014 primarily because of the appreciation of the Philippine Peso against the US Dollar as shown in the following table:

	Philippine Peso to US Dollar
March 31, 2015	44.700
December 31, 2014	44.720
March 31, 2014	44.815
December 31, 2013	44.395

Income Tax Expense

Income tax expense grew by 315% from P309 million in 2014 to P1,282 million in 2015 resulting from the following: (i) increase in current income tax by P394 million primarily due to the expiration of the income tax holiday of the IPPA Power Plants and higher operating income of Limay Cogeneration Power Plant brought by the start of the operation of its additional 2x35 MW, Units 3 and 4, in September 2014, and (ii) higher deferred income tax expense by P574 million recognized on the temporary difference between the actual PSALM monthly payments of the IPPA Power Plants over the depreciation and other finance lease liability-related expenses.

Net Income

Consequently, the consolidated net income of the Group increased from P1,951 million in 2014 to P2,596 million in 2015. The appreciation of Philippine Peso against the US Dollar resulted in the recognition of an unrealized foreign exchange gain in 2015 of P61 million versus the P1,218 million unrealized foreign exchange loss recognized in 2014.

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

1. POWER GENERATION

2016 vs. 2015

a. San Miguel Energy Corporation (SMEC, Sual Power Plant)

Year-to-date net generation of 1,714,298 MwH was 1% lower than last year at 78% net capacity factor rate as a result of various forced outages and emergency shutdowns for both Units 1 and 2 with present period having much higher forced outage rate of 3.93% against last year's 1.58%. However, total offtake volume at 2,025,139 MwH was 6% ahead than last year with higher bilateral volumes sold during the current period.

Net revenues at P8,503 million was 4% short than last year attributable to the decline in average realization prices both for bilateral and WESM. Rate adjustments due to changes in pass-through costs, particularly coal price, contributed to the decrease in average bilateral price than same period last year.

With the huge increase in power purchase cost, which was curbed by lower coal cost price, and the increase in operating expenses, operating income at P3,743 million was 9% lower than last year's amount of P4,135 million.

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

Due to the improved operation of Ilijan compared to last year which experienced scheduled and unscheduled maintenance outage for Blocks 1 and 2 in 2015, year-to-date net generation of 2,074,100 MwH was 26% favorably higher than last year. For that reason, total offtake volume of 2,197,179 MwH was also higher by 29% margin than last year.

Net revenues at P8,171 million were 7% higher than last year due to the increase in bilateral & WESM volumes despite both having lower average realization prices as compared to prior year. Lower average natural gas price contributed to the favorable decline by 6% in cost of power sold. Consequently, operating income at P2,389 million was better by 57% than last year's P1,525 million.

c. Strategic Power Devt Corp. (SPDC, San Roque Power Plant)

Higher year-to-date plant dispatch due to better water inflow in the dam reservoir, San Roque's plant utilization improved by 4% than last year at a net generation volume of 175,295 MwH majority of which was dispatched to WESM. But due to lower spot sales volume and selling prices, net revenues from WESM at P470 million was 50% below than last year.

Offtake volume was 3% higher than last year due to improvement in net generation volume and replacement power sales; however, year-to-date net revenues of P1,617 million declined by 24% which was caused in part by lower revenues from share of ancillary services at P224 million and lower spot sales. Resulting operating income at P371 million was 61% lower compared with the same period in 2015.

d. SMC Powergen Inc. (SPI, Limay Cogen Power Plant)

Net energy generated from the Co-Generation Solid Fuel Fired Power Plant acquired from Petron was at 149,899 MwH with the low steam demand of refinery. Plant utilization improved at 49% net capacity factor rate and its operating result of P1,086 million contributed 15% to the consolidated operating income at P7,310 million in 2016. This is better than 2015's operating income of P598 million which only contributed 9% to the consolidated operating income at P6,834 million.

2015 vs. 2014

a. SMEC

2015 Year-to-date net generation of 1,738,533 MwH improved as against 2014 by 1% as a result of the better plant utilization of Sual at 80% net capacity factor rate with 2015 having much lower forced outage rate of 1.58% against previous year's 2.54%. Total offtake volume at 1,913,427 MwH was 6% ahead than previous year with higher bilateral and WESM volumes sold in 2015.

Net revenues at P8,897 million improved by 10% as compared to 2014 attributable to higher bilateral and WESM volumes and higher average realization prices. Rate adjustments due to changes in US Dollar exchange rate and other pass-through costs contributed to the increase in average bilateral price than same period 2014.

With higher net revenues coupled by lower generation costs resulting operating income at P4,135 million surpassed 2014's amount by 3%.

b. SPPC

Because of the major inspection of GT 1-2 heightened by the scheduled Malampaya and Block 2 units maintenance outage from March 15 – April 14, 2015, year-to-date net generation of 1,643,198 MwH was 16% lower than 2014. For that reason, total offtake volume of 1,702,674 MwH was also behind by 17% versus 2014.

Notwithstanding the aforesaid decline in net generation and the 18% decline in net revenues from P9,299 million in 2014 to P7,611 in 2015, resulting income from operations at P1,525 million still improved by 1% than in 2014. This is attributable to the increase in average WESM realization prices in 2015 as compared to 2014 and lower average natural gas price.

c. SPDC

Due to the lower plant dispatch and because of the start of dry season, plant utilization declined by 5% than 2014 at a net generation volume of 168,691 MwH majority of which was dispatched to WESM.

Offtake volume was 73% higher than last year, as a result there was a 77% rise in the year-to-date net revenues of P2,137 million which partially consists of share in revenues from ancillary services at P443 million. Likewise, operating income at P949 million was 33% better compared to 2014 for the same period.

d. SPI

Income from power generation of Limay Co-Generation Power Plant started in September 2013. Year-to-date net generation was at 39% net capacity factor while the operating result of P598 million contributed 9% to the consolidated operating income at P6,834 million. In 2014's operating result of P304 million only contributed 5% to the consolidated operating income of P6,640 million.

2. RETAIL AND OTHER POWER-RELATED SERVICES

2016 vs. 2015

a. San Miguel Electric Corp. (SMELC, Retail Electricity Supplier)

SMELC realize its profits from Retail Electricity Supply (RES) contracts with various SMC subsidiaries and other contestable customers and sources power supply for its existing RES contracts from Sual Power Plant. Its year-to-date net revenues of P443 million contributed 2% to the consolidated net revenues of the Group at P19,931 million. Total cost of power sold and operating expenses for the period ended March 31, 2016 surpassed net revenues resulting to an operating loss of P0.30 million. This is a slight improvement from last year's operating loss of P1 million.

b. Albay Power and Energy Corp. (APEC, Concessionaire for the rehabilitation, operations and maintenance of Albay Electric Cooperative, Inc.)

SMC Global Power's Concession Agreement with ALECO, the franchise holder for the distribution of electricity in the province of Albay performed slightly better compared to previous periods posting net revenues of P643 million. However, despite the improvement, APEC posted an operating loss of P9 million due to higher costs and operating expenses. Compared to last year's loss of P75 million, this is lower by 88%.

2015 vs. 2014

a. SMELC

SMELC'S year-to-date net revenues of P309 million contributed to 2% of the consolidated net revenues of the Group at P19,757 million. 2015 net revenues dropped from previous year's P476 million due to the end of supply contract of one customer, which represented 57% of SMELC's bilateral volume, and a downward adjustment on the retail price per unit. Consequently, income from operations ended in the negative at P1 million.

b. APEC

The SMC Global Power's Concession Agreement with ALECO was assigned to APEC effective January 3, 2014 and it was until February of 2014 that APEC assumed its commercial operation. As a new addition to the operating units of SMC Global Power, its net revenues of P497 million contributed to 3% of the consolidated net revenues of the Group.

III. FINANCIAL POSITION

2016 vs. 2015

The Group's consolidated total assets as of March 31, 2016 amounted to P337,630 million, P6,420 million higher than December 31, 2015. The increase is primarily due to the higher balance of cash and cash equivalents, from the net proceeds of the US$250 million drawn from the US$400 million seven-year term loan of SCPC, and increase in property, plant and equipment in relation to the costs of the on-going construction of power plants in Davao and Limay, Bataan.

Cash and cash equivalents increased by P3,449 million mainly due to the net proceeds of the US$250 million drawn from the seven-year term loan of SCPC (P10,865 million), offset against payments of finance lease liabilities (P5,932 million), long-term debt of SPI (P393 million), interest expenses on long-term debt of SMC Global Power and SPI (P353 million) and distributions to holders of SMC Global Power's undated subordinated capital securities.

Net increase in trade and other receivables by P1,498 million is attributed to higher net revenues of the Group for the month of March 2016 versus December 2015 by P1,338 million which contributed to an additional P1,491 million in the Trade Receivable balance. Major contributors to the increase in revenue are: (i) SMEC P610 million, (ii) SPPC P290 million, and (iii) SPI P131 million.

Inventories declined by P374 million from P1,263 million as of December 31, 2015 to P889 million as of March 31, 2016. This is attributable to the extended maintenance outage of Sual Unit 2 lasting more than 90 days from mid-September to December 19, 2015 which reduced Sual Power Plant's coal usage and resulted to a higher level of inventory balance as of December 31, 2015.

Deferred tax assets decreased by P581 million from P2,746 million to P2,165 million primarily due to SMEC's recognition of deferred income tax expense on the reduced temporary difference between the finance lease liability-related expenses over the actual PSALM monthly payments.

Accounts payable and accrued expenses declined by P3,874 million mainly due to (i) net payments to contractors/suppliers of billed shipments/deliveries and progress billings relating to the on-going power plant constructions in Davao and Limay, Bataan, accrued interest on long-term debts of SMC Global Power and SPI, coal purchases of SMEC, support fees to K-Water, and (ii) lower energy fees payable to PSALM due to lower natural gas prices in March 2016 versus December 2015.

SMC Global Power availed of a US$300 million (P14,364 million) six-month term loan with a local bank to pay the US$300 million (P14,115 million), 7%, five-year bond on January 26, 2016.

Increase in income tax payable of P578 million is due to higher taxable income recognized by SMEC and SPI brought by improved net generation of the Sual Power Plant and higher net revenues and operating income posted by both Companies for the first quarter of 2016 versus the last quarter of 2015.

Higher noncurrent portion of long-term debt is primarily due to the US$250 million (P11,739 million) drawn from the seven-year term loan of SCPC in March 2016 which will finance the construction of the Limay, Bataan power plant.

Deferred tax liabilities increased by P650 million due to the consolidation of the Grand Planters International, Inc. balance and the recognition by SPPC and SPDC of deferred income tax expense on the temporary difference between the actual PSALM monthly payments over the finance lease liability-related expenses for 2016.

2015 vs. 2014

The Group's consolidated total assets as of March 31, 2015 amounted to P320,903 million, P7,154 million higher than December 31, 2014. The increase is primarily due to the higher balance of cash and cash equivalents, from the net proceeds of the US$200 million drawn from the US$700 million five-year term loan of SMC Global Power, and increase in property, plant and equipment in relation to the costs of the on-going construction of power plants in Davao and Limay, Bataan.

Cash and cash equivalents increased by P1,762 million mainly due to the net proceeds of the US$200 million drawn from the US$700 million five-year term loan of SMC Global Power (P8,944 million), offset against payments of finance lease liabilities (P5,480 million), cash dividends to San Miguel Corporation (P1,500 million) acquisition of 100% stake in Ondarre Holding Corporation (P587 million) and long-term debt of SPI (P193 million).

Net increase in trade and other receivables by P1,130 million is attributed to higher net revenues of the Group for the month of March 2015 versus December 2014.

Inventories declined by P305 million from P1,365 million as of December 31, 2014 to P1,060 million as of March 31, 2015. Better plant utilization with 83% net capacity factor rate experienced in March 2015 versus 70% in December 2014 improved the net generation of the Sual Power Plant, thereby increasing coal usage and reducing level of inventory balance as of March 31, 2015.

Increase in investments and advances by P499 million is due to additional deposits made for future investment in land holding companies and take-up of equity in net earnings of AHC for 2015.

Deferred tax assets decreased by P211 million from P2,779 million to P2,569 million primarily due to SMEC's recognition of deferred income tax expense on the reduced temporary difference between the finance lease liability-related expenses over the actual PSALM monthly payments.

Decline in other noncurrent assets is primarily brought by reduction in SPI's restricted cash to cover the capital expenditure requirement of P397 million for the on-going constructions of the petcoke handling facility and limestone pulverizing plant.

SMC Global Power's US$300 million (at P44.70, P13,410 million) 7% five-year term bond was reclassified to current liabilities since the bond will mature in January 2016.

Increase in income tax payable of P639 million is due to higher taxable income recognized by SMEC and SPI brought by improved net generation of the Sual Power Plant and higher net revenues and operating income posted by both Companies for the first quarter of 2015 versus the last quarter of 2014.

Lower noncurrent portion of long-term debt is primarily due to the reclassification of the US$300 million bond of SMC Global Power to current liabilities moderated by the additional US$200 million (P8,825 million) drawn from SMC Global Power's $700 million, five-year term loan. Proceeds will be used for the Group's greenfield power projects and general corporate purposes.

Deferred tax liabilities increased by P369 million mainly because of the recognition by SPPC and SPDC of deferred income tax expense on the temporary difference between the actual PSALM monthly payments over the finance lease liability-related expenses.

Other noncurrent liabilities declined by P355 million because of SMEC and SPDC's settlement of its monthly dues to WESM, under the 24-month special payment arrangement agreed with PEMC in June 2014, arising from the adjustment of the November and December 2013 Luzon WESM prices as ordered by the Energy Regulatory Commission.

Equity

The increase (decrease) in equity is due to:

(In millions)	**March 31**	
	2016	2015
Income during the period	**P5,525**	P2,596
Distributions to undated subordinated capital securities holders	**(689)**	-
Cash dividends declared	-	(1,500)
	P4,836	P1,096

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(In millions)	**March 31**	
	2016	2015
Net cash flows provided by operating activities	**P3,313**	P6,266
Net cash flows used in investing activities	**(4,534)**	(6,261)
Net cash flows provided by financing activities	**4,933**	1,652

Net cash flows provided by operating activities for the period basically consists of income for the period less changes in noncash current assets, certain current liabilities and others.

Net cash flows used in investing activities included the following:

(In millions)	**March 31**	
	2016	2015
Net additions to property, plant and equipment	**(P4,237)**	(P5,245)
Additions to investments and advances	**(210)**	(1,013)
Additions to intangible assets	**(86)**	-
Deferred exploration and development costs	**(1)**	(3)

Net cash flows provided by financing activities included the following:

(In millions)	**March 31**	
	2016	2015
Proceeds from short-term borrowing	**P14,364**	P -
Proceeds from long-term borrowings	**10,865**	8,825
Payment of long-term borrowings	**(13,675)**	(193)
Payment of finance lease liabilities	**(5,932**	(5,480)
Distributions to undated subordinated capital securities holders	**(689)**	-
Payment of cash dividends	-	(1,500)

The effect of exchange rate changes on cash and cash equivalents amounted to (P263 million) and P113 million on March 31, 2016 and 2015, 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

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

	Conventional		*Adjusted*[1]	
(In millions P)	March 2016	December 2015	March 2016	December 2015
(A) Current Assets	60,954	57,047	60,954	57,047
(B) Current Liabilities	61,171	65,134	45,000	48,587
Current Ratio (A) / (B)	1.00	0.88	1.35	1.17

(1) Current portion of finance lease liabilities in relation to IPPA Agreements with PSALM are excluded in total current liabilities as this current obligation on finance lease are pass-through charges billable to customers. As of March 31, 2016 and December 31, 2015, current portion of finance lease liabilities amounted to P16,171 million and P16,547 million, respectively.

SOLVENCY RATIO

$$\text{Debt-to-Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

	Conventional		*Adjusted*[2]	
(In millions P)	March 2016	December 2015	March 2016	December 2015
(A) Total Liabilities	276,358	274,774	102,591	95,581
(B) Total Equity	61,271	56,435	61,271	56,435
Debt-to-Equity Ratio (A) / (B)	4.51	4.87	1.67	1.69

(2) Current and noncurrent portions of finance lease liabilities in relation to IPPA Agreement with PSALM are excluded in total liabilities as this obligation on finance lease are pass-through charges billable to customers. As of March 31, 2016 and December 31, 2015, total finance lease liabilities amounted to P173,767 million and P179,193 million, respectively.

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

	Conventional		*Adjusted*[3]	
(In millions P)	March 2016	December 2015	March 2016	December 2015
(A) Total Assets	**337,630**	**331,210**	**155,980**	**148,264**
(B) Total Equity	**61,271**	**56,435**	**61,271**	**56,435**
Asset-to-Equity Ratio (A) / (B)	**5.51**	**5.87**	**2.55**	**2.63**

(3) Net carrying amount value of the IPPA power plants in relation to IPPA Agreements with PSALM were omitted in total assets as this power plant assets were only capitalized with corresponding finance lease liabilities. As of March 31, 2016 and December 31, 2015, net carrying amount of IPPA power plant assets amounted to P181,650 million and P182,946 million, respectively.

PROFITABILTY RATIO

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

(In millions P)	March 2015	December 2015
(A) Net Income[4]	**4,758**	**1,829**
(B) Total Equity	**61,271**	**56,435**
Return on Equity (A) / (B)	**7.8%**	**3.2%**

(4) Annualized for quarterly reporting.

$$\text{Interest Coverage Ratio} = \frac{\text{EBITDA}}{\text{Finance Cost}}$$

	Conventional		*Adjusted*[5]	
(In millions P)	March 2016	December 2015	March 2016	December 2015
(A) EBITDA	**9,137**	**31,370**	**3,205**	**9,090**
(B) Finance Cost	**3,120**	**13,130**	**635**	**2,917**
Interest Coverage Ratio (A) / (B)	**2.93**	**2.39**	**5.05**	**3.12**

(5) PSALM payments were deducted from the consolidated EBITDA to reflect the actual cost of administering the IPPA Power Plants. While interest paid, in relation to obligation owed to PSALM (IPPA finance lease), was excluded from total finance cost, as it was already covered in the PSALM payments.
- PSALM payment as of March 31, 2016 and December 31, 2015 was P5,932 million and P22,280 million, respectively.
- Interest expense on IPPA finance lease as of March 31, 2016 and December 31, 2015 was P2,485 million and P10,213 million, respectively.

OTHER RELEVANT RATIO

$$\text{Leverage Ratio} = \frac{\text{Consolidated Net Debt}}{\text{Consolidated EBITDA}}$$

	Per Financial Covenant	
(In millions P)	March 2016	December 2015
(A) Consolidated Net Debt[6]	**20,380**	**24,491**
(B) Consolidated EBITDA[7]	**5,379**	**5,458**
Leverage Ratio[8] **(A) / (B)**	**3.79**	**4.49**

6) Net debt represents the sum of loans payable, long-term debt – net of current maturities and debt issue costs and current maturities of long-term debt – net of debt issue costs less cash equivalents and excluding PSALM finance lease liabilities, in each case, excluding amounts attributable to ring-fenced subsidiaries.

7) Calculated as (a) net income (excluding items between any or all of the Company and its subsidiaries) plus (b) income tax expense (benefit), finance cost (less interest income) and depreciation, in each case excluding amounts attributable to ring-fenced subsidiaries less (c) foreign exchange gain (loss), gain on sale of investment and aggregate fixed payments made to PSALM based on the most recent four quarterly periods. EBITDA should not be viewed in isolation or as an alternative to financial measures calculated in accordance with PFRS.

8) Ratio of Net Debt to EBITDA is computed using net debt and EBITDA based on the most recent four quarterly periods, in each case excluding amounts attributable to ring-fenced subsidiaries. Per existing financial covenants of the Company, should not exceed 5.5x.

OPERATING EFFICIENCY

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

	Periods ended March 31	
(in Mwh)	2016	2015
(A) Current Period Offtake Volume	4,456,548	3,835,985
(B) Prior Period Offtake Volume	3,835,985	4,144,292
Volume Growth (Decline) [(A / B) – 1]	16.2%	-7.4%

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

	Periods ended March 31	
(In millions P)	2016	2015
(A) Current Period Revenue	19,931	19,757
(B) Prior Period Revenue	19,757	19,959
Revenue Growth (Decline) [(A / B) – 1]	0.9%	-1.0%

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

	Periods ended March 31	
(In millions P)	2016	2015
(A) Income from Operating Activities	7,310	6,834
(B) Revenues	19,931	19,757
Operating Margin (A) / (B)	36.7%	34.6%