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S. E. C. Registration Number

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.

(Company's Full Name)

40 San Miguel Avenue Wack-Wack Greenhills 1550, Mandaluyong City, Second District, National Capital Region (NCR)

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

| Julie Ann B. Domino-Pablo | (02) 5317-1000 |
|---|---|
| Contact Person | Company Telephone Number |

| 1 2 | 3 1 | SEC Form 17-Q (3rd Quarter ended 30 September 2024) | 0 6 | 1st Tues |
|---|---|---|---|---|
| Month | Day | FORM TYPE | Month | Day |
| Fiscal Year | | | Annual Meeting | |

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

| Total No. of Stockholders | Domestic | Foreign |
|---|---|---|
| | | |

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To be accomplished by SEC Personnel concerned

File Number

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

1. For the quarterly period ended **September 30, 2024**

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

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

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

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

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

7. **40 San Miguel Avenue, Wack-Wack Greenhills**
   **Mandaluyong City, Second District**
   **National Capital Region (NCR)** **1550**
   Address of issuer's principal office Postal Code

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

9. **5th Floor, C5 Office Building Complex,**
   **#100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong**
   **Pasig City 1604, Metro Manila**
   Former name, former address and former fiscal year, if changed since last report

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

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

| | Number of shares of stock and debt outstanding (as of September 30, 2024) |
|---|---|
| **Common Shares** | **2,823,604,000** |
| **Consolidated Total Liabilities (in Thousands)** | **P469,620,815** |

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

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

12. Indicate by check mark whether the registrant:

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

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

## PART I - FINANCIAL INFORMATION

**Item 1. Financial Statements.**

The unaudited consolidated financial statements of San Miguel Global Power Holdings Corp. ("San Miguel Global Power" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended September 30, 2024 (with comparative figures as of December 31, 2023 and for the period ended September 30, 2023) and Selected Notes to the Consolidated Financial Statements are hereto attached as **Annex "A"**.

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

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

## PART II - OTHER INFORMATION

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

## SIGNATURES

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

| | |
|---|---|
| Issuer | **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.** |
| Signature and Title | **PAUL BERNARD D. CAUSON**<br>Chief Finance Officer/ Authorized Signatory |
| Date | November 11, 2024 |
| Signature and Title | **RAMON U. AGAY**<br>Comptroller/ Authorized Signatory |
| Date | November 11, 2024 |

**ANNEX "A"**

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## SEPTEMBER 30, 2024 AND DECEMBER 31, 2023
(In Thousands)

| | Note | 2024 (Unaudited) | 2023 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | *7, 20, 21* | **P33,347,580** | P31,659,442 |
| Trade and other receivables - net | *8, 14, 20, 21* | **113,189,622** | 116,976,024 |
| Inventories | *9, 14* | **14,758,410** | 16,841,384 |
| Prepaid expenses and other current assets | *14, 20, 21* | **54,112,205** | 48,521,564 |
| **Total Current Assets** | | **215,407,817** | 213,998,414 |
| **Noncurrent Assets** | | | |
| Investments and advances - net | | **13,880,553** | 10,953,048 |
| Property, plant and equipment - net | *10* | **384,666,679** | 339,224,974 |
| Right-of-use assets - net | *6, 14* | **101,516,841** | 104,975,320 |
| Goodwill and other intangible assets - net | | **71,668,670** | 71,712,053 |
| Deferred tax assets | | **1,138,210** | 973,481 |
| Other noncurrent assets | *14, 20, 21* | **36,235,047** | 43,098,000 |
| **Total Noncurrent Assets** | | **609,106,000** | 570,936,876 |
| | | **P824,513,817** | P784,935,290 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Loans payable | *11, 20, 21* | **P24,024,000** | P13,736,000 |
| Accounts payable and accrued expenses | *12, 14, 20, 21* | **133,779,139** | 97,632,905 |
| Lease liabilities - current portion | *6, 14, 20, 21* | **4,939,302** | 17,645,586 |
| Income tax payable | | **210,542** | 222,179 |
| Current maturities of long-term debt - net of debt issue costs | *13, 20, 21* | **40,106,919** | 54,124,645 |
| **Total Current Liabilities** | | **203,059,902** | 183,361,315 |
| **Noncurrent Liabilities** | | | |
| Long-term debt - net of current maturities and debt issue costs | *13, 20, 21* | **212,785,213** | 204,644,828 |
| Deferred tax liabilities | | **24,425,719** | 21,284,723 |
| Lease liabilities - net of current portion | *6, 14, 20, 21* | **22,031,740** | 25,141,714 |
| Other noncurrent liabilities | *20, 21* | **7,318,241** | 7,029,505 |
| **Total Noncurrent Liabilities** | | **266,560,913** | 258,100,770 |
| **Total Liabilities** | | **469,620,815** | 441,462,085 |

*Forward*

| | Note | 2024 (Unaudited) | 2023 (Audited) |
|---|---|---|---|
| **Equity** | *15* | | |
| **Equity Attributable to Equity Holders of the Parent Company** | | | |
| Capital stock | | **P2,823,604** | P2,823,604 |
| Additional paid-in capital | | **48,081,781** | 48,081,781 |
| Senior perpetual capital securities | | **137,967,950** | 161,767,709 |
| Redeemable perpetual capital securities | | **145,979,113** | 102,546,825 |
| Equity reserves | | **(13,127,264)** | (3,019,154) |
| Retained earnings | | **32,228,083** | 30,367,328 |
| | | **353,953,267** | 342,568,093 |
| **Non-controlling Interests** | | **939,735** | 905,112 |
| **Total Equity** | | **354,893,002** | 343,473,205 |
| | | **P824,513,817** | P784,935,290 |

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

Certified Correct:

**PAUL BERNARD D. CAUSON**
Chief Finance Officer / Authorized Signatory

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

## CONSOLIDATED STATEMENTS OF INCOME
## FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(In Thousands, Except Per Share Data)

| | Note | 2024 (Unaudited) | 2023 (Unaudited) | For the Quarter Ended 2024 (Unaudited) | For the Quarter Ended 2023 (Unaudited) |
|---|---|---|---|---|---|
| REVENUES | *14, 16* | **P153,591,557** | P125,212,557 | **P54,647,362** | P40,442,565 |
| COST OF POWER SOLD | *14, 17* | **114,154,265** | 97,463,444 | **41,685,856** | 30,462,045 |
| GROSS PROFIT | | **39,437,292** | 27,749,113 | **12,961,506** | 9,980,520 |
| SELLING AND ADMINISTRATIVE EXPENSES | *8, 10* | **5,956,567** | 4,411,997 | **2,468,870** | 1,394,436 |
| INCOME FROM OPERATIONS | | **33,480,725** | 23,337,116 | **10,492,636** | 8,586,084 |
| INTEREST EXPENSE AND OTHER FINANCING CHARGES | *6, 11, 13* | **(15,084,004)** | (12,354,384) | **(5,159,903)** | (3,816,240) |
| INTEREST INCOME | *7* | **653,460** | 1,085,540 | **217,714** | 367,838 |
| EQUITY IN NET EARNINGS (LOSSES) OF AN ASSOCIATE AND JOINT VENTURES | | **235,530** | (94,765) | **54,740** | (90,003) |
| OTHER INCOME (CHARGES) - Net | *18* | **(532,081)** | (707,803) | **3,243,888** | (2,554,859) |
| INCOME BEFORE INCOME TAX | | **18,753,630** | 11,265,704 | **8,849,075** | 2,492,820 |
| INCOME TAX EXPENSE (BENEFIT) | | **5,288,593** | 2,177,468 | **2,822,266** | (686,108) |
| NET INCOME | | **P13,465,037** | P9,088,236 | **P6,026,809** | P3,178,928 |
| **Attributable to:** | | | | | |
| Equity holders of the Parent Company | | **P13,430,414** | P9,081,713 | **P6,007,107** | P3,185,384 |
| Non-controlling interests | | **34,623** | 6,523 | **19,702** | (6,456) |
| | | **P13,465,037** | P9,088,236 | **P6,026,809** | P3,178,928 |
| **Loss Per Common Share Attributable to Equity Holders of the Parent Company** | | | | | |
| Basic/Diluted | *19* | **(P1.80)** | (P5.35) | **(P0.11)** | (P2.16) |

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

Certified Correct:

**PAUL BERNARD D. CAUSON**
Chief Finance Officer / Authorized Signatory

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023**
(In Thousands)

| | Note | 2024 (Unaudited) | 2023 (Unaudited) | For the Quarter Ended 2024 (Unaudited) | For the Quarter Ended 2023 (Unaudited) |
|---|---|---|---|---|---|
| **NET INCOME** | | **P13,465,037** | P9,088,236 | **P6,026,809** | P3,178,928 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | |
| Share in other comprehensive loss of a joint venture - Net | | **(1,206)** | - | **(1,206)** | - |
| **Items that may be reclassified to profit or loss** | | | | | |
| Gain (loss) on exchange differences on translation of foreign operations | | **5,756** | 6,022 | **(21,191)** | 10,040 |
| Net gain on cash flow hedges | *21* | **-** | 31,229 | **-** | - |
| **OTHER COMPREHENSIVE INCOME (LOSS)** - Net of tax | | **4,550** | 37,251 | **(22,397)** | 10,040 |
| **TOTAL COMPREHENSIVE INCOME** | | **P13,469,587** | P9,125,487 | **P6,004,412** | P3,188,968 |
| **Attributable to:** | | | | | |
| Equity holders of the Parent Company | | **P13,434,964** | P9,118,964 | **P5,984,710** | P3,195,424 |
| Non-controlling interests | | **34,623** | 6,523 | **19,702** | (6,456) |
| | | **P13,469,587** | P9,125,487 | **P6,004,412** | P3,188,968 |

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

Certified Correct:

**PAUL BERNARD D. CAUSON**
Chief Finance Officer / Authorized Signatory

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(In Thousands)

| | | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Equity Reserves | | | | | | | |
| | Note | Capital Stock | Additional Paid-in Capital | Deposit for Future Stock Subscription | Senior Perpetual Capital Securities | Redeemable Perpetual Capital Securities | Equity Reserves | Translation Reserves | Reserve for Retirement Plan | Hedging Reserve | Retained Earnings | Total | Non-controlling Interests | Total Equity |
| **As at January 1, 2024 (Audited)** | | **P2,823,604** | **P48,081,781** | **P -** | **P161,767,709** | **P102,546,825** | **(P3,827,112)** | **P914,958** | **(P107,000)** | **P -** | **P30,367,328** | **P342,568,093** | **P905,112** | **P343,473,205** |
| Net income | | - | - | - | - | - | - | - | - | - | 13,430,414 | 13,430,414 | 34,623 | 13,465,037 |
| Other comprehensive income (loss) - net of tax | | - | - | - | - | - | - | 5,756 | (1,206) | - | - | 4,550 | - | 4,550 |
| Total comprehensive income (loss) | | - | - | - | - | - | - | 5,756 | (1,206) | - | 13,430,414 | 13,434,964 | 34,623 | 13,469,587 |
| Issuance of redeemable perpetual capital securities | 15, 22 | - | - | - | - | 43,432,288 | - | - | - | - | - | 43,432,288 | - | 43,432,288 |
| Issuances of senior perpetual capital securities, net of exchange and tender offers | 15, 22 | - | - | - | 16,387,195 | - | (5,259,852) | - | - | - | - | 11,127,343 | - | 11,127,343 |
| Redemption of senior perpetual capital securities | 15, 22 | - | - | - | (40,186,954) | - | (4,852,808) | - | - | - | - | (45,039,762) | - | (45,039,762) |
| Distributions to holders of: | | | | | | | | | | | | | | |
| Redeemable perpetual capital securities | 15 | - | - | - | - | - | - | - | - | - | (1,249,765) | (1,249,765) | - | (1,249,765) |
| Senior perpetual capital securities | 15 | - | - | - | - | - | - | - | - | - | (10,319,894) | (10,319,894) | - | (10,319,894) |
| Transactions with owners | | - | - | - | (23,799,759) | 43,432,288 | (10,112,660) | - | - | - | (11,569,659) | (2,049,790) | - | (2,049,790) |
| **As at September 30, 2024 (Unaudited)** | | **P2,823,604** | **P48,081,781** | **P -** | **P137,967,950** | **P145,979,113** | **(P13,939,772)** | **P920,714** | **(P108,206)** | **P -** | **P32,228,083** | **P353,953,267** | **P939,735** | **P354,893,002** |
| As at January 1, 2023 (Audited) | | P1,250,004 | P2,490,000 | P - | P161,767,709 | P51,934,069 | (P2,378,421) | P917,966 | (P67,266) | (P31,229) | P35,526,185 | P251,409,017 | P907,542 | P252,316,559 |
| Net income | | - | - | - | - | - | - | - | - | - | 9,081,713 | 9,081,713 | 6,523 | 9,088,236 |
| Other comprehensive income - net of tax | | - | - | - | - | - | - | 6,022 | - | 31,229 | - | 37,251 | - | 37,251 |
| Total comprehensive income | | - | - | - | - | - | - | 6,022 | - | 31,229 | 9,081,713 | 9,118,964 | 6,523 | 9,125,487 |
| Issuance of redeemable perpetual capital securities | 15, 22 | - | - | - | - | 70,832,760 | - | - | - | - | - | 70,832,760 | - | 70,832,760 |
| Deposit for future stock subscription | 15, 22 | - | - | 13,308,000 | - | - | - | - | - | - | - | 13,308,000 | - | 13,308,000 |
| Issuance of capital stock | 15, 22 | 410,000 | 11,885,900 | - | - | - | - | - | - | - | - | 12,295,900 | - | 12,295,900 |
| Share issuance costs | | - | - | - | - | - | - | - | - | - | (29,199) | (29,199) | - | (29,199) |
| Distributions to holders of senior perpetual capital securities | 15 | - | - | - | - | - | - | - | - | - | (8,720,117) | (8,720,117) | - | (8,720,117) |
| Transactions with owners | | 410,000 | 11,885,900 | 13,308,000 | - | 70,832,760 | - | - | - | - | (8,749,316) | 87,687,344 | - | 87,687,344 |
| As at September 30, 2023 (Unaudited) | | P1,660,004 | P14,375,900 | P13,308,000 | P161,767,709 | P122,766,829 | (P2,378,421) | P923,988 | (P67,266) | P - | P35,858,582 | P348,215,325 | P914,065 | P349,129,390 |

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

Certified Correct:

**PAUL BERNARD D. CAUSON**
Chief Finance Officer / Authorized Signatory

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023**
(In Thousands)

| | *Note* | **2024 (Unaudited)** | 2023 (Unaudited) |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | | **P18,753,630** | P11,265,704 |
| Adjustments for: | | | |
| Interest expense and other financing charges | *6, 11, 13* | **15,084,004** | 12,354,384 |
| Depreciation and amortization | *10, 17* | **10,337,601** | 9,059,519 |
| Impairment loss on trade receivables | *8* | **770,419** | 45,473 |
| Unrealized foreign exchange losses - net | | **735,458** | 1,145,235 |
| Retirement benefits costs | | **112,865** | 107,742 |
| Loss on retirement of property and equipment | *10, 18* | **-** | 63,435 |
| Reversal of allowance on trade receivables | *8* | **-** | (107,363) |
| Equity in net losses (earnings) of an associate and joint ventures - net | | **(235,530)** | 94,765 |
| Interest income | *7* | **(653,460)** | (1,085,540) |
| Operating income before working capital changes | | **44,904,987** | 32,943,354 |
| Decrease (increase) in: | | | |
| Trade and other receivables - net | | **2,873,668** | (9,720,473) |
| Inventories | | **2,082,974** | 984,589 |
| Prepaid expenses and other current assets | | **(5,534,376)** | 1,376,368 |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expenses | | **18,713,903** | 5,024,386 |
| Other noncurrent liabilities | | **(775,621)** | (1,033,640) |
| Cash generated from operations | | **62,265,535** | 29,574,584 |
| Interest income received | | **1,004,835** | 537,104 |
| Income taxes paid | | **(2,380,180)** | (862,162) |
| Interest expense and other financing charges paid | | **(17,708,692)** | (13,750,858) |
| Net cash flows provided by operating activities | | **43,181,498** | 15,498,668 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Decrease (increase) in other noncurrent assets | | **3,319,671** | (5,717,398) |
| Cash from newly acquired subsidiary, net | | **-** | 99,136 |
| Additions to intangible assets | | **(43,636)** | (51,963) |
| Advances paid to suppliers and contractors | | **(591,660)** | (7,337,651) |
| Additions to investments and advances | | **(2,693,181)** | (2,897,856) |
| Additions to property, plant and equipment | *10* | **(26,932,064)** | (22,370,271) |
| Net cash flows used in investing activities | | **(26,940,870)** | (38,276,003) |

*Forward*

| | Note | 2024 (Unaudited) | 2023 (Unaudited) |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from short-term borrowings | *11, 22* | **P100,804,000** | P76,486,000 |
| Proceeds from the issuance of redeemable perpetual capital securities | *15, 22* | **43,432,288** | 70,832,760 |
| Proceeds from long-term debts | *13, 22* | **33,304,000** | 21,141,000 |
| Proceeds from the issuance of senior perpetual capital securities, net of exchange and tender offers | *15, 22* | **11,127,343** | - |
| Deposit for future stock subscription | *15* | **-** | 13,308,000 |
| Proceeds from issuance of capital stock | *15* | **-** | 12,295,900 |
| Payments of stock issuance costs | | **-** | (29,199) |
| Distributions paid to redeemable perpetual capital securities holders | *15* | **(1,249,765)** | - |
| Distributions paid to senior perpetual capital securities holders | *15* | **(10,319,894)** | (8,720,117) |
| Payments of lease liabilities | *6, 22* | **(15,667,502)** | (14,348,265) |
| Payments of long-term debts | *13, 22* | **(40,367,296)** | (59,200,652) |
| Redemption of senior perpetual capital securities | *15, 22* | **(45,039,762)** | - |
| Payments of short-term borrowings | *11, 22* | **(90,516,000)** | (83,750,000) |
| Net cash flows provided by (used in) financing activities | | **(14,492,588)** | 28,015,427 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **(59,902)** | 353,999 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **1,688,138** | 5,592,091 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | | **31,659,442** | 22,726,236 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | *7* | **P33,347,580** | P28,318,327 |

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

Certified Correct:

**PAUL BERNARD D. CAUSON**
Chief Finance Officer / Authorized Signatory

**SAN MIGUEL GLOBAL POWER HOLDINGS CORP.**
(Formerly SMC Global Power Holdings Corp.)
**AND SUBSIDIARIES**
**TRADE AND OTHER RECEIVABLES**
**SEPTEMBER 30, 2024**
(Amounts in Thousands)

| | | | | | Past Due | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Total** | | **Current** | **1 - 30 Days** | **31 - 60 Days** | **61 - 90 Days** | **Over 90 Days** |
| Trade | P | 97,515,081 | P | 57,838,376 | P 3,146,854 | P 2,313,407 | P 975,996 | P 33,240,448 |
| Non-trade | | 10,996,636 | | 3,139,624 | 29,503 | 19,557 | 68,318 | 7,739,634 |
| Amounts owed by related parties | | 8,174,721 | | 6,872,970 | 118,641 | 16,571 | 15,997 | 1,150,542 |
| Total | | 116,686,438 | P | 67,850,970 | P 3,294,998 | P 2,349,535 | P 1,060,311 | P 42,130,624 |
| Less allowance for impairment losses | | 3,496,816 | | | | | | |
| Net | P | 113,189,622 | | | | | | |

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

# SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Per Share Data and Number of Shares)

## 1. Reporting Entity

San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.) (the “Parent Company”) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on January 23, 2008, and its primary purpose of business is to purchase, sell, assign, lease, develop, operate and dispose of all properties of every kind and description, and shares of stocks or other securities or obligations, created or issued by any corporation or other entity. The Parent Company has a perpetual corporate life in accordance with the Revised Corporation Code of the Philippines which took effect on February 23, 2019.

The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries (collectively referred to as the Group) and the Group’s interests in an associate and joint ventures.

The Parent Company is a wholly-owned subsidiary of San Miguel Corporation (SMC). The ultimate parent company of the Group is Top Frontier Investment Holdings, Inc. (Top Frontier). SMC and Top Frontier are public companies under Section 17.2 of the Securities Regulation Code and whose shares are listed on The Philippine Stock Exchange, Inc.

On December 21, 2022, the stockholders of the Parent Company approved by written assent the change in its corporate name from “SMC Global Power Holdings Corp.” to “San Miguel Global Power Holdings Corp.” after this was unanimously approved by the Board of Directors (BOD) during the meeting held on December 5, 2022. The change in corporate name was approved by the Philippine SEC on March 22, 2023.

The BOD and the stockholders approved, on May 13, 2024 and June 4, 2024, respectively, the change of the Parent Company’s principal office and amendment of its Amended Articles of Incorporation to reflect the same, from 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila to No. 40 San Miguel Avenue, Wack-Wack Greenhills 1550, City of Mandaluyong, Second District, National Capital Region. On September 26, 2024, the Philippine SEC approved the application filed by the Parent Company.

## 2. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting,* and should be read in conjunction with the Group's last annual audited consolidated financial statements as at and for the year ended December 31, 2023. They do not include all the information required for a complete set of Philippine Financial Reporting Standards (PFRS) financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual audited consolidated financial statements.

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the BOD on November 4, 2024.

Basis of Measurement

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

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

Functional and Presentation Currency

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

## 3. Summary of Material Accounting Policy Information

The principal accounting policies adopted in the preparation of the consolidated financial statements of the Group are consistent with those followed in the most recent annual audited consolidated financial statements, except for the changes in accounting policies as explained below. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending December 31, 2024.

The Financial and Sustainability Reporting Standards Council (FSRSC) approved the adoption of a number of amendments to standards as part of PFRS.

*Adoption of Amendments to Standards*
The Group has adopted the following amendments to PFRS effective January 1, 2024 and accordingly, changed its accounting policies in the following areas:

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;

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

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

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

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

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

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

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

*New and Amendments to Standards Not Yet Adopted*
A number of new and amendments to standards are effective for annual periods beginning after January 1, 2024 and have not been applied in preparing the consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements.

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

- Lack of Exchangeability (Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*). The amendments clarify that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

  When a currency is not exchangeable, an entity needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

  The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the entity because the currency is not exchangeable.

  The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the entity uses a presentation currency other than its functional currency.

- Classification and Measurement of Financial Instruments (Amendments to PFRS 9, *Financial Instruments*, and PFRS 7). The amendments clarify that financial assets and financial liabilities are recognized and derecognized on the settlement date, except for regular way purchases or sales of financial assets and financial liabilities that meet the conditions for an exception. The exception allows entities to elect to derecognize certain financial liabilities settled through an electronic payment system before the settlement date.

  The amendments also provide guidelines for assessing the contractual cash flow characteristics of financial assets that include environmental, social, and governance-linked features and other similar contingent features.

  Entities are required to disclose additional information about financial assets and financial liabilities with contingent features, and equity instruments classified at fair value through other comprehensive income.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted.

- PFRS 18, *Presentation and Disclosure in Financial Statements*, replaces PAS 1. The new standard introduces the following key requirements:

  - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, income tax, and discontinued operations. Subtotals and totals are presented in the statement of income for operating profit or loss, profit or loss before financing and income taxes, and profit or loss.

  - Management-defined performance measures are disclosed in a single note to the financial statements.

  - Enhanced guidance is provided on how to group information in the financial statements. Additionally, entities are required to use the operating profit or loss subtotal as the starting point for the statement of cash flows when presenting cash flows from operating activities under the indirect method.

  PFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with retrospective application required. Early adoption is permitted.

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

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

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

## 4. Management's Use of Judgments, Estimates and Assumptions

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

The significant judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied in the audited consolidated financial statements as at and for the year ended December 31, 2023.

## 5. Segment Information

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

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

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

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

Major Customers
The Group sells, retails and distributes power, through power supply agreements (PSAs), retail supply contracts, ancillary service procurement agreements and other power-related service agreements, either directly to customers (other generators, distribution utilities, including Manila Electric Company [Meralco], electric cooperatives, industrial customers and National Grid Corporation of the Philippines [NGCP]) or through the Philippine Wholesale Electricity Spot Market (WESM). Sale of power to external customers that represents 10% or more of the Group's total revenues, is as follows:

| | **September 30** | |
|---|---|---|
| Customer | **2024 (Unaudited)** | 2023 (Unaudited) |
| Meralco | **P65,404,439** | P51,813,687 |
| WESM | **28,189,467** | 14,954,308 |

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

Operating Segments

Financial information about reportable segments follows:

| | For the Periods Ended September 30 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Power Generation | | Retail and Other Power-related Services | | Others | | Eliminations | | Consolidated | |
| | **2024 (Unaudited)** | 2023 (Unaudited) | **2024 (Unaudited)** | 2023 (Unaudited) | **2024 (Unaudited)** | 2023 (Unaudited) | **2024 (Unaudited)** | 2023 (Unaudited) | **2024 (Unaudited)** | 2023 (Unaudited) |
| **Revenues** | | | | | | | | | | |
| External | **P126,376,420** | P107,822,239 | **P26,626,382** | P17,186,543 | **P588,755** | P203,775 | **P -** | P - | **P153,591,557** | P125,212,557 |
| Inter-segment | **14,154,087** | 31,617,840 | **-** | - | **1,445,187** | 1,276,361 | **(15,599,274)** | (32,894,201) | **-** | - |
| | **140,530,507** | 139,440,079 | **26,626,382** | 17,186,543 | **2,033,942** | 1,480,136 | **(15,599,274)** | (32,894,201) | **153,591,557** | 125,212,557 |
| **Costs and Expenses** | | | | | | | | | | |
| Cost of power sold | **109,579,441** | 114,922,679 | **18,370,109** | 13,915,274 | **1,068,092** | 896,822 | **(14,863,377)** | (32,271,331) | **114,154,265** | 97,463,444 |
| Selling and administrative expenses | **4,637,616** | 3,793,439 | **1,233,145** | 524,300 | **1,370,464** | 1,145,184 | **(1,284,658)** | (1,050,926) | **5,956,567** | 4,411,997 |
| | **114,217,057** | 118,716,118 | **19,603,254** | 14,439,574 | **2,438,556** | 2,042,006 | **(16,148,035)** | (33,322,257) | **120,110,832** | 101,875,441 |
| **Segment Result** | **P26,313,450** | P20,723,961 | **P7,023,128** | P2,746,969 | **(P404,614)** | (P561,870) | **P548,761** | P428,056 | **P33,480,725** | P23,337,116 |
| Interest expense and other financing charges | | | | | | | | | **(P15,084,004)** | (P12,354,384) |
| Interest income | | | | | | | | | **653,460** | 1,085,540 |
| Equity in net earnings (losses) of an associate and joint ventures - net | | | | | | | | | **235,530** | (94,765) |
| Other charges - net | | | | | | | | | **(532,081)** | (707,803) |
| Income tax expense | | | | | | | | | **(5,288,593)** | (2,177,468) |
| **Consolidated Net Income** | | | | | | | | | **P13,465,037** | P9,088,236 |

| | As at and For the Periods Ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Power Generation | | Retail and Other Power-related Services | | Others | | Eliminations | | Consolidated | |
| | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) |
| **Other Information** | | | | | | | | | | |
| Segment assets | **P657,290,450** | P631,180,207 | **P68,634,961** | P68,113,141 | **P231,894,082** | P228,770,761 | **(P219,993,109)** | (P226,767,401) | **P737,826,384** | P701,296,708 |
| Investments and advances - net | **6,984,530** | 6,743,719 | **247,424** | 238,462 | **347,363,040** | 337,895,026 | **(340,714,441)** | (333,924,159) | **13,880,553** | 10,953,048 |
| Goodwill and other intangible assets - net | | | | | | | | | **71,668,670** | 71,712,053 |
| Deferred tax assets | | | | | | | | | **1,138,210** | 973,481 |
| **Consolidated Total Assets** | | | | | | | | | **P824,513,817** | P784,935,290 |
| Segment liabilities | **P423,606,374** | P396,476,603 | **P22,754,302** | P25,426,582 | **P75,527,901** | P58,415,710 | **(P329,796,155)** | (P319,133,185) | **P192,092,422** | P161,185,710 |
| Long-term debt - net | | | | | | | | | **252,892,132** | 258,769,473 |
| Income tax payable | | | | | | | | | **210,542** | 222,179 |
| Deferred tax liabilities | | | | | | | | | **24,425,719** | 21,284,723 |
| **Consolidated Total Liabilities** | | | | | | | | | **P469,620,815** | P441,462,085 |
| Capital expenditures | **P36,078,342** | P30,861,690 | **P10,830,728** | P5,269,949 | **P31,619** | P470,959 | **(P293,096)** | (P423,623) | **P46,647,593** | P36,178,975 |
| Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets | **7,630,323** | 10,013,006 | **2,566,116** | 2,085,463 | **178,685** | 239,660 | **(37,523)** | (21,453) | **10,337,601** | 12,316,676 |
| Noncash items other than depreciation and amortization | **1,134,505** | (834,314) | **(20,228)** | 103,221 | **268,935** | (1,774,403) | **-** | - | **1,383,212** | (2,505,496) |

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

## 6. Significant Agreements and Lease Commitments

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

| Subsidiary | Power Plant | Location |
|---|---|---|
| Sual Power Inc. (SPI) | Sual Coal - Fired Power Station (Sual Power Plant) | Sual, Pangasinan Province |
| San Roque Hydropower Inc. (SRHI) | San Roque Hydroelectric Multi-purpose Power Plant (San Roque Hydroelectric Power Plant) | San Roque, Pangasinan Province |

South Premiere Power Corp. (SPPC) also became the IPPA for the Ilijan Power Plant, a natural gas-fired combined cycle power plant located in Ilijan, Batangas, in June 2010 until the Ilijan Power Plant was turned over to SPPC in June 2022.

The IPPA Agreements are with the conformity of the National Power Corporation (NPC), a government-owned and controlled corporation created by virtue of Republic Act (RA) No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the IPPA Agreements and further confirms that for so long as it remains the counterparty of the IPP, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The IPPA Agreements include, among others, the following common salient rights and obligations:

i. the right and obligation to manage and control the capacity of the power plant for its own account and at its own cost and risks;

ii. the right to trade, sell or otherwise deal with the capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and at its own cost and risks. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;

iii. the right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the cooperation period or in case of buy-out;

iv. for SPI and previously for SPPC, the right to receive an assignment of NPC's interest in existing short-term bilateral PSAs;

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

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

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

Relative to the IPPA Agreements, SPI and SRHI have to pay PSALM monthly payments for 15 years until October 1, 2024 (see Note 22) and 18 years until April 26, 2028, respectively, while SPPC had to pay for 12 years until June 26, 2022. Energy fees amounted to P969,072 and P1,322,338 for the periods ended September 30, 2024 and 2023, respectively (see Note 17). SPI's performance bond expired on November 2, 2024, while SRHI's performance bond will expire on January 25, 2025.

On June 16, 2015, SPPC renewed its performance bond amounting to US$60,000 with a validity period of one year. This performance bond was subsequently drawn by PSALM on September 4, 2015, which is subject to an ongoing case (see Note 22).

The lease liabilities as at September 30, 2024 and December 31, 2023 are carried at amortized cost using the US Dollar and Philippine Peso discount rates as follows:

| | **US Dollar** | **Philippine Peso** |
|---|---|---|
| SPI | **3.89%** | **8.16%** |
| SRHI | **3.30%** | **7.90%** |

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreements and recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income. Interest expense amounted to P1,109,699 and P1,910,910 for the periods ended September 30, 2024 and 2023, respectively.

The carrying amount of the power plants under the IPPA lease agreements with PSALM, presented under "Right-of-use assets" account in the consolidated statements of financial position, amounted to P92,866,764 and P95,544,860 as at September 30, 2024 and December 31, 2023, respectively.

The total cash outflows amounted to P16,576,020 and P16,033,482 for the periods ended September 30, 2024 and 2023, respectively.

Maturity analysis of lease payments as at September 30, 2024 and December 31, 2023 are disclosed in Note 20.

PSAs

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

On February 5, 2024, Excellent Energy Resources Inc. (EERI) executed a long-term PSA with Meralco for the supply and delivery of 1,200 MW contract capacity commencing not later than November 26, 2024, and Mariveles Power Generation Corporation (MPGC) executed a long-term PSA with Meralco for the supply and delivery of 300 MW contract capacity commencing not later than April 26, 2025. Both PSAs have a term of 15 years.

On the same date, SPPC executed a 15-year PSA with Meralco for the supply and delivery of contract capacity of 810 MW commencing on December 26, 2023, then increased to 1,010 MW on February 26, 2024, and further increased to 1,200 MW on March 26, 2024 (the "2024 SPPC PSA"). Given that the Energy Regulatory Commission (ERC) has yet to issue a provisional authority and/or interim relief to the joint application filed by Meralco and SPPC for approval of the 2024 SPPC PSA then, Meralco and SPPC executed an emergency PSA on March 25, 2024 to supply 810 MW from March 26, 2024, to March 31, 2024, which increased to 1,200 MW (net) from April 1, 2024 until the earlier of the implementation of the 2024 SPPC PSA and March 25, 2025.

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

On May 9, 2024, the 2024 SPPC PSA was provisionally approved by the ERC for only 910 MW, which effectively ended the term of the 1,200 MW (net) emergency PSA on June 19, 2024. The supply of the 910 MW capacity under the 2024 SPPC PSA commenced on June 20, 2024. The provisional approval issued by the ERC is the subject of a motion for reconsideration jointly filed by SPPC and Meralco.

In a Notice of Resolution of the ERC dated July 11, 2024, the ERC resolved to grant interim relief to Meralco and LPI to implement the PSA for 400 MW dated March 20, 2024, between Meralco and LPI. Supply commenced under said PSA on August 3, 2024.

On July 31, 2024, Meralco awarded in favor of SRHI a PSA for the supply of 340 MW (net) renewable energy mid-merit supply capacity to be sourced from the San Roque Hydroelectric Power Plant for a term of 10 years effective March 2025.

On September 2, 2024, Meralco awarded in favor of Masinloc Power Co. Ltd. (MPCL, formerly Masinloc Power Partners Co. Ltd.) a PSA for the supply of 500 MW baseload capacity to be sourced from Units 3 and 4 of the Masinloc Coal-Fired Thermal Power Plant for a term of 15 years effective September 2025.

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

## 7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

| | *Note* | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|---|
| Cash in banks and on hand | | **P31,288,355** | P17,995,138 |
| Short-term investments | | **2,059,225** | 13,664,304 |
| | *20, 21* | **P33,347,580** | P31,659,442 |

Cash in banks earns interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates.

Interest income from cash and cash equivalents amounted to P496,345 and P381,522 for the periods ended September 30, 2024 and 2023, respectively.

## 8. Trade and Other Receivables

Trade and other receivables consist of:

| | *Note* | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|---|
| Trade | | **P97,515,081** | P99,030,192 |
| Non-trade | | **10,996,636** | 10,864,186 |
| Amounts owed by related parties | *14* | **8,174,721** | 9,747,252 |
| | | **116,686,438** | 119,641,630 |
| Less allowance for impairment losses | | **3,496,816** | 2,665,606 |
| | *20, 21* | **P113,189,622** | P116,976,024 |

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

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

| | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Balance at beginning of period | **P2,665,606** | P2,690,984 |
| Impairment losses | **770,419** | 60,714 |
| Revaluation | **60,791** | 21,271 |
| Reversal | **-** | (107,363) |
| Balance at end of period | **P3,496,816** | P2,665,606 |

Impairment losses recognized in the consolidated statements of income under “Selling and administrative expenses” account amounted to P770,419 and P45,473 for the periods ended September 30, 2024 and 2023, respectively.

In 2023, certain trade receivables were collected and the related allowance for impairment losses recognized in prior years were reversed accordingly. Reversal of impairment losses on trade receivables recognized in the consolidated statements of income under “Selling and administrative expenses” account amounted to P107,363 for the period ended September 30, 2023.

## 9. Inventories

Inventories consist of:

| | *Note* | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|---|
| Coal | | **P6,675,251** | P6,872,276 |
| Materials and supplies | | **4,440,095** | 5,748,754 |
| Liquefied natural gas (LNG) | | **2,423,644** | 3,016,660 |
| Fuel oil | *14* | **986,881** | 1,036,198 |
| Other consumables | | **232,539** | 167,496 |
| | | **P14,758,410** | P16,841,384 |

There were no inventory write-downs to net realizable value as at September 30, 2024 and December 31, 2023. Inventories charged to cost of power sold amounted to P75,642,511 and P64,564,672 for the periods ended September 30, 2024 and 2023, respectively (see Note 17).

## 10. Property, Plant and Equipment

Property, plant and equipment consist of:

**September 30, 2024 and December 31, 2023**

| | *Note* | **Power Plants** | **Land and Leasehold Improvements** | **Other Equipment** | **Building** | **Capital Projects in Progress (CPIP)** | **Total** |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| January 1, 2023 (Audited) | | P185,180,286 | P13,602,998 | P6,755,514 | P4,576,121 | P122,263,696 | P332,378,615 |
| Additions | | 943,217 | 158,463 | 659,427 | 17,850 | 34,400,018 | 36,178,975 |
| Acquisition of a subsidiary | | - | 448,499 | - | - | - | 448,499 |
| Reclassifications | | 11,053,316 | 1,081,919 | 1,030,657 | 353,602 | (6,735,945) | 6,783,549 |
| Retirement/disposal | *18* | (76,428) | - | (1,386) | - | - | (77,814) |
| Currency translation adjustments | | - | (16) | (111) | - | - | (127) |
| December 31, 2023 (Audited) | | 197,100,391 | 15,291,863 | 8,444,101 | 4,947,573 | 149,927,769 | 375,711,697 |
| Additions | | 2,036,631 | 1,132,637 | 247,014 | 32,823 | 43,198,488 | 46,647,593 |
| Reclassifications | | 36,397,098 | 3,765,835 | 292,801 | 202,015 | (34,394,151) | 6,263,598 |
| Currency translation adjustments | | - | 26 | 191 | - | - | 217 |
| **September 30, 2024 (Unaudited)** | | **235,534,120** | **20,190,361** | **8,984,107** | **5,182,411** | **158,732,106** | **428,623,105** |
| **Accumulated Depreciation and Amortization** | | | | | | | |
| January 1, 2023 (Audited) | | 24,937,107 | 859,765 | 1,534,754 | 424,499 | - | 27,756,125 |
| Depreciation and amortization | | 7,473,007 | 280,656 | 538,847 | 132,069 | - | 8,424,579 |
| Reclassifications | | - | - | 75,335 | - | - | 75,335 |
| Retirement/disposal | *18* | (12,993) | - | (1,155) | - | - | (14,148) |
| Currency translation adjustments | | - | (12) | (112) | - | - | (124) |
| December 31, 2023 (Audited) | | 32,397,121 | 1,140,409 | 2,147,669 | 556,568 | - | 36,241,767 |
| Depreciation and amortization | | 6,522,124 | 327,326 | 484,214 | 112,522 | - | 7,446,186 |
| Reclassifications | | - | - | 23,300 | - | - | 23,300 |
| Currency translation adjustments | | - | 26 | 191 | - | - | 217 |
| **September 30, 2024 (Unaudited)** | | **38,919,245** | **1,467,761** | **2,655,374** | **669,090** | **-** | **43,711,470** |
| **Accumulated Impairment Losses** | | | | | | | |
| January 1, 2023 (Audited) | | - | - | 209,965 | - | - | 209,965 |
| Impairment | | - | - | 34,991 | - | - | 34,991 |
| **December 31, 2023 (Audited) and September 30, 2024 (Unaudited)** | | **-** | **-** | **244,956** | **-** | **-** | **244,956** |
| **Carrying Amount** | | | | | | | |
| December 31, 2023 (Audited) | | P164,703,270 | P14,151,454 | P6,051,476 | P4,391,005 | P149,927,769 | P339,224,974 |
| **September 30, 2024 (Unaudited)** | | **P196,614,875** | **P18,722,600** | **P6,083,777** | **P4,513,321** | **P158,732,106** | **P384,666,679** |

## September 30, 2023

| | *Note* | Power Plants | Land and Leasehold Improvements | Other Equipment | Building | Capital Projects in Progress (CPIP) | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| January 1, 2023 (Audited) | | P185,180,286 | P13,602,998 | P6,755,514 | P4,576,121 | P122,263,696 | P332,378,615 |
| Additions | | 345,484 | 170,376 | 243,924 | 17,850 | 21,592,637 | 22,370,271 |
| Acquisition of a subsidiary | | - | 448,499 | - | - | - | 448,499 |
| Reclassifications | | 7,157,998 | 2,653,600 | 694,149 | 249,524 | (2,575,830) | 8,179,441 |
| Retirement/disposal | *18* | (76,428) | - | (1,386) | - | - | (77,814) |
| Currency translation adjustments | | - | 31 | 239 | - | - | 270 |
| September 30, 2023 (Unaudited) | | 192,607,340 | 16,875,504 | 7,692,440 | 4,843,495 | 141,280,503 | 363,299,282 |
| Accumulated Depreciation and Amortization | | | | | | | |
| January 1, 2023 (Audited) | | 24,937,107 | 859,765 | 1,534,754 | 424,499 | - | 27,756,125 |
| Depreciation and amortization | | 5,469,847 | 187,177 | 390,341 | 96,796 | - | 6,144,161 |
| Reclassifications | | - | - | 55,902 | - | - | 55,902 |
| Retirement/disposal | *18* | (12,993) | - | (1,155) | - | - | (14,148) |
| Currency translation adjustments | | - | 35 | 238 | - | - | 273 |
| September 30, 2023 (Unaudited) | | 30,393,961 | 1,046,977 | 1,980,080 | 521,295 | - | 33,942,313 |
| Accumulated Impairment Losses | | | | | | | |
| January 1, 2023 (Audited) and September 30, 2023 (Unaudited) | | - | - | 209,965 | - | - | 209,965 |
| Carrying Amount | | | | | | | |
| September 30, 2023 (Unaudited) | | P162,213,379 | P15,828,527 | P5,502,395 | P4,322,200 | P141,280,503 | P329,147,004 |

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

b. CPIP pertains to the following:

   i. Expenditures of MPGC related to the construction of its 4 x 150 MW Circulating Fluidized Bed coal-fired power plant in Mariveles, Bataan (Mariveles Greenfield Power Plant).

      Testing and commissioning of the Mariveles Greenfield Power Plant started in April, with Unit 1 and Unit 2 declared as operational with the Independent Electricity Market Operator of the Philippines (IEMOP) starting March 28 and September 26, 2024, respectively.

   ii. Expenditures of EERI related to the construction of its 1,320 MW Batangas Combined Cycle Power Plant (BCCPP).

   iii. Projects of SMGP BESS Power Inc. (SMGP BESS, formerly Universal Power Solutions, Inc.) for the construction of battery energy storage system (BESS) facilities situated in various locations in the Philippines.

      Following the start of commercial operations in 2023 of 3 BESS facilities in Luzon (San Manuel, Pangasinan, and Lamao and Limay, Bataan), 2 BESS facilities in Visayas (Toledo, Cebu and Ubay, Bohol) and 2 BESS facilities in Mindanao (Maco, Davao de Oro and Malita, Davao Occidental), and 3 additional sites during the first quarter of 2024 located in Concepcion, Tarlac, Ormoc, Leyte and Jasaan, Misamis Oriental, all CPIP costs related to these facilities were reclassified to the appropriate property, plant and equipment account.

   iv. Projects of MPCL for the construction of the Masinloc Power Plant Units 4 and 5, and other related facilities, 20 MW BESS and retrofitting works for Unit 1.

      The Unit 1 retrofit was completed and all related CPIP costs were reclassified to the appropriate property, plant and equipment account in 2023.

   v. Projects of SMGP Kabankalan Power Co. Ltd (SMGP Kabankalan, formerly SMCGP Philippines Energy Storage Co. Ltd.) for the construction of its 10 MW BESS Phase 2 facility in Kabankalan, Negros Occidental.

   vi. Various construction works relating to the respective power plant facilities of LPI and Malita Power Inc. (MPI).

   Ongoing capital projects are expected to be completed in 2024 up to 2026.

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

| | | September 30 | |
|---|---|---|---|
| | *Note* | **2024 (Unaudited)** | 2023 (Unaudited) |
| Cost of power sold | *17* | **P7,001,456** | P5,650,510 |
| Selling and administrative expenses | | **444,730** | 493,651 |
| | | **P7,446,186** | P6,144,161 |

For the periods ended September 30, 2024 and 2023, reclassifications include transfers from CPIP account to specific property, plant and equipment accounts and/or applications of advances to contractors against progress billings for capital projects in progress.

As at September 30, 2024 and December 31, 2023, certain property, plant and equipment amounting to P194,259,831 and P164,918,759, respectively, are pledged as security for syndicated project finance loans (see Note 13).

Certain fully depreciated property, plant and equipment with aggregate costs amounting to P6,436,113 and P6,030,538 as at September 30, 2024 and December 31, 2023, respectively, are still being used in the Group's operations.

## 11. Loans Payable

Loans payable account consist of:

| | *Note* | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|---|
| Parent Company | | **P18,736,000** | P13,736,000 |
| SPPC | | **5,000,000** | - |
| MPGC | | **288,000** | - |
| | *20, 21* | **P24,024,000** | P13,736,000 |

The loans are unsecured short-term loans and subject to fixed interest rates from 6.75% to 7.95% and from 6.75% to 7.50% as at September 30, 2024 and December 31, 2023, respectively.

These loans were obtained from various local financial institutions to partially refinance maturing obligations, for working capital and for general corporate purposes.

Interest expense on loans payable amounted to P1,167,015 and P865,695 for the periods ended September 30, 2024 and 2023, respectively.

## 12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

| | Note | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|---|
| Trade | | **P26,873,544** | P23,453,007 |
| Non-trade | | **71,734,372** | 45,629,445 |
| Output VAT | | **18,456,308** | 19,194,811 |
| Amounts owed to related parties | *14* | **10,077,238** | 5,411,198 |
| Withholding and other accrued taxes | | **4,251,440** | 2,066,108 |
| Accrued interest | *6, 11, 13* | **2,338,192** | 1,864,411 |
| Derivative liabilities not designated as cash flow hedge | | **48,045** | 13,925 |
| | *20, 21* | **P133,779,139** | P97,632,905 |

Trade payables consist of payable related to energy fees, inventories and power purchases. These are generally on a 30-day term and are non-interest-bearing.

Non-trade payables include liability relating to payables to contractors, power rate adjustments, and other payables to the Government excluding output VAT and withholding taxes.

The methods and assumptions used to estimate the fair values of financial liabilities are discussed in Note 21.

## 13. Long-term Debt

Long-term debt consists of:

| | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| **Bonds** | | |
| *Parent Company* | | |
| Philippine Peso-denominated: | | |
| Fixed interest rate of 5.9077%, 7.1051% and 8.0288% maturing in 2025, 2028 and 2032, respectively | **P39,627,259** | P39,559,871 |
| Fixed interest rate of 7.1783% and 7.6000% matured in April 2024 and maturing in 2026, respectively (a) | **6,898,501** | 16,110,820 |
| Fixed interest rate of 6.2500% and 6.6250% maturing in December 2024 and 2027, respectively | **10,068,444** | 10,056,168 |
| Fixed interest rate of 5.1792% maturing in 2026 | **4,744,645** | 4,740,043 |
| | **61,338,849** | 70,466,902 |

*Forward*

| | Note | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|---|
| **Term Loans** | | | |
| *Parent Company* | | | |
| Philippine Peso-denominated: | | | |
| Fixed interest rate, matured in April 2024 (b) | | **P -** | P14,091,381 |
| Fixed interest rate with maturities up to 2025 | | **4,839,871** | 4,853,652 |
| Fixed interest rate with maturities up to 2028 | | **7,448,167** | 7,439,465 |
| Fixed interest rate with maturities up to 2029 (c) | | **9,804,065** | - |
| Foreign currency-denominated: | | | |
| Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2026 | | **16,682,498** | 16,421,201 |
| Floating interest rate based on SOFR plus margin, maturing in 2027 (d) | | **10,918,465** | - |
| Floating interest rate based on SOFR plus margin, matured in September 2024 (d) | | **-** | 10,992,509 |
| Floating interest rate based on SOFR plus margin, maturing in 2025 | | **5,578,398** | 5,483,778 |
| Floating interest rate based on SOFR plus margin, maturing in 2027 | | **16,516,262** | 16,249,226 |
| Floating interest rate based on SOFR plus margin, maturing in October 2024 | | **5,600,299** | 5,487,277 |
| Floating interest rate based on SOFR plus margin, maturing in 2025 | | **2,779,589** | 2,718,947 |
| *Subsidiaries* | | | |
| Philippine Peso-denominated: | | | |
| Fixed interest rate with maturities up to 2029 (e) | | **30,215,243** | 32,497,049 |
| Fixed interest rate with maturities up to 2030 (f) | | **13,718,368** | 14,643,247 |
| Fixed interest rate with maturities up to 2033 (g) | | **38,984,430** | 27,537,755 |
| Floating rate based on Bloomberg Valuation (BVAL) plus margin with maturities up to 2030 (h) | | **6,334,794** | 7,187,581 |
| Foreign currency-denominated: | | | |
| Fixed interest rate with maturities up to 2030 (i) | | **16,652,323** | 17,078,674 |
| Floating interest rate based on SOFR plus margin with maturities up to 2030 (i) | | **5,480,511** | 5,620,829 |
| | | **191,553,283** | 188,302,571 |
| | *20, 21* | **252,892,132** | 258,769,473 |
| Less current maturities | | **40,106,919** | 54,124,645 |
| | | **P212,785,213** | P204,644,828 |

a. On April 24, 2024, the Parent Company redeemed its Series I Bonds, amounting to P9,232,040, upon its maturity pursuant to the terms and conditions of the bonds. The Series I Bonds formed part of the P30,000,000 Series H-I-J fixed rate bonds issued in April 2019.

b. On April 26, 2024, the Parent Company fully paid the P14,100,000 balance of its fixed rate 7-year term loan availed in April 2017 from a local bank upon its maturity pursuant to the terms and conditions of the credit facility.

c. On July 19, 2024, the Parent Company availed of a P10,000,000 term loan from a facility agreement executed on July 17, 2024, with a local bank. The loan is subject to a fixed interest rate and will mature in June 2029.

   The proceeds of the loan, net of transaction-related fees and costs of the facility, were used for the refinancing of an existing short-term bridge loan.

d. On September 9, 2024, the Parent Company availed of a US$200,000 term loan (equivalent to P11,011,440, net of transaction costs) from a US$200,000 loan facility, with option to increase up to US$300,000, executed on August 30, 2024, with a foreign bank. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in August 2027.

   The proceeds of the loan were used to refinance the US$200,000 term loan drawn on January 21, 2022 and which matured on September 9, 2024.

   On October 9, 2024, the Parent Company availed of an additional US$100,000 from the facility agreement executed on August 30, 2024.

e. In 2024, LPI made partial payments amounting to P2,336,000 of its P44,000,000, 12-year term loan, pursuant to the terms and conditions of its Omnibus Loan and Security Agreement (OLSA) with a syndicate of local banks.

f. In 2024, MPI made partial payments amounting to P972,558 of its P21,300,000, 12-year term loan, pursuant to the terms and conditions of its OLSA with a syndicate of local banks.

   The loan includes amount payable to Bank of Commerce (BOC), an associate of entities under common control, amounting to P2,080,192 and P2,226,304 as at September 30, 2024 and December 31, 2023, respectively (see Note 14).

g. On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000,000 from its P40,000,000 OLSA executed on October 23, 2023 with various local banks. The loan is subject to a fixed interest rate and will mature in October 2033.

   The proceeds were used (i) for the purchase of outstanding perpetual securities issued to SMC and reimbursement or repayment of reimbursable advances from the Parent Company, (ii) to fund the initial amount required to be deposited into the Debt Service Reserve Account, (iii) to fund the cost and expenses in relation to the design, construction, and operation of the BESS project, and (iv) for payment of transaction costs.

   On July 29, 2024, SMGP BESS made partial payments amounting to P500,000, pursuant to the terms and conditions of its OLSA.

   The loan includes the P5,727,500 and P4,060,000 amount payable to BOC as at September 30, 2024 and December 31, 2023, respectively (see Note 14).

h. In 2024, MPCL made principal repayments amounting to P873,401 pursuant to the terms and conditions of its Amended Omnibus Refinancing Agreement (ORA).

   The loan includes the P3,862,479 and P4,389,181 amount payable to BOC as at September 30, 2024 and December 31, 2023, respectively (see Note 14).

i. On April 29, 2024, MPCL made principal repayments of loans from its Omnibus Expansion Facility Agreement (OEFA) amounting US$15,593 (equivalent to P899,297).

Unamortized debt issue costs amounted to P2,490,528 and P2,684,515 as at September 30, 2024 and December 31, 2023, respectively. Accrued interest amounted to P2,111,277 and P1,397,801 as at September 30, 2024 and December 31, 2023, respectively. Interest expense amounted to P12,020,602 and P8,975,013 for the periods ended September 30, 2024 and 2023, respectively.

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

The fair value of the Bonds, amounting to P64,650,667 and P73,529,065 as at September 30, 2024 and December 31, 2023, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques (see Note 21).

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

The loans of LPI, MPI and SMGP BESS are secured by real estate and chattel mortgages, on all present and future assets, amounting to P44,100,000, P21,325,000 and P40,000,000, respectively, and reserves of LPI, MPI and SMGP BESS as well as a pledge by the Parent Company of all its outstanding shares of stock in LPI, MPI and SMGP BESS.

The loans of MPCL obtained from its Amended ORA and OEFA are secured by real estate and chattel mortgages, on all present assets (purchased under its asset purchase agreement, and all its rights in a land lease agreement, with PSALM) and all future assets as defined in its loan agreements, amounting to P8,155,000 and US$525,000, respectively.

As at September 30, 2024 and December 31, 2023, the Group is in compliance with the covenants, including the required financial ratios, of the debt agreements.

The movements in debt issue costs are as follows:

| | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Balance at beginning of period | **P2,684,515** | P2,713,968 |
| Additions | **462,329** | 822,522 |
| Capitalized amount | **(233,951)** | (2,279) |
| Amortization | **(422,365)** | (849,696) |
| Balance at end of period | **P2,490,528** | P2,684,515 |

Repayment Schedule

The annual maturities of the long-term debts as at September 30, 2024 are as follows:

| | **Gross Amount** | | | | |
|---|---|---|---|---|---|
| **Year** | **US Dollar** | **Peso Equivalent of US Dollar** | **Peso** | **Debt Issue Costs** | **Net** |
| October 1, 2024 to September 30, 2025 | US$282,655 | P15,837,159 | P24,614,798 | P345,038 | P40,106,919 |
| October 1, 2025 to September 30, 2026 | 334,125 | 18,721,024 | 20,821,188 | 366,684 | 39,175,528 |
| October 1, 2026 to September 30, 2027 | 535,700 | 30,015,271 | 11,337,778 | 769,497 | 40,583,552 |
| October 1, 2027 to September 30, 2028 | 37,275 | 2,088,518 | 47,783,798 | 474,702 | 49,397,614 |
| October 1, 2028 to September 30, 2029 | 39,060 | 2,188,532 | 23,719,278 | 209,725 | 25,698,085 |
| October 1, 2029 and thereafter | 219,713 | 12,310,492 | 45,944,824 | 324,882 | 57,930,434 |
| | **US$1,448,528** | **P81,160,996** | **P174,221,664** | **P2,490,528** | **P252,892,132** |

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 20.

## 14. Related Party Disclosures

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

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

The following are the transactions with related parties and the outstanding balances as at September 30, 2024 (Unaudited) and December 31, 2023 (Audited):

| | Year | Revenues from Related Parties | Purchases from Related Parties | Amounts Owed by Related Parties | Amounts Owed to Related Parties | Terms | Conditions |
|---|---|---|---|---|---|---|---|
| SMC | **2024** | **P397,905** | **P3,283,453** | **P54,296** | **P5,669,012** | On demand or 30 days; | Unsecured; |
| | 2023 | 614,221 | 1,638,795 | 135,791 | 2,152,547 | non-interest-bearing | no impairment |
| Entities under Common Control | **2024** | **5,757,184** | **3,087,352** | **1,657,059** | **11,139,534** | On demand or 30 days; | Unsecured; |
| | 2023 | 9,261,195 | 3,848,749 | 1,620,198 | 10,737,315 | non-interest-bearing | no impairment |
| | **2024** | **-** | **-** | **9,501,884** | **-** | Installment basis up to | Unsecured; |
| | 2023 | - | - | 12,010,491 | - | 2026; interest-bearing | no impairment |
| Associate | **2024** | **954,561** | **-** | **674,233** | **28,101** | On demand or 30 days; | Unsecured; |
| | 2023 | 1,944,182 | - | 889,255 | 28,101 | non-interest-bearing | no impairment |
| | **2024** | **1,507** | **-** | **14,640** | **-** | 9 years; | Unsecured; |
| | 2023 | 4,208 | - | 51,053 | - | interest-bearing | no impairment |
| Joint Venture | **2024** | **25,093** | **416,986** | **7,077** | **409,270** | On demand or 30 days; | Unsecured; |
| | 2023 | 32,707 | - | 13,126 | - | non-interest-bearing | no impairment |
| | **2024** | **4,463** | **-** | **173,398** | **-** | 92 days; | Unsecured; |
| | 2023 | 5,673 | - | 167,404 | - | interest-bearing | no impairment |
| | **2024** | **56,093** | **-** | **1,546,206** | **-** | 10.5 years; | Unsecured; |
| | 2023 | 71,378 | - | 1,491,796 | - | interest-bearing | no impairment |
| Associate and Joint Ventures | **2024** | **-** | **-** | **481** | **1,157** | 30 days; | Unsecured; |
| of Entities under Common Control | 2023 | 9,828 | - | 481 | 1,157 | non-interest-bearing | no impairment |
| | **2024** | **-** | **705,949** | **-** | **11,807,801** | 7 to 12 years; | Secured |
| | 2023 | - | 590,527 | - | 10,805,681 | interest-bearing | |
| | **2024** | **P7,196,806** | **P7,493,740** | **P13,629,274** | **P29,054,875** | | |
| | 2023 | P11,943,392 | P6,078,071 | P16,379,595 | P23,724,801 | | |

a. Amounts owed by related parties consist of trade and non-trade receivables, receivables pertaining to the sale of certain parcels of land and investments in 2022, included as part of “Trade and other receivables” and “Other noncurrent assets” accounts in the consolidated statements of financial position, prepayments for rent and insurance, and security deposits (see Note 8).

b. Amounts owed to related parties consist of trade and non-trade payables including management fees, purchases of fuel, reimbursement of expenses, rent, insurance, services rendered, customers’ deposits and subscriptions payable to Olongapo Electricity Distribution Company, Inc. (OEDC). As at September 30, 2024 and December 31, 2023, amounts owed to related parties for the lease of office space and parcels of land presented as part of “Lease liabilities - current portion” and “Lease liabilities - net of current portion” accounts in the consolidated statements of financial position amounted to P7,054,775 and P7,401,488, respectively.

c. Amounts owed by an associate mainly consist of interest-bearing loan granted to OEDC included as part of “Trade and other receivables” and “Other noncurrent assets” accounts in the consolidated statements of financial position (see Note 8).

d. Amounts owed by a joint venture consists of interest-bearing loans granted and management fees charged to Angat Hydropower Corporation by PowerOne Ventures Energy Inc. included as part of “Trade and other receivables” and “Other noncurrent assets” accounts in the consolidated statements of financial position (see Note 8).

e. Amounts owed to an associate and joint venture of entities under common control pertains to an interest-bearing long-term loan of MPI, MPCL and SMGP BESS to BOC, included as part of “Long-term debt” account in the consolidated statements of financial position (see Note 13). The loans are secured by certain property, plant and equipment as at September 30, 2024 and December 31, 2023 (see Note 10).

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

| | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Short-term employee benefits | **P127,582** | P129,041 |
| Retirement benefits costs | **8,702** | 17,523 |
| | **P136,284** | P146,564 |

There were no known transactions with parties that fall outside the definition "related parties" under PAS 24, *Related Party Disclosures*, but with whom the Group or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

## 15. Equity

Capital Stock

The details of the Parent Company's authorized, subscribed, issued and outstanding capital stock are as follows:

| | **September 30, 2024 (Unaudited)** | | December 31, 2023 (Audited) | |
|---|---|---|---|---|
| | **Number of Shares** | **Amount** | Number of Shares | Amount |
| Authorized - par value of P1.00 | **3,774,400,000** | **P3,774,400** | 3,774,400,000 | P3,774,400 |
| Subscribed capital stock: | | | | |
| Balance at beginning of year | **2,823,604,000** | **2,823,604** | 1,250,004,000 | 1,250,004 |
| Subscription | **-** | **-** | 1,573,600,000 | 1,573,600 |
| **Issued and Outstanding** | **2,823,604,000** | **P2,823,604** | 2,823,604,000 | P2,823,604 |

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

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

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

As at September 30, 2023, the Parent Company received the full payment of the P13,308,000 subscription from SMC and presented this as "Deposit for future stock subscription" account under Equity in the consolidated statement of financial position upon filing of the application for increase in authorized capital stock with the Philippine SEC.

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

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

The Parent Company recognized additional paid-in capital of P45,591,781, net of the share issuance cost paid amounting to P42,619 as at December 31, 2023.

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

Issuances of Senior Perpetual Capital Securities (SPCS)

On August 27, 2024, the Parent Company announced on the Singapore Exchange Securities Trading Limited (“SGX-ST”) website the following:

a. that it will undertake to invite eligible holders of the Parent Company’s outstanding US Dollar-denominated SPCS listed with the SGX-ST (collectively, the “Existing Securities”), namely:

    (i) US$492,113, 5.95% SPCS issued on November 5, 2019; and
    (ii) US$723,904, 7.00% SPCS issued on October 21, 2020 and December 15, 2020,

    (1) to offer to exchange some or all of its Existing Securities for new US Dollar-denominated SPCS to be issued by the Parent Company (the “Exchanged New Securities) (the “Exchange Offers”); and

    (2) to tender for purchase for cash some or all of its Existing Securities up to an aggregate nominal amount and at a purchase price, to be determined by the Parent Company (the “Tender Offers”, and together with the Exchange Offers, the “Offers”); and

b. that it will undertake the offer and issuance of up to US$300,000 in SPCS or such other amount as the Parent Company may later determine (collectively together with the Tender Offers, the “Additional New Securities”).

On September 12, 2024, the Parent Company completed the issuance of US$800,000 SPCS (the “Securities”, equivalent to P44,306,793, net of directly attributable transaction costs amounting to P653,207) at an issue price of 100%, with an initial rate of distribution of 8.75% per annum and step-up date of September 12, 2029.

The Securities consist of the following:

(i) US$531,938 (equivalent to P29,460,584, net of directly attributable transaction costs amounting to P434,332) in aggregate principal amount of SPCS issued in exchange for Existing Securities (with a carrying value of P25,801,222) issued by the Parent Company pursuant to the Exchange Offers; and

(ii) US$268,062 (equivalent to P14,846,209, net of directly attributable transaction costs amounting to P218,875) in aggregate principal amount of Additional New Securities. This will partly cover the purchase of Existing Securities, amounting to US$157,381 (with a carrying value of P7,678,653), accepted pursuant to the Tender Offers.

The net proceeds from the issuance of the Additional New Securities were applied to the following: (i) costs and expenses related to the Exchange Offers, including payment of accrued distribution amount in respect of the Existing Securities accepted for exchange pursuant to the terms and conditions of the Exchange Offers; (ii) costs and expenses related to the Tender Offers, including payment of the purchase price and the accrued distribution amount in respect of the Existing Securities accepted for purchase pursuant to the terms and conditions of the Tender Offers; and (iii) for pre-development costs of solar energy projects.

The movements in the Existing Securities are as follows:

| Title of Existing Securities | Principal of Existing Securities | Accepted Exchange Offers | Accepted Tender Offers | Remaining Principal of Existing Securities | Amount in Philippine Peso* |
|---|---|---|---|---|---|
| 7.00% SPCS issued on October 21 and December 15, 2020 | US$723,904 | (US$305,040) | (US$68,172) | US$350,692 | P17,106,264 |
| 5.95% SPCS issued on November 5, 2019 | 492,113 | (226,898) | (89,209) | 176,006 | 8,742,813 |
| | **US$1,216,017** | **(US$531,938)** | **(US$157,381)** | **US$526,698** | **P25,849,077** |

**Net of transaction costs.*

The difference between the price and net carrying value of the Existing Securities accepted pursuant to the Offers amounted to P5,259,852 and was recognized as part of the “Equity reserves” account in the consolidated statements of financial position.

The Securities were offered to holders of Existing Securities pursuant to the Offers and were sold mainly offshore and to a limited number of qualified buyers in the Philippines. Hence, the Offers and sale of the Securities qualified as exempt transactions for which no confirmation of exemption from the registration requirements of the Securities Regulations Code were required to be filed with the Philippine SEC.

The holders of the Securities have conferred a right to receive distributions on a semi-annual basis from their issuance dates at the initial rate of distribution, subject to the step-up rate. The Parent Company has a right to defer this distribution under certain conditions.

The Securities constitute direct, unconditional, unsecured and unsubordinated obligations of the Parent Company with no fixed redemption date and are redeemable in whole, but not in part, at the Parent Company's option on step-up date, or any distribution payment date thereafter or upon the occurrence of certain other events, at the principal amounts of the Securities plus any accrued, unpaid or deferred distribution.

On September 30, 2024, the Parent Company completed the issuance of US$100,000 SPCS (the "Additional Securities", equivalent to P5,560,277, net of directly attributable transaction costs amounting to P42,723) at an issue price of 100% plus an amount corresponding to accrued distribution from and including September 12, 2024 to, but excluding, September 30, 2024. The Additional Securities are consolidated into and form a single series with the Securities issued on September 12, 2024, bringing the total securities to US$900,000. The Additional Securities are identical in all respects with the Securities, other than with respect to the date of issuance and issue price.

The net proceeds of the Additional Securities are intended for the pre-development costs of solar energy projects and capital expenditures related to battery energy storage projects.

The Securities and Additional Securities were listed on the SGX-ST on September 13, 2024 and October 1, 2024, respectively.

The outstanding SPCS of the Parent Company as at September 30, 2024 are as follows:

| Date of Issuance | Initial Rate of Distribution Per Annum | Step-Up Date | Amount of Outstanding SPCS Issued | Amount in Philippine Peso* |
|---|---|---|---|---|
| June 9 and September 15, 2021 | 5.45% | December 9, 2026 | US$683,548 | P32,416,245 |
| October 21 and December 15, 2020 | 7.00% | October 21, 2025 | 350,692 | 17,106,264 |
| January 21, 2020 | 5.70% | January 21, 2026 | 593,337 | 29,835,558 |
| November 5, 2019 | 5.95% | May 5, 2025 | 176,006 | 8,742,813 |
| September 12 and 30, 2024 | 8.75% | September 12, 2029 | 900,000 | 49,867,070 |
| | | | US$2,703,583 | P137,967,950 |

**Amount in Philippine Peso pertains to proceeds, net of directly attributable transaction costs amounting to P2,006,080.*

<u>Redemption of SPCS</u>

On April 23, 2024, the Parent Company completed the redemption of its US$783,164 remaining securities, with a net carrying value of P40,186,954, out of the US$800,000 SPCS issued in April and July 2019, pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The difference between the price paid and the net carrying value of the US$783,164 securities amounted to P4,852,808 and was recognized as part of the "Equity reserves" account in the consolidated statements of financial position.

The US$783,164 securities were redeemed using in part the proceeds from the Redeemable Perpetual Capital Securities (RPCS) issued in April 2024 and cash generated from operations.

<u>Distributions to SPCS Holders</u>

The Parent Company paid P10,319,894 (including the distributions paid relating to the Offers and redeemed securities) and P8,720,117 to the SPCS holders in 2024 and 2023, respectively, as distributions in accordance with the terms and conditions of the relevant subscription agreements.

In October 2024, the Parent Company paid distributions amounting to US$12,274 (equivalent to P941,204) to holders of the US$750,000 SPCS issued in October and December 2020.

Issuances of RPCS
On April 19, 2024, the Parent Company issued US$800,000 RPCS (equivalent to P43,432,288, net of directly attributable transaction costs amounting to P2,687,712) at an issue price of 100%. The RPCS are direct unconditional, unsecured and subordinated capital securities with no fixed redemption date. The holder shall have the right to receive distributions at a prescribed rate per annum, payable pursuant to the terms of the agreement. The Parent Company has a right to defer this distribution under certain conditions.

Proceeds from the issuance were used for general corporate purposes, including capital expenditures, and refinancing of maturing obligations.

Distributions to RPCS Holders
On July 12, 2024 and October 14, 2024, the Parent Company paid distributions amounting P1,249,765 and P1,302,653, respectively, to the holders of the US$800,000 RPCS issued in April 2024.

## 16. Revenues

Revenues consist of:

| | | September 30 | |
|---|---|---|---|
| | ***Note*** | **2024 (Unaudited)** | 2023 (Unaudited) |
| Sale of power: | | | |
| Power generation and trading | | **P126,376,420** | P107,822,239 |
| Retail and other power-related services | | **26,626,382** | 17,186,543 |
| Other services | | **588,755** | 203,775 |
| | *5, 14* | **P153,591,557** | P125,212,557 |

Revenues from other services mainly pertain to operations and maintenance services rendered (see Note 14).

## 17. Cost of Power Sold

Cost of power sold consist of:

| | | September 30 | |
|---|---|---|---|
| | ***Note*** | **2024 (Unaudited)** | 2023 (Unaudited) |
| Coal, fuel oil and other consumables | *9, 14* | **P75,642,511** | P64,564,672 |
| Power purchases | | **22,869,560** | 19,100,512 |
| Depreciation and amortization | *10* | **9,735,814** | 8,427,904 |
| Plant operations and maintenance, and other fees | | **4,937,308** | 4,048,018 |
| Energy fees | *6* | **969,072** | 1,322,338 |
| | *5* | **P114,154,265** | P97,463,444 |

## 18. Other Charges - net

Other charges consist of:

| | | September 30 | |
|---|---|---|---|
| | **Note** | **2024 (Unaudited)** | 2023 (Unaudited) |
| Marked-to-market gains on derivatives | *21* | **P17,210** | P110,500 |
| Foreign exchange losses - net | *20* | **(1,000,736)** | (941,614) |
| Others | | **451,445** | 123,311 |
| | | **(P532,081)** | (P707,803) |

Others mainly pertain to gain on lease modification, insurance claim, terminal and service fees and sale of scrap.

## 19. Basic and Diluted Loss Per Share

Basic and diluted loss per share is computed as follows:

| | September 30 | |
|---|---|---|
| | **2024 (Unaudited)** | 2023 (Unaudited) |
| Net income attributable to equity holders of the Parent Company | **P13,430,414** | P9,081,713 |
| Distributions for the period to: | | |
| RPCS holders | **(8,292,547)** | (5,192,200) |
| SPCS holders | **(10,226,737)** | (11,314,453) |
| Net loss attributable to common shareholders of the Parent Company (a) | **(5,088,870)** | (7,424,940) |
| Weighted average number of common shares outstanding (in thousands) (b) | **2,823,604** | 1,386,671 |
| Basic/Diluted Loss Per Share (a/b) | **(P1.80)** | (P5.35) |

As at September 30, 2024 and 2023, the Parent Company has no dilutive debt or equity instruments.

The basic/diluted loss per common share resulted mainly from the impact of foreign exchange losses in 2024 and interest costs and other financing charges in 2024 and 2023 (including distributions to perpetual capital securities) for the Group's various financing activities. These were undertaken to fund the ongoing construction of several power plant expansion projects intended to significantly increase the capacities and modernize the existing power generation portfolio of the Group. These expansion projects, including, among others, the ~1,000 MW BESS facilities, 4 x 150 MW Mariveles Greenfield Power Plant, 2 x 350 MW Masinloc Power Plant Units 4 and 5, and the 1,320 MW BCCPP, are expected to go into commercial operations in 2024 up to 2026 (see Note 10). These projects are expected to be contracted to creditworthy offtakers such as Meralco and the NGCP, and should contribute significantly to the profitability of the Group following their commercial operations in the coming years.

## 20. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

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

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

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

Liquidity Risk

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

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

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

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

| **September 30, 2024 (Unaudited)** | **Carrying Amount** | **Contractual Cash Flow** | **1 Year or Less** | **>1 Year - 2 Years** | **>2 Years - 5 Years** | **Over 5 Years** |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | **P33,347,580** | **P33,347,580** | **P33,347,580** | **P -** | **P -** | **P -** |
| Trade and other receivables - net* | **106,576,537** | **106,576,537** | **106,576,537** | **-** | **-** | **-** |
| Noncurrent receivables (included under "Other noncurrent assets" account; including current portion) | **14,089,724** | **14,250,077** | **5,124,454** | **4,624,470** | **2,700,228** | **1,800,925** |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts) | **9,840,958** | **9,840,958** | **5,347,078** | **2,847,068** | **1,646,812** | **-** |
| **Financial Liabilities** | | | | | | |
| Loans payable | **24,024,000** | **24,242,976** | **24,242,976** | **-** | **-** | **-** |
| Accounts payable and accrued expenses* | **110,673,734** | **110,673,734** | **110,673,734** | **-** | **-** | **-** |
| Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account) | **48,045** | **48,045** | **48,045** | **-** | **-** | **-** |
| Long-term debt - net (including current maturities) | **252,892,132** | **324,753,915** | **57,910,683** | **54,301,743** | **144,990,916** | **67,550,573** |
| Lease liabilities (including current portion) | **26,971,042** | **38,299,505** | **6,218,027** | **5,702,276** | **11,915,623** | **14,463,579** |
| Other noncurrent liabilities | **3,948,789** | **3,948,789** | **-** | **3,624,826** | **183,154** | **140,809** |

*Forward*

| December 31, 2023 (Audited) | Carrying Amount | Contractual Cash Flow | 1 Year or Less | >1 Year - 2 Years | >2 Years - 5 Years | Over 5 Years |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Cash and cash equivalents | P31,659,442 | P31,659,442 | P31,659,442 | P - | P - | P - |
| Trade and other receivables - net* | 110,097,787 | 110,097,787 | 110,097,787 | - | - | - |
| Noncurrent receivables (included under "Other noncurrent assets" account; including current portion) | 17,579,941 | 18,463,177 | 6,935,483 | 1,559,423 | 7,200,544 | 2,767,727 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts) | 6,271,296 | 6,271,296 | 2,420,284 | 2,647,225 | 30 | 1,203,757 |
| Financial Liabilities | | | | | | |
| Loans payable | 13,736,000 | 13,799,581 | 13,799,581 | - | - | - |
| Accounts payable and accrued expenses* | 76,073,208 | 76,073,208 | 76,073,208 | - | - | - |
| Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account) | 13,925 | 13,925 | 13,925 | - | - | - |
| Long-term debt - net (including current maturities) | 258,769,473 | 336,266,980 | 72,638,255 | 42,107,524 | 140,514,846 | 81,006,355 |
| Lease liabilities (including current portion) | 42,787,300 | 46,673,172 | 18,383,543 | 3,806,375 | 14,667,477 | 9,815,777 |
| Other noncurrent liabilities | 3,959,302 | 3,959,302 | - | 3,834,719 | - | 124,583 |

**Excluding statutory receivables and payables.*

## Credit Risk

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

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

*Trade and Other Receivables*

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

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

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

| | *Note* | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|---|
| Cash and cash equivalents (excluding cash on hand) | *7* | **P33,345,454** | P31,657,566 |
| Trade and other receivables - net* | *8* | **106,576,537** | 110,097,787 |
| Noncurrent receivables | | **14,089,724** | 17,579,941 |
| Restricted cash | | **9,840,958** | 6,271,296 |
| | | **P163,852,673** | P165,606,590 |

**Excluding statutory receivables.*

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

| | **Financial Assets at Amortized Cost** | | | |
|---|---|---|---|---|
| **September 30, 2024 (Unaudited)** | **12-month ECL** | **Lifetime ECL - not credit impaired** | **Lifetime ECL - credit impaired** | **Total** |
| Cash and cash equivalents (excluding cash on hand) | **P33,345,454** | **P -** | **P -** | **P33,345,454** |
| Trade and other receivables | **-** | **106,576,537** | **3,496,816** | **110,073,353** |
| Noncurrent receivables | **-** | **14,089,724** | **-** | **14,089,724** |
| Restricted cash | **9,840,958** | **-** | **-** | **9,840,958** |
| | **P43,186,412** | **P120,666,261** | **P3,496,816** | **P167,349,489** |

| | Financial Assets at Amortized Cost | | | |
|---|---|---|---|---|
| December 31, 2023 (Audited) | 12-month ECL | Lifetime ECL - not credit impaired | Lifetime ECL - credit impaired | Total |
| Cash and cash equivalents (excluding cash on hand) | P31,657,566 | P - | P - | P31,657,566 |
| Trade and receivables | - | 110,097,787 | 2,665,606 | 112,763,393 |
| Noncurrent receivables | - | 17,579,941 | - | 17,579,941 |
| Restricted cash | 6,271,296 | - | - | 6,271,296 |
| | P37,928,862 | P127,677,728 | P2,665,606 | P168,272,196 |

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

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

| | **September 30, 2024 (Unaudited)** | | | | December 31, 2023 (Audited) | | | |
|---|---|---|---|---|---|---|---|---|
| | **Trade** | **Non-trade** | **Amounts Owed by Related Parties** | **Total** | Trade | Non-trade | Amounts Owed by Related Parties | Total |
| Current | **P57,601,767** | **P2,899,328** | **P1,988,516** | **P62,489,611** | P53,461,204 | P191,806 | P2,578,385 | P56,231,395 |
| Past due: | | | | | | | | |
| 1 - 30 days | **2,972,477** | **29,503** | **118,641** | **3,120,621** | 9,651,743 | 1,917,500 | 373,966 | 11,943,209 |
| 31 - 60 days | **2,210,253** | **19,557** | **16,571** | **2,246,381** | 2,450,433 | 116,941 | 46,397 | 2,613,771 |
| 61 - 90 days | **782,383** | **68,248** | **15,997** | **866,628** | 2,367,521 | 585,819 | 11,407 | 2,964,747 |
| Over 90 days | **32,463,010** | **7,736,560** | **1,150,542** | **41,350,112** | 31,098,973 | 7,264,399 | 646,899 | 39,010,271 |
| | **P96,029,890** | **P10,753,196** | **P3,290,267** | **P110,073,353** | P99,029,874 | P10,076,465 | P3,657,054 | P112,763,393 |

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

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period. There are no significant changes in the credit quality of the counterparties during the period.

The Group's cash and cash equivalents, derivative assets and restricted cash are placed with reputable entities with high quality external credit ratings.

The Group has significant concentration of credit risk. Sale of power to Meralco accounts for 43% and 41% of the Group's total revenues for the periods ended September 30, 2024 and 2023, respectively.

The Group does not execute any credit guarantee in favor of any counterparty.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the investment policy of the Group is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Group invests only in high-quality short-term investments while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

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

| September 30, 2024 (Unaudited) | < 1 Year | 1-2 Years | >2-3 Years | >3-4 Years | >4-5 Years | >5 Years | Total |
|---|---|---|---|---|---|---|---|
| **Fixed Rate** | | | | | | | |
| Philippine Peso-denominated | **P23,450,264** | **P19,656,654** | **P10,173,244** | **P46,619,264** | **P22,554,744** | **P45,362,558** | **P167,816,728** |
| Interest rates | **5.0000% to 8.6228%** | **5.1792% to 8.6228%** | **7.7497% to 8.6228%** | **6.6250% to 8.6228%** | **7.7497% to 8.6228%** | **7.7497% to 8.2443%** | |
| Foreign currency-denominated (expressed in Philippine Peso) | **1,376,601** | **1,438,569** | **1,504,966** | **1,571,361** | **1,646,610** | **9,262,179** | **16,800,286** |
| Interest rate | **8.3310%** | **8.3310%** | **8.3310%** | **8.3310%** | **8.3310%** | **8.3310%** | |
| **Floating Rate** | | | | | | | |
| Philippine Peso-denominated | **1,164,534** | **1,164,534** | **1,164,534** | **1,164,534** | **1,164,534** | **582,266** | **6,404,936** |
| Interest rate | **BVAL + Margin** | **BVAL + Margin** | **BVAL + Margin** | **BVAL + Margin** | **BVAL + Margin** | **BVAL + Margin** | |
| Foreign currency-denominated (expressed in Philippine Peso) | **14,460,558** | **17,282,455** | **28,510,305** | **517,157** | **541,922** | **3,048,313** | **64,360,710** |
| Interest rate | **SOFR + Margin** | **SOFR + Margin** | **SOFR + Margin** | **SOFR + Margin** | **SOFR + Margin** | **SOFR + Margin** | |
| | **P40,451,957** | **P39,542,212** | **P41,353,049** | **P49,872,316** | **P25,907,810** | **P58,255,316** | **P255,382,660** |

| December 31, 2023 (Audited) | < 1 Year | 1-2 Years | >2-3 Years | >3-4 Years | >4-5 Years | >5 Years | Total |
|---|---|---|---|---|---|---|---|
| Fixed Rate | | | | | | | |
| Philippine Peso-denominated | P35,009,804 | P15,904,744 | P17,989,154 | P10,270,097 | P39,544,411 | P54,389,116 | P173,107,326 |
| Interest rate | 5.0000% to 8.2443% | 5.0000% to 8.2443% | 5.1792% to 8.2443% | 6.2836% to 8.2443% | 6.2836% to 8.2443% | 6.2836% to 8.2443% | |
| Foreign currency-denominated (expressed in Philippine Peso) | 1,329,766 | 1,391,005 | 1,454,431 | 1,520,045 | 1,590,033 | 9,966,683 | 17,251,963 |
| Interest rate | 8.3310% | 8.3310% | 8.3310% | 8.3310% | 8.3310% | 8.3310% | |
| Floating Rate | | | | | | | |
| Philippine Peso-denominated | 1,164,534 | 1,164,534 | 1,164,534 | 1,164,534 | 1,164,534 | 1,455,667 | 7,278,337 |
| Interest rate | BVAL + Margin | BVAL + Margin | BVAL + Margin | BVAL + Margin | BVAL + Margin | BVAL + Margin | |
| Foreign currency-denominated (expressed in Philippine Peso) | 17,048,644 | 8,763,300 | 17,089,674 | 17,111,269 | 523,302 | 3,280,173 | 63,816,362 |
| Interest rate | SOFR + Margin | SOFR + Margin | SOFR + Margin | SOFR + Margin | SOFR + Margin | SOFR + Margin | |
| | P54,552,748 | P27,223,583 | P37,697,793 | P30,065,945 | P42,822,280 | P69,091,639 | P261,453,988 |

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P530,742 and P710,947 for the period ended September 30, 2024 and for the year ended December 31, 2023, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk
The functional currency is the Philippine Peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using derivative instruments, such as foreign currency forwards and call spread swaps, to manage its foreign currency risk exposure.

Short-term currency forward contracts (non-deliverable) are entered into to manage foreign currency risks relating to foreign currency-denominated obligations and long-term borrowings.

Certain derivative contracts are designated as cash flow hedges. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of the cash flows. The Group assesses whether the derivatives designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the cumulative dollar-offset and hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in foreign exchange rates; and

- changes in the timing of the hedged transactions.

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

| | | **September 30, 2024 (Unaudited)** | | December 31, 2023 (Audited) | |
|---|---|---|---|---|---|
| | ***Note*** | **US Dollar** | **Peso Equivalent** | US Dollar | Peso Equivalent |
| **Assets** | | | | | |
| Cash and cash equivalents | *7* | **US$290,840** | **P16,295,782** | US$69,461 | P3,846,070 |
| Trade and other receivables | *8* | **152,559** | **8,547,877** | 163,818 | 9,070,599 |
| Noncurrent receivables | | **33,599** | **1,882,578** | 31,181 | 1,726,513 |
| | | **476,998** | **26,726,237** | 264,460 | 14,643,182 |
| **Liabilities** | | | | | |
| Accounts payable and accrued expenses | *12* | **1,639,825** | **91,879,448** | 930,718 | 51,533,841 |
| Long-term debt (including current maturities) | *13* | **1,448,528** | **81,160,996** | 1,464,120 | 81,068,325 |
| Lease liabilities (including current portion) | *6* | **190,619** | **10,680,393** | 341,414 | 18,904,090 |
| | | **3,278,972** | **183,720,837** | 2,736,252 | 151,506,256 |
| **Net Foreign Currency-denominated Monetary Liabilities** | | **US$2,801,974** | **P156,994,600** | US$2,471,792 | P136,863,074 |

The Group reported net losses on foreign exchange amounting to P1,000,736 and P941,614 for the periods ended September 30, 2024 and 2023, respectively, with the translation of its foreign currency-denominated assets and liabilities (see Note 18).

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

| | **US Dollar to Philippine Peso** |
|---|---|
| **September 30, 2024** | **P56.030** |
| December 31, 2023 | 55.370 |
| September 30, 2023 | 56.575 |
| December 31, 2022 | 55.755 |

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

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

| | **P1 Decrease in the US Dollar Exchange Rate** | | **P1 Increase in the US Dollar Exchange Rate** | |
|---|---|---|---|---|
| **September 30, 2024 (Unaudited)** | **Effect on Income before Income Tax** | **Effect on Equity** | **Effect on Income before Income Tax** | **Effect on Equity** |
| Cash and cash equivalents | **(P287,530)** | **(P218,957)** | **P287,530** | **P218,957** |
| Trade and other receivables | **(152,534)** | **(114,425)** | **152,534** | **114,425** |
| Noncurrent receivables | **(33,599)** | **(25,200)** | **33,599** | **25,200** |
| | **(473,663)** | **(358,582)** | **473,663** | **358,582** |
| Accounts payable and accrued expenses | **1,638,663** | **1,230,160** | **(1,638,663)** | **(1,230,160)** |
| Long-term debt (including current maturities) | **1,448,528** | **1,086,396** | **(1,448,528)** | **(1,086,396)** |
| Lease liabilities (including current portion) | **190,619** | **142,964** | **(190,619)** | **(142,964)** |
| | **3,277,810** | **2,459,520** | **(3,277,810)** | **(2,459,520)** |
| | **P2,804,147** | **P2,100,938** | **(P2,804,147)** | **(P2,100,938)** |

| | P1 Decrease in the US Dollar Exchange Rate | | P1 Increase in the US Dollar Exchange Rate | |
|---|---|---|---|---|
| December 31, 2023 (Audited) | Effect on Income before Income Tax | Effect on Equity | Effect on Income before Income Tax | Effect on Equity |
| Cash and cash equivalents | (P66,033) | (P62,146) | P66,033 | P62,146 |
| Trade and other receivables | (163,573) | (142,161) | 163,573 | 142,161 |
| Noncurrent receivables | (31,181) | (23,386) | 31,181 | 23,386 |
| | (260,787) | (227,693) | 260,787 | 227,693 |
| Accounts payable and accrued expenses | 929,555 | 714,638 | (929,555) | (714,638) |
| Long-term debt (including current maturities) | 1,464,120 | 1,350,090 | (1,464,120) | (1,350,090) |
| Lease liabilities (including current portion) | 341,414 | 256,060 | (341,414) | (256,060) |
| | 2,735,089 | 2,320,788 | (2,735,089) | (2,320,788) |
| | P2,474,302 | P2,093,095 | (P2,474,302) | (P2,093,095) |

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.

<u>Capital Management</u>

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

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, distribution payment, pay-off existing debts, return capital to shareholders or issue new shares, subject to compliance with certain covenants of its long-term debts, SPCS and RPCS (see Notes 13 and 15).

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

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

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

There were no changes in the Group's approach to capital management during the period.

## 21. Financial Assets and Financial Liabilities

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

| | **September 30, 2024 (Unaudited)** | | December 31, 2023 (Audited) | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **P33,347,580** | **P33,347,580** | P31,659,442 | P31,659,442 |
| Trade and other receivables - net* | **106,576,537** | **106,576,537** | 110,097,787 | 110,097,787 |
| Noncurrent receivables (included under "Other noncurrent assets" account; including current portion) | **14,089,724** | **14,089,724** | 17,579,941 | 17,579,941 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts) | **9,840,958** | **9,840,958** | 6,271,296 | 6,271,296 |
| | **P163,854,799** | **P163,854,799** | P165,608,466 | P165,608,466 |
| **Financial Liabilities** | | | | |
| Loans payable | **P24,024,000** | **P24,024,000** | P13,736,000 | P13,736,000 |
| Accounts payable and accrued expenses* | **110,673,734** | **110,673,734** | 76,073,208 | 76,073,208 |
| Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account) | **48,045** | **48,045** | 13,925 | 13,925 |
| Long-term debt - net (including current maturities) | **252,892,132** | **270,493,280** | 258,769,473 | 272,270,702 |
| Lease liabilities (including current portion) | **26,971,042** | **26,971,042** | 42,787,300 | 42,787,300 |
| Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities) | **3,948,789** | **3,948,789** | 3,959,302 | 3,959,302 |
| | **P418,557,742** | **P436,158,890** | P395,339,208 | P408,840,437 |

**Excluding statutory receivables and payables*

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

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

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

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

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

*Long-term Debt and Other Noncurrent Liabilities*. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine Peso-denominated loans range from 5.10% to 5.71% and 5.08% to 6.00% as at September 30, 2024 and December 31, 2023, respectively. Discount rates used for foreign currency-denominated loans range from 3.58% to 5.13% and 3.85% to 5.27% as at September 30, 2024 and December 31, 2023, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

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

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency and commodity derivative contracts to manage its exposure on foreign currency and commodity price risks. The portfolio is a mixture of instruments including forwards.

Derivative Instruments not Designated as Hedges

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

*Freestanding Derivatives*

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

*Currency Forwards*
The Group entered into short-term foreign currency forward contracts with aggregate notional amount of US$75,000 and US$65,000 as at September 30, 2024 and December 31, 2023, respectively. As at September 30, 2024 and December 31, 2023, the negative fair value of these currency forwards included under "Accounts payable and accrued expenses" account amounted to P48,045 and P13,925, respectively.

The Group recognized marked-to-market gains from freestanding derivatives amounting to P17,210 and P110,500 for the periods ended September 30, 2024 and 2023, respectively (see Note 18).

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

| | **September 30, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Balance at beginning of period | **(P13,925)** | P246,375 |
| Net change in fair value of derivatives: | | |
| Not designated as accounting hedge | **17,210** | (875,946) |
| Designated as accounting hedge | **-** | (7,238) |
| | **3,285** | (636,809) |
| Less fair value of settled instruments | **51,330** | (622,884) |
| Balance at end of period | **(P48,045)** | (P13,925) |

Fair Value Measurements
The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

## 22. Other Matters

a. <u>Contingencies</u>
The Group is a party to certain cases or claims which are either pending decision by the court/regulators or are subject to settlement agreements. The outcome of these cases or claims cannot be presently determined.

i. *Temporary Restraining Order (TRO) Issued to Meralco*
On December 5, 2013, Meralco wrote the ERC requesting for clearance and authority: (i) to collect a generation charge of P7.90 per kWh in its December 2013 billings to its customers for its generation cost for the month of November 2013; and (ii) to defer to February 2014 the recovery of the remaining P3,000,000, representing a portion of the generation costs for the November 2013 supply month which was not passed on to customers in December 2013, subject to the inclusion of the appropriate carrying charge. In response thereto, the ERC, in its letter dated December 9, 2013, granted Meralco the authority to implement a staggered collection of its generation cost for the power supplied in November 2013. The ERC, however, did not approve Meralco's request to recover the carrying costs and directed it to file a formal application for this instead.

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

As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67 per kWh. The TRO originally had a period of 60 days.

On January 8, 2014, Meralco filed its Consolidated Comment/Opposition with Counter-Petition (the "Counter-Petition") which prayed, among others, for the inclusion of SPI, SPPC, SRHI, MPCL and several generators as respondents to the case. On January 10, 2014, the SC issued an order treating the Counter-Petition as in the nature of a third party complaint docketed as G.R. 210502 and granting the prayer to include SPI, SPPC, SRHI and MPCL as respondents in the Petition.

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

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

A decision was promulgated by the SC En Banc on August 3, 2021 (the "SC Decision"), affirming the December 9, 2013 ERC Order, which approved the staggered imposition by Meralco of its generation rate for November 2013 from its consumers and declared as null and void the March 3, 2014 ERC Order. SPI, SPPC, and SRHI however received a copy of the SC Decision through their counsel only on July 5, 2022, while MPCL received the same on July 6, 2022.

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

These motions were denied with finality by the SC En Banc, in its resolution dated October 11, 2022, which also directed the entry of judgment of the SC Decision be made immediately. On January 4, 2023, the external counsel of SPPC, SPI and SRHI received a copy of the Entry of Judgement from the SC En Banc dated October 11, 2022, while the external counsel of MPCL received a copy of the same on January 5, 2023.

With this, the relevant subsidiaries namely, SPPC, MPCL and SPI are pursuing the implementation of the SC Decision as at September 30, 2024. SPPC, MPCL and SPI have aggregate outstanding receivables from Meralco estimated at P1,275,985 included under "Trade and other receivables" account in the consolidated statements of financial position as at September 30, 2024 and December 31, 2023.

ii. *ERC Order Voiding WESM Prices*

Relative to the above-cited Petition, on December 27, 2013, the DOE, ERC and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32.00 per kWh. The price was set to be effective for 90 days until a new cap is decided upon.

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

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

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

On June 26, 2014, SPI, SPPC and SRHI, while on December 12, 2014, MPCL appealed the said ERC denial before the Court of Appeals ("CA") through their respective Petitions for Review.

After consolidating the cases, the CA, in its decision dated November 7, 2017 (the "November 7, 2017 Decision"), granted the Petition for Review filed by SPI, SPPC, SRHI and MPCL, declared the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months of November to December 2013.

Motions for Reconsideration of the November 7, 2017 Decision and several other motions which were filed by various intervenors, were denied by the CA through its Omnibus Resolution dated March 29, 2019. The intervenors filed Petitions for Review on Certiorari before the SC, which were also denied by the SC through its resolutions dated September 11, 2019 and October 1, 2019. Entries of judgment have been issued by the SC certifying that the resolutions denying the Petitions for Review on Certiorari filed by various intervenors against SPI, SPPC, SRHI and MPCL, among others, have become final and executory.

The ERC and Meralco also filed separate Petitions for Review appealing the November 7, 2017 Decision and Omnibus Resolution dated March 29, 2019 of the CA, which nullified and set aside the 2014 ERC Orders, declaring the WESM prices for November and December 2013 void.

In a Resolution dated November 4, 2020, the SC directed the consolidation of the separate petitions filed by the ERC and Meralco considering that said cases involve the same parties, raise the same issues, and assail the same decision and resolution, and the transfer of the petition filed by Meralco to the 3rd Division of the SC handling the petition by the ERC.

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

The SC has not yet promulgated a decision as at September 30, 2024. However, on August 3, 2021, a decision was rendered by the SC En Banc in a separate case (as discussed under "*Temporary Restraining Order (TRO) Issued to Meralco*") declaring the March 3, 2014 ERC Order as null and void, which is the subject of the aforementioned Petition. Considering that this decision of the SC En Banc covers the March 3, 2014 ERC Order, the difference between the actual Luzon WESM prices and the regulated prices (based on the March 3, 2014 ERC Order) for WESM sales and purchases by SPI, SPPC, SRHI, SMELC and MPCL amounting to up to P2,321,785 will have to be settled with the IEMOP.

*iii. Generation Payments to PSALM*

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

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

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

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

On September 28, 2015, the RTC issued an order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending. PSALM sought for reconsideration of the said order but was later on denied by the RTC. PSALM filed with the CA a Petition for Review on Certiorari assailing the RTC's order of denial. The CA ruled in favor of SPPC and affirmed the RTC's issuance of a writ of preliminary injunction against PSALM prohibiting it from terminating the Ilijan IPPA Agreement while the main case in the lower court is pending and named Meralco as intervenor (the "2017 CA Decision").

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

After moving for an extension of time, on November 26, 2022, PSALM filed a Petition for Review on Certiorari with the SC, appealing the May 30, 2022 CA Decision and October 3, 2022 CA Resolution. The petition for review has been docketed as G. R. No. 263774. On January 25, 2023, the SC denied the petition for failure to show any reversible error in the May 30, 2022 CA Decision and October 3, 2022 CA Resolution as to warrant the exercise of the SC of its discretionary appellate jurisdiction. PSALM has filed a Motion for Reconsideration. In a Resolution dated November 20, 2023, the SC denied PSALM’s Motion for Reconsideration with finality, finding that there were no substantial arguments raised to warrant reconsideration. The SC’s Resolution of January 25, 2023 thus became final and executory on November 20, 2023 and has been recorded in the Book of Entries of Judgments.

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

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

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

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

SPPC presented its first witness on July 29, 2022, and started the direct examination of its second witness on November 11, 2022. Comparison and pre-marking of documents were conducted on January 20, 2023. Trial resumed on January 26, 2024 and March 15, 2024 where SPPC continued with the direct examination of its second witness. Pre-marking of the parties' additional evidence were held on April 5, 2024 (for SPPC) and May 17, 2024 (for PSALM). On July 22, 2024, SPPC finished with the direct examination of its second witness. The witness was also cross-examined on that date. The re-direct examination of SPPC's second witness and presentation of its third and last witness were held on August 12, 2024.

On August 30, 2024, SPPC filed its Formal Offer of Evidence. PSALM has filed its Objections thereto. On September 12, 2024, in compliance with a directive from the court, SPPC submitted additional hard copies of its exhibits.

On October 18, 2024, PSALM presented its first of two witnesses, whose testimony terminated on the same day, and will continue to present evidence on November 15, 2024.

Related to the foregoing, in a Resolution dated December 7, 2021, the RTC denied PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction on the grounds that: (a) the arguments in the Motion had been previously denied with finality by the RTC, CA, and SC and the propriety of the issuance of the writ of preliminary injunction in favor of SPPC "should be considered a settled matter, so long as the facts and circumstances upon which the writ was issued still continue to exist"; (b) "PSALM cannot substantiate its contentions that the continuance of the preliminary injunction would cause it damage or that SPPC can be fully compensated for such damages as it may suffer"; and (c) the counter-bond offered by PSALM would be inadequate to answer for the damages that SPPC might sustain as a result of the lifting of the preliminary injunction.

In an Order dated February 17, 2022, the RTC denied PSALM's Motion for Reconsideration of the Resolution of December 7, 2021 for failing to raise any new or substantial ground.

PSALM filed a Petition for Certiorari dated May 13, 2022, assailing the RTC's Resolution of December 7, 2021 and Order of February 17, 2022 for allegedly having been rendered with grave abuse of discretion. This was denied by the CA in its Decision dated March 21, 2024 which was received by the external counsel of SPPC on April 11, 2024 and by PSALM on April 15, 2024.

Although the proceedings before the RTC remain pending, the Ilijan Power Plant was turned over by PSALM to SPPC pursuant to the IPPA Agreement and the Deed of Sale executed between PSALM and SPPC on June 3, 2022.

iv. *Criminal Cases*

SPPC

On September 29, 2015, SPPC filed a criminal complaint for estafa and for violation of Section 3(e) of Republic Act No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act (“RA No. 3019”), before the Department of Justice (DOJ), against certain officers of PSALM, in connection with the termination of SPPC’s Ilijan IPPA Agreement, which was made by PSALM with manifest partiality and evident bad faith. Further, it was alleged that PSALM fraudulently misrepresented its entitlement to draw on the performance bond posted by SPPC, resulting in actual injury to SPPC in the amount of US$60,000. On June 13, 2017, the DOJ endorsed the complete records of the complaint to the Office of the Ombudsman for appropriate action.

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

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

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

SPI

On October 21, 2015, SPI filed a criminal complaint for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019, before the DOJ against a certain officer of PSALM, and certain officers of Team (Philippines) Energy Corporation (TPEC) and TeaM Sual Corporation (“TSC”), relating to the illegal grant of the so-called “excess capacity” of the Sual Power Plant in favor of TPEC which enabled it to receive a certain amount at the expense of the Government and SPI.

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

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

While the said Motion for Partial Reconsideration is pending, SPI and the Respondents filed before the DOJ a Joint Motion to Dismiss dated June 6, 2022 praying for the dismissal of the criminal complaint filed by SPI.

In a Resolution promulgated on May 5, 2023, the DOJ affirmed its Resolution dated October 25, 2017. The DOJ held that considering SPI's desistance, SPI's Motion for Partial Reconsideration of the DOJ's Resolution of October 25, 2017 was considered dismissed and/or withdrawn.

v. *Civil Cases*

SPI

On June 17, 2016, SPI filed with the RTC, Pasig City ("RTC Pasig") a civil complaint for consignation against PSALM arising from PSALM's refusal to accept SPI's remittances corresponding to the proceeds of the sale on the WESM for electricity generated from capacity in excess of the 1,000 MW of the Sual Power Plant (the "Sale of the Excess Capacity"). With the filing of the complaint, SPI also consigned with the RTC Pasig, the amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods December 26, 2015 to April 25, 2016.

PSALM filed an Answer dated August 17, 2016 stating that it has no right to, and is not the owner of, the proceeds of the sale on the WESM of electricity generated from the capacity in excess of 1,000 MW of the Sual Plant and that the consignation should belong to TPEC as it is rightfully entitled to the 200 MW and to the payments which SPI made consequent therewith.

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

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

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

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

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

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

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

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

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

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

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

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

Further related thereto, on December 1, 2016, SPI received a copy of a Complaint filed by TPEC and TSC with the ERC against SPI and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the abovementioned cases. SPI filed a Motion to Dismiss and Motion to Suspend Proceeding of the instant case.

On June 6, 2022, SPI, TPEC and TSC filed a Joint Motion to Dismiss the ERC complaint. SPI received the Order from the ERC on June 22, 2022, asking the parties to submit a copy of the settlement agreement within 5 days from receipt of such order. TPEC, TSC and SPI filed with the ERC a Compliance and Submission attaching the settlement agreement on June 28, 2022. As at September 30, 2024, the case is still pending as the ERC has not issued any resolution granting the Joint Motion to Dismiss filed by the parties.

The total amount consigned with the RTC Pasig amounting to P491,242 was released to TPEC on December 20, 2022.

vi. *Claim for Price Adjustment on the Meralco PSAs*

On October 22, 2019, SPI and SPPC each filed before the ERC a Joint Application with Meralco for the approval of their respective PSA with Meralco with prayer for provisional authority (the “Application”). The PSA of SPPC covers the supply of 670 MW baseload capacity to Meralco (“SPPC PSA”) while the PSA of SPI covers the supply of 330 MW baseload capacity to Meralco (“SPI PSA”) both for a period of 10 years (collectively, the “PSAs”). The PSAs were awarded by Meralco to each of SPPC and SPI after they emerged as the winning bidders in the competitive selection process conducted by Meralco in September 2019.

On March 16, 2020, the ERC released Orders both dated December 10, 2019, granting provisional authority to implement the SPPC PSA and SPI PSA.

On May 11, 2022, SPPC and SPI each filed a Joint Motion for Price Adjustment with Meralco (the “Joint Motion”) seeking approval from the ERC to temporarily increase the contract price under the SPPC PSA and SPI PSA for a period of 6 months, to recover incremental fuel costs covering January to May 2022 billing periods arising from a Change in Circumstances (as defined in the PSAs) to be collected over a period of 6 months.

On September 29, 2022, the ERC denied the foregoing Joint Motions filed by each of SPPC and SPI with Meralco requesting for the proposed price adjustments (the “September 29, 2022 ERC Orders”).

SPPC CA Petition

On November 10, 2022, SPPC filed with the CA a Petition for Certiorari under Rule 65 with Application for the Issuance of a TRO and/or Writ of Preliminary Injunction to annul, reverse and set aside the September 29, 2022 ERC Order for SPPC (the “SPPC CA Petition”).

In a Resolution dated November 23, 2022, the 14th Division of the CA granted SPPC’s application for a 60-day TRO, conditioned upon the posting of a bond in the amount of P50,000 (the “TRO Bond”). SPPC’s prayer for the issuance of a writ of preliminary injunction was held in abeyance pending receipt of respondents’ comments.

On November 24, 2022, SPPC filed an Urgent Motion to Allow Consolidation of the Rule 65 Petition filed by SPI which is docketed as CA-G.R. SP No. 176037 with the SPPC CA Petition before the 13th Division of the CA as the SPPC CA Petition was transferred to this division of the CA. This Urgent Motion was granted by the 13th Division subject to the approval of the CA Division handling the SPI CA Petition.

On November 25, 2022, SPPC posted the TRO Bond. This was approved in a Resolution dated December 2, 2022, which resulted in the issuance of the TRO on the same date.

On December 7, 2022, SPPC received a copy of the Entry of Appearance with Motion to Lift and/or Dissolve the TRO filed by the ERC through the Office of the Solicitor General. Meralco also filed a Motion to Lift TRO. SPPC filed its Oppositions to said Motions to Lift and/or Dissolve the TRO.

Following the hearing on the application for preliminary injunction held on January 11, 2023, the 13th Division of the CA issued on January 25, 2023, a resolution granting SPPC's application for the issuance of a writ of preliminary injunction conditioned upon the posting by SPPC of a bond in the amount of P100,000 (the "Preliminary Injunction Bond"). The CA likewise directed Respondents ERC, Meralco and NASECORE to file their respective comment on the SPPC CA Petition and allowed SPPC to file a reply within 5 days from receipt of the Respondents' comment. The ERC and Meralco filed motions for reconsideration of the CA's Resolution dated January 25, 2023.

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

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

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

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

In its June 9, 2023 Resolution, the CA granted the Motion for Leave to Intervene filed by the representatives of Power for People Coalition, Bukluran ng Manggagawang Pilipino, Sanlakas, Philippine Movement for Climate Justice, and Freedom from Debt Coalition, and admitted their Comment-in-Intervention.

In the same June 9, 2023 Resolution, the CA declared that the case (consolidated with the SPI Petition) was deemed submitted for decision.

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

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

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

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

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

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

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

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

On May 21, 2024, SPPC and SPI received, through its external counsel, a copy of the SC's Resolution dated April 3, 2024 which denied the ERC's Petition for Review on Certiorari "for failure of petitioner [ERC] to sufficiently show that the Court of Appeals committed any reversible error in the challenged joint decision and resolution as to warrant the exercise of this Court's discretionary appellate jurisdiction."

On June 18, 2024, SPPC received a copy of the ERC's Motion for Reconsideration of the SC's Resolution dated April 3, 2024.

On June 20, 2024, SPPC received a copy of the SC's Resolution dated April 3, 2024 in G.R. No. 267518 which dismissed the ERC's Petition for Certiorari assailing the CA's Resolutions dated January 25, 2023 and April 3, 2023 in CA-G.R. SP No. 176036 (on the issuance of a writ of preliminary injunction in favor of SPPC) for being moot and academic.

On July 16, 2024, SPPC received a copy of the ERC's Motion for Reconsideration in G.R. No. 267518.

On August 30, 2024, SPPC received a copy of the SC's Resolution dated July 10, 2024 which denied with finality the ERC's Motion for Reconsideration of the SC's Resolution dated April 3, 2024. The SC likewise denied the ERC's prayer for the issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction and directed the immediate issuance of an entry of judgment. An Entry of Judgment has already been issued for this case.

Pursuant thereto, SPPC filed on October 10, 2024 its Motion for Issuance of Writ of Execution with the ERC to enforce the CA's Joint Decision dated June 27, 2023. The Motion is currently pending.

Meralco's Motion to Withdraw its Motion for Additional Time to File Petition for Review on Certiorari which it filed on September 12, 2023 was also granted by the SC in its Resolution dated April 17, 2024 which SPPC received on October 15 2024. In the same resolution, the SC also declared that the case is closed and terminated and to inform the parties that the judgment sought to be reviewed has become final and executory.

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

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

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

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

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

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

The ERC filed a motion for partial reconsideration of the grant of consolidation of SPI CA Petition with SPPC CA Petition.

On February 10, 2023, SPI filed a Motion for Partial Reconsideration of the January 13, 2023 Resolution and prayed for the issuance of a writ of preliminary injunction.

On February 14, 2023, SPI received copies of the ERC's Comment Ad Cautelam on the Petition and Meralco's Comment.

On February 20, 2023, SPI filed a Motion for Leave to File Consolidated Reply.

In a Resolution dated April 3, 2023, the CA upheld its decision to consolidate the cases filed by SPI and SPPC thus denying the Motion for Reconsideration filed by the ERC.

The CA likewise noted SPI's Motion for Partial Reconsideration (for the CA to partially reverse and set aside the Resolution dated January 13, 2023 and issue a writ of preliminary injunction) filed on February 10, 2023. Respondents were directed to file their comment on SPI's Motion for Partial Reconsideration within an unextendible period of 10 days from notice.

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

In its June 9, 2023 Resolution, the CA granted the Motion for Leave to Intervene filed by the representatives of Power for People Coalition, Bukluran ng Manggagawang Pilipino, Sanlakas, Philippine Movement for Climate Justice, and Freedom from Debt Coalition, and admitted their Comment-in-Intervention.

In the same June 9, 2023 Resolution, the CA declared that the case (consolidated with the SPPC Petition) was deemed submitted for decision.

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

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

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

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

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

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

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

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

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

On May 21, 2024, SPI received, through its external counsel, a copy of the SC's Resolution dated April 3, 2024 which denied the ERC's Petition for Review on Certiorari "for failure of petitioner [ERC] to sufficiently show that the Court of Appeals committed any reversible error in the challenged joint decision and resolution as to warrant the exercise of this Court's discretionary appellate jurisdiction."

On June 18, 2024, SPI received a copy of the ERC's Motion for Reconsideration of the SC's Resolution dated April 3, 2024.

On August 30, 2024, SPI received a copy of the SC's Resolution dated July 10, 2024 which denied with finality the ERC's Motion for Reconsideration of the SC's Resolution dated April 3, 2024. The SC likewise denied the ERC's prayer for the issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction and directed the immediate issuance of an entry of judgment. An Entry of Judgment has already been issued for this case.

Pursuant thereto, SPI filed on October 10, 2024 its Motion for Issuance of Writ of Execution with the ERC to enforce the CA's Joint Decision dated June 27, 2023. The Motion is currently pending.

Meralco's Motion to Withdraw its Motion for Additional Time to File Petition for Review on Certiorari which it filed on September 12, 2023 was also granted by the SC in its Resolution dated April 17, 2024 which SPI received on October 15, 2024. In the same resolution, the SC also declared that the case is closed and terminated and to inform the parties that the judgment sought to be reviewed has become final and executory.

b. <u>Joint Agreement with Meralco and Aboitiz Power Corporation (Aboitiz Power) on the Group's LNG Projects</u>
On March 1, 2024, Meralco PowerGen Corporation (MGen) and Therma NatGas Power, Inc. (TNGP, a subsidiary of Aboitiz Power), through their joint venture entity, Chromite Gas Holdings Inc. (CGHI), have entered into binding agreements with the Parent Company and its relevant subsidiaries, for MGen and TNGP to jointly invest in and acquire a 67% stake in the Parent Company's gas-fired power plants, namely (i) the brownfield 1,200 MW Ilijan Power Plant owned by SPPC, (ii) the greenfield 1,320 MW BCCPP owned by EERI, and (iii) land owned by Ilijan Primeline Industrial Estate Corp. where the gas-fired power plant and related facilities of EERI are located.

The transaction also involves the acquisition by CGHI and the Parent Company of equity interest in Linseed Field Corporation, the owner of the Batangas LNG Terminal, which processes LNG for SPPC and later on for EERI.

The transaction is subject to customary closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission (PCC). On May 17, 2024, Top Frontier filed its application for the approval of the transaction with the PCC, which is still pending as of date.

c. Joint Agreement with Citicore Renewable Energy Corporation (CREC) for the Group's Solar Projects
On June 28, 2024, the Parent Company through its subsidiary, SMC Global Light and Power Corp., signed an agreement with CREC for a 153.5 MW peak solar power plant to be constructed in Barangay Lucanin, Mariveles, Province of Bataan, that is expected to be completed next year. The solar power plant shall be located in a property with an area of approximately 158 hectares owned by an affiliate. Upon commencement of operations, all capacity to be generated by the solar power plant shall be supplied to the Group or any of its affiliates under long-term energy supply contracts.

d. Turnover of the Sual Power Plant
On October 11, 2024, SPI executed a Land Lease Agreement with PSALM for the parcels of land where the Sual Power Plant is located. On October 24, 2024, SPI and PSALM executed a Deed of Sale for the transfer of control and ownership of the Sual Power Plant to SPI following the end of its IPPA Agreement.

e. Supplemental Cash Flows Information
The following table summarizes the changes in liabilities and equity arising from the financing activities, including both changes arising from cash flows and non-cash changes:

| | Loans Payable | Long-term Debt | Lease Liabilities | SPCS | RPCS | Total |
|---|---|---|---|---|---|---|
| **Balances as at January 1, 2024 (Audited)** | **P13,736,000** | **P258,769,473** | **P42,787,300** | **P161,767,709** | **P102,546,825** | **P579,607,307** |
| **Changes from Financing Activities** | | | | | | |
| Proceeds from borrowings | **100,804,000** | **33,304,000** | **-** | **-** | **-** | **134,108,000** |
| Proceeds from issuance of RPCS | **-** | **-** | **-** | **-** | **43,432,288** | **43,432,288** |
| Proceeds from issuance of SPCS, net of exchange and tender offers | **-** | **-** | **-** | **11,127,343** | **-** | **11,127,343** |
| Payments for redemption of SPCS | **-** | **-** | **-** | **(45,039,762)** | **-** | **(45,039,762)** |
| Payments of lease liabilities | **-** | **-** | **(15,667,502)** | **-** | **-** | **(15,667,502)** |
| Payments of borrowings | **(90,516,000)** | **(40,367,296)** | **-** | **-** | **-** | **(130,883,296)** |
| **Total Changes from Financing Activities** | **10,288,000** | **(7,063,296)** | **(15,667,502)** | **(33,912,419)** | **43,432,288** | **(2,922,929)** |
| Effect of changes in foreign exchange rates | **-** | **726,028** | **381,922** | **-** | **-** | **1,107,950** |
| Other changes | **-** | **459,927** | **(530,678)** | **10,112,660** | **-** | **10,041,909** |
| **Balance as at September 30, 2024 (Unaudited)** | **P24,024,000** | **P252,892,132** | **P26,971,042** | **P137,967,950** | **P145,979,113** | **P587,834,237** |

| | Loans Payable | Long-term Debt | Lease Liabilities | Capital Stock | Additional Paid-in Capital | Deposit for Future Stock Subscription | RPS | Total |
|---|---|---|---|---|---|---|---|---|
| Balance as at January 1, 2023 (Audited) | P21,000,000 | P272,152,624 | P59,958,110 | P1,250,004 | P2,490,000 | P - | P51,934,069 | P408,784,807 |
| Changes from Financing Activities | | | | | | | | |
| Proceeds from borrowings | 76,486,000 | 21,141,000 | - | - | - | - | - | 97,627,000 |
| Proceeds from issuance of RPCS | - | - | - | - | - | - | 70,832,760 | 70,832,760 |
| Proceeds from deposit for future stock subscription | - | - | - | - | - | 13,308,000 | - | 13,308,000 |
| Proceeds from issuance of capital stock | - | - | - | 410,000 | 11,885,900 | - | - | 12,295,900 |
| Payments of lease liabilities | - | - | (14,348,265) | - | - | - | - | (14,348,265) |
| Payments of borrowings | (83,750,000) | (59,200,652) | - | - | - | - | - | (142,950,652) |
| Total Changes from Financing Activities | (7,264,000) | (38,059,652) | (14,348,265) | 410,000 | 11,885,900 | 13,308,000 | 70,832,760 | 36,764,743 |
| Effect of Changes in Foreign Exchange Rates | - | 726,277 | 268,564 | - | - | - | - | 994,841 |
| Other Changes | - | 332,606 | 2,257,981 | - | - | - | - | 2,590,587 |
| Balance as at September 30, 2023 (Unaudited) | P13,736,000 | P235,151,855 | P48,136,390 | P1,660,004 | P14,375,900 | P13,308,000 | P122,766,829 | P449,134,978 |

Other changes pertain to additions for new lease agreements, amortization of lease liabilities and debt-issue costs of long-term debt and difference between redemption price and net carrying value of securities redeemed.

f. Commitments
The outstanding purchase commitments of the Group amounted to P111,559,483 and P104,803,997 as at September 30, 2024 and December 31, 2023, respectively.

The Group's material commitments for capital expenditure consist mainly of construction of power plants, mostly utilizing high efficiency low emission technologies, in line with the Group's expansion projects, and acquisition, upgrade or repair of fixed assets needed for normal operations of the business. These will be funded by available cash and proceeds from short-term loans, long-term debt and issued capital securities.

g. 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.

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

i. Certain accounts in prior year have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial position and performance of the Group for any of the comparative periods presented.

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

The following are the major performance measures that San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.) and Subsidiaries (the "Group") use. Analyses are employed by comparisons and measurements based on the financial data as at September 30, 2024 and December 31, 2023 for liquidity, solvency and profitability ratios and for the periods ended September 30, 2024 and 2023 for operating efficiency ratios.

**LIQUIDITY RATIO**

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

| | ***Conventional*** | | ***Adjusted*** [1] | |
|---|---|---|---|---|
| *(in Millions Peso)* | **September 2024** | December 2023 | **September 2024** | December 2023 |
| **(A) Current Assets** | **215,408** | 213,998 | **215,408** | 213,998 |
| **(B) Current Liabilities** | **203,060** | 183,361 | **198,247** | 165,870 |
| **Current Ratio (A) / (B)** | **1.06** | 1.17 | **1.09** | 1.29 |

(1) Current portion of lease liabilities, in relation to the Independent Power Producer Administration Agreements with Power Sector Assets Liabilities Management Corporation (PSALM), are excluded from the total current liabilities as these current obligations on lease are passthrough charges billable to customers. As at September 30, 2024 and December 31, 2023, current portion of lease liabilities to PSALM amounted to P4,813 million and P17,491 million, respectively.

**SOLVENCY RATIO**

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

***Per relevant Loan Covenants of San Miguel Global Power***

| *(in Millions Peso)* | **September 2024** | December 2023 |
|---|---|---|
| **(A) Net Debt** [2] | **201,510** | 225,585 |
| **(B) Total Equity** [3] | **350,018** | 343,034 |
| **Net Debt-to-Equity Ratio (A) / (B)** | **0.58** | 0.66 |

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

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

**Asset-to-Equity Ratio** = **Total Assets** / **Total Equity**

| *(in Millions Peso)* | *Conventional* September 2024 | *Conventional* December 2023 | *Adjusted* [4] September 2024 | *Adjusted* [4] December 2023 |
|---|---|---|---|---|
| **(A) Total Assets** | **824,514** | 784,935 | **731,647** | 689,390 |
| **(B) Total Equity** | **354,893** | 343,473 | **354,893** | 343,473 |
| **Asset-to-Equity Ratio (A) / (B)** | **2.32** | 2.29 | **2.06** | 2.01 |

(4) Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at September 30, 2024 and December 31, 2023, the carrying amount of the IPPA power plant assets amounted to P92,867 million and P95,545 million, respectively.

**PROFITABILITY RATIO**

**Return on Equity** = **Net Income** / **Total Equity**

| *(in Millions Peso)* | **September 2024** | December 2023 |
|---|---|---|
| **(A) Net Income** [5] | **14,280** | 9,903 |
| **(B) Total Equity** | **354,893** | 343,473 |
| **Return on Equity (A) / (B)** | **4.0%** | 2.9% |

(5) Annualized for quarterly reporting.

**Interest Coverage Ratio** = **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)** / **Interest Expense**

***Per relevant Loan Covenants of San Miguel Global Power***

| *(in Millions Peso)* | **September 2024** | December 2023 |
|---|---|---|
| **(A) EBITDA** [6] | **40,294** | 34,511 |
| **(B) Interest Expense** [7] | **14,208** | 13,575 |
| **Interest Coverage Ratio (A) / (B)** | **2.84** | 2.54 |

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

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

## OPERATING EFFICIENCY

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

| *(in GWh)* | Periods Ended September 30<br>**2024** | <br>2023 |
|---|---|---|
| **(A) Current Period Offtake Volume** | **27,043** | 17,237 |
| **(B) Prior Period Offtake Volume** | **17,237** | 21,336 |
| **Volume Growth (Decline) [( A / B ) – 1]** | **56.9%** | (19.2%) |

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

| *(in Millions Peso)* | Periods Ended September 30<br>**2024** | <br>2023 |
|---|---|---|
| **(A) Current Period Revenue** | **153,592** | 125,213 |
| **(B) Prior Period Revenue** | **125,213** | 166,147 |
| **Revenue Growth (Decline) [( A / B ) – 1]** | **22.7%** | (24.6%) |

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

| *(in Millions Peso)* | Periods Ended September 30<br>**2024** | <br>2023 |
|---|---|---|
| **(A) Income from Operations** | **33,481** | 23,337 |
| **(B) Revenues** | **153,592** | 125,213 |
| **Operating Margin (A) / (B)** | **21.8%** | 18.6% |

San Miguel Global Power
Giving You the Power to Celebrate Life

San Miguel Global Power Holdings Corp.

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

## INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Global Power Holdings Corp. ("San Miguel Global Power" or "Parent Company", formerly SMC Global Power Holdings Corp.) and its subsidiaries (collectively referred to as the "Group") as at and for the period ended September 30, 2024 (with comparative figures as at December 31, 2023 and for the period ended September 30, 2023). All necessary adjustments have been made to present fairly the consolidated financial position, financial performance and cash flows of the Group as at September 30, 2024, and for all the other periods presented. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

## I. MAJOR DEVELOPMENTS AND SIGNIFICANT TRANSACTIONS IN 2024

### Joint Agreement with Manila Electric Company (Meralco) and Aboitiz Power Corporation (Aboitiz Power) on the Group's Liquefied Natural Gas (LNG) Projects

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

The transaction also involves the acquisition by CGHI and San Miguel Global Power of equity interest in Linseed Field Corporation, the owner of the Batangas LNG Terminal, which processes LNG for SPPC and later on for EERI.

The transaction is subject to customary closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission (PCC). On May 17, 2024, Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, filed its application for the approval of the transaction with the PCC, which is still pending as of date.

**Update on Battery Energy Storage System (BESS) Projects of the Group**

San Miguel Global Power accomplished another key milestone on its BESS project with an additional 3 BESS facilities, with a combined capacity of 110 megawatt hours (MWh), located in Concepcion, Tarlac, Ormoc, Leyte and Jasaan, Misamis Oriental, commencing operations on March 18, 2024. The remaining BESS capacities of ~630MWh are gearing up for the anticipated competitive selection process (CSP) for additional grid ancillary services requirements of National Grid Corporation of the Philippines (NGCP) as well as for peak power supply applications that will help ensure energy security for the local power industry in the near term. Alternative to the CSP is the reserve market where power reserves can be traded under the operation of Independent Electricity Market Operator of the Philippines (IEMOP).

**Updates on Claim for Price Adjustment on the Meralco Power Supply Agreements (PSA)**

On June 27, 2023, the Court of Appeals (CA) released its joint decision on the separate petitions of Sual Power Inc. (SPI) and SPPC for certiorari (the “Joint Decision”), which effectively annulled and set aside the previous Orders of the Energy Regulatory Commission (ERC) denying their joint petitions with Meralco for a tariff increase to allow the recovery of incremental power supply costs due to Change in Circumstances and the eventual termination of the PSAs with Meralco. Following the release of the CA’s Joint Decision, SPI and SPPC firmed up the termination of their respective PSAs with Meralco without prejudice to additional claims on incremental power supply costs due to Change in Circumstances beyond the period covered by the said petitions. SPPC ceased the supply under its PSA on December 7, 2022, after the issuance of the Temporary Restraining Order by the CA, while SPI ceased to supply nominations on its PSA on July 24, 2023. On September 12, 2023, Meralco filed its Motion to Withdraw its Motion for Additional Time to File Petition for Review on Certiorari with the Supreme Court (SC) under Rule 45 of the Rules of Court pursuant to the Joint Decision. On December 28, 2023, the CA issued a decision denying the Motions for Reconsideration filed by the ERC and intervenors on its Joint Decision, which was received by the external counsel of SPI and SPPC on January 16, 2024. The ERC then filed a Petition for Review on Certiorari with the SC, a copy of which was received by the SPI and SPPC on March 6, 2024. On April 3, 2024, the SC issued a Resolution denying the ERC’s Petition for Review on Certiorari “for failure of petitioner [ERC] to sufficiently show that the CA committed any reversible error in the challenged Joint Decision”. On June 18, 2024, SPI and SPPC received a copy of the ERC’s Motion for Reconsideration of the SC’s Resolution dated April 3, 2024.

On August 30, 2024, SPI and SPPC received a copy of the SC’s Resolution dated July 10, 2024 which denied with finality the ERC’s Motion for Reconsideration of the SC’s Resolution dated April 3, 2024. The SC likewise denied the ERC’s prayer for the issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction and directed the immediate issuance of an entry of judgment. An Entry of Judgment has already been issued for this case. SPI and SPPC thereafter respectively filed on October 10, 2024, a Motion for Issuance of the Writ of Execution before the ERC praying for the ERC to issue a Writ of Execution enforcing the Joint Decision. The Motion is currently pending.

Meralco’s Motion to Withdraw its Motion for Additional Time to File Petition for Review on Certiorari, which it filed on September 12, 2023, was also granted by the SC in its Resolution dated April 17, 2024, which SPI and SPPC received on October 15, 2024. In the same resolution the SC also resolved to declare that the case is closed and terminated and to inform the parties that the judgment sought to be reviewed has become final and executory.

**Joint Agreement with Citicore Renewable Energy Corporation (CREC) on the Group's Solar Projects**

On June 28, 2024, San Miguel Global Power through its subsidiary, SMC Global Light and Power Corp., signed an agreement with CREC for a 153.5 MW peak solar power plant to be constructed in Barangay Lucanin, Mariveles, Province of Bataan, that is expected to be completed next year. The solar power plant shall be located in a property with an area of approximately 158 hectares owned by an affiliate of San Miguel Global Power. Upon commencement of operations, all capacity to be generated by the solar power plant shall be supplied to the Group or any of its affiliates under long-term energy supply contracts.

**Long-term Debts**

*Availment of Term Loan by SMGP BESS Power Inc. (SMGP BESS)*
On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000 million from its P40,000 million Omnibus Loan and Security Agreement (OLSA) executed on October 23, 2023 with various local banks. The loan is subject to a fixed interest rate and will mature in October 2033.

The proceeds were used (i) for the purchase of outstanding perpetual securities issued to San Miguel Corporation (SMC) and reimbursement or repayment of reimbursable advances from San Miguel Global Power, (ii) to fund the initial amount required to be deposited into the Debt Service Reserve Account, (iii) to fund the cost and expenses in relation to the design, construction, and operation of the BESS project, and (iv) for payment of transaction costs.

*Availments of Term Loans by San Miguel Global Power*
On July 19, 2024, San Miguel Global Power availed of a P10,000 million term loan from a facility agreement executed on July 17, 2024, with a local bank. The loan is subject to a fixed interest rate and will mature in June 2029.

The proceeds of the loan, net of transaction-related fees and costs of the facility, were used for refinancing of an existing short-term bridge loan.

On September 9, 2024, the Parent Company availed of a US$200 million term loan (equivalent to P11,011 million, net of transaction costs) from a US$200 million loan facility, with option to increase up to US$300 million, executed on August 30, 2024, with a foreign bank. The loan is subject to a floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin and will mature in August 2027.

The proceeds of the loan were used to refinance the US$200 million term loan drawn on January 21, 2022.

*Payments of Maturing Long-term Debt*
In the first three quarters of 2024, Limay Power Inc. (LPI), Malita Power Inc. (MPI), Masinloc Power Co. Ltd. (MPCL), San Miguel Global Power and SMGP BESS paid a total of P5,731 million of their scheduled long-term debt principal amortizations pursuant to the terms and conditions of their respective facility agreements.

On April 26, 2024, San Miguel Global Power fully paid the P14,100 million balance of its P15,000 million fixed rate 7-year term loan availed in April 2017 from a local bank upon its maturity pursuant to the terms and conditions of the credit facility.

On September 9, 2024, the Parent Company settled its US$200 million term loan drawn on January 21, 2022 from a facility agreement executed with a foreign bank.

*Redemption of Series I Bonds*
On April 24, 2024, San Miguel Global Power redeemed its Series I Bonds, amounting to P9,232 million, upon its maturity, pursuant to the terms and conditions of the bonds. The Series I Bonds formed part of the P30,000 million Series H-I-J fixed rate bonds issued in April 2019.

**Perpetual Capital Securities**

*Issuance of US$800 million Redeemable Perpetual Capital Securities (RPCS)*
On April 19, 2024, San Miguel Global Power issued US$800 million RPCS at an issue price of 100%, with a prescribed initial distribution rate per annum, payable pursuant to the terms of the agreement.

*Issuances of US$900 million Senior Perpetual Capital Securities (SPCS), Partly Applied for Exchange and Tender Offers*
On September 12, 2024, San Miguel Global Power issued US$800 million SPCS (P44,307 million, net of transaction costs amounting to P653 million, the "Securities"), at an issue price of 100%, with a distribution rate of 8.75% per annum, payable pursuant to the terms of the agreement. On the same day, the Securities were used in part for the exchange of certain existing SPCS amounting to US$532 million (with a carrying value of P25,801 million) and the repurchase of certain existing SPCS amounting to US$157 million (with a carrying value of P7,679 million) (the “Tender Offers”) pursuant to the Exchange Offers and Tender Offers that were announced on the Singapore Exchange Securities Trading Limited (SGX-ST) website on August 27, 2024.

The remaining proceeds of US$111 million (P6,130 million, net of transaction costs amounting to P90 million) were used for the payment of: (i) costs and expenses related to the issuance of the Securities, (ii) accrued distribution in respect of the securities that was accepted for exchange and repurchase, and (iii) for pre-development costs of solar energy projects.

On September 30, 2024, San Miguel Global Power issued another US$100 million SPCS (P5,560 million, net of transaction costs amounting to P43 million, the "Additional Securities"), at an issue price of 100% plus an amount corresponding to accrued distribution from and including September 12, 2024 to, but excluding, September 30, 2024. The Additional Securities are consolidated into and form a single series with the Securities issued on September 12, 2024, bringing the total securities to US$900 million. The Additional Securities are identical in all respects with the Securities, other than with respect to the date of issuance and issue price.

The net proceeds of the Additional Securities are intended for the pre-development costs of solar energy projects and capital expenditures related to battery energy storage projects.

The Securities and Additional Securities were listed on the SGX-ST on September 13, 2024 and October 1, 2024, respectively.

*Redemption of SPCS*
On April 23, 2024, San Miguel Global Power completed the redemption of its US$783 million remaining securities out of the US$800 million SPCS issued in April and July 2019, pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The US$783 million SPCS was redeemed using in part the proceeds from the issuance of RPCS and cash generated from operations.

**Events After the Reporting Date**

*Availment of Term Loan by San Miguel Global Power*
On October 9, 2024, the Parent Company availed of an additional US$100 million from the facility agreement executed on August 30, 2024.

The proceeds from the loan shall be used for refinancing of existing facility and funding development costs and working capital requirements for renewables and emission reduction projects of the Group, and/or payment of transaction-related fees, costs and expenses in relation to the facility agreement.

*Turnover of the Sual Power Plant*
On October 11, 2024, SPI executed a Land Lease Agreement with Power Sector Assets and Liabilities Management Corporation (PSALM) for the parcels of land where Sual Power Plant is located. On October 24, 2024, SPI and PSALM executed a Deed of Sale for the transfer of control and ownership of the Sual Power Plant, with an installed capacity of 1,294 MW, to SPI following the end of its Independent Power Producer Administration (IPPA) Agreement. The Sual Power Plant was turned over by PSALM to SPI on October 25, 2024.

## II. FINANCIAL PERFORMANCE

### 2024 vs. 2023

| | September 30 | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *In Millions* | **2024** | 2023 | Amount | % | **2024** | 2023 |
| Revenues | **P153,592** | P125,213 | P28,379 | 23% | **100%** | 100% |
| Cost of power sold | **114,154** | 97,464 | 16,690 | 17% | **74%** | 78% |
| Gross profit | **39,438** | 27,749 | 11,689 | 42% | **26%** | 22% |
| Selling and administrative expenses | **5,957** | 4,412 | 1,545 | 35% | **4%** | 3% |
| Income from operations | **33,481** | 23,337 | 10,144 | 43% | **22%** | 19% |
| Interest expense and other financing charges | **(15,084)** | (12,354) | 2,730 | 22% | **(10%)** | (10%) |
| Interest income | **653** | 1,086 | (433) | (40%) | **0%** | 1% |
| Equity in net earnings (losses) of an associate and joint ventures | **236** | (95) | 331 | 348% | **0%** | 0% |
| Other charges - net | **(532)** | (709) | 177 | 25% | **0%** | (1%) |
| Income before income tax | **18,754** | 11,265 | 7,489 | 66% | **12%** | 9% |
| Income tax expense | **5,289** | 2,177 | 3,112 | 143% | **3%** | 2% |
| Net income | **P13,465** | P9,088 | P4,377 | 48% | **9%** | 7% |

***Revenues***

The Group's consolidated revenues for the first three quarters of 2024 reached P153,592 million, a 23% increase from P125,213 million recognized in the same period last year. This growth was mainly driven by higher offtake volumes from the following sources: (i) several contracted capacities from PSAs with Meralco and other distribution utilities (DUs) secured by the Group recently, enabling the contracting of the Group's available capacities mainly from the 1,200 MW Ilijan Power Plant and the incremental generation from the 600 MW Mariveles Greenfield Power Plant even while most of its units are undergoing testing and commissioning, and (ii) ancillary services rendered during the period for NGCP using a total of 10 BESS facilities of SMGP BESS with a combined installed capacity of 330 MWh.

***Costs of Power Sold***

Costs of power sold increased to P114,154 million for the first three quarters of 2024, which is 17% higher than the P97,464 million incurred for the same period last year. While coal global prices came down, averaging only US$134.44 per metric ton (MT) during the period compared to $185.45/MT (in GC Newcastle terms) for the same period last year, such costs increased due to the following: (i) the resumption of Ilijan Power Plant's operations from June 2023 onwards; (ii) costs of generation of the Mariveles Greenfield Power Plant while most of its units undergo testing and commissioning; (iii) incremental depreciation expense from the 10 BESS facilities that are now in full commercial operations. The increase in costs of power sold was mitigated by fuel passthru arrangements under most of the Group's PSAs and Retail Supply Contracts (RSCs) with its customers.

***Selling and Administrative Expenses***

Selling and administrative expenses increased by 35% or P1,545 million, from P4,412 million for the first three quarters of 2023 to P5,957 million in 2024 for the same period. The increase was mainly due to incremental operating expenses following the start of commercial operations of the 10 BESS facilities and the Mariveles Greenfield Power Plant, as well as personnel-related expenses necessary for the continuing business expansion of the Group.

***Income from Operations***
As a result, consolidated income from operations of P33,481 million for the first three quarters of 2024 grew by 43% from the same period last year. The increase was driven by improved margins as the Group worked out a successful transition to fuel passthrough arrangements for most of its bilateral customers, including the PSA of SPPC with Meralco that was served from the available capacity of the 1,200 MW Ilijan Power Plant during the period, as well as the additional margins contributed by BESS through ancillary services.

***Interest Expense and Other Financing Charges***
Interest expense and other financing charges went up to P15,084 million for the first three quarters of 2024. This was attributable to the additional P40,000 million term loan drawn in tranches by SMGP BESS and the pervasive increase in global and local interest rates which affected primarily the new and outstanding debts of the Group, but was partly mitigated by lower interest expense on the declining principal balances of the Group's finance lease liabilities owed to PSALM arising from the IPPA agreements, such as primarily on the Sual Power Plant, which was settled in October 2024.

***Interest Income***
Interest income amounted to P653 million for the first three quarters of 2024. The lower number compared to the same period last year was due primarily to shorter placement periods as funds were utilized to cover capital expenditures for ongoing construction projects.

***Equity in Net Earnings (Losses) of an Associate and Joint Ventures***
Equity in net earnings of an associate and joint ventures registered at P236 million for the first three quarters of 2024, a turnaround from the P95 million loss for the same period last year, mainly due to the improvement in the financial performance of Angat Hydropower Corporation (AHC).

***Other charges - net***
Other charges amounted to P532 million for the first three quarters of 2024, which decreased by 25% compared to the same period last year. This was mainly due to higher miscellaneous income from lease-related transactions and service fees which partly offset the increase in foreign exchange losses recognized on the revaluation of the Group's US Dollar-denominated net monetary liabilities brought by the depreciation of the Philippine Peso against the US Dollar during the period.

***Income Tax Expense***
Provision for income tax amounted to P5,289 million for the first three quarters of 2024. The higher number compared to the same period last year was due mainly to the expiration of the income tax holiday of LPI and MPI in May and September 2023, respectively.

***Net Income***
Consequently, the consolidated net income of the Group for the first three quarters of 2024 increased to P13,465 million or by 48%, from P9,088 million reported for the same period last year.

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

1. **POWER GENERATION**

   a. **SPI (IPPA of Sual Power Plant)**

   For the first three quarters of 2024, net generation of 4,768 gigawatt hours (GWh), at 60% net capacity factor rate, was lower by 3% than in 2023 same period due mainly to the plant's longer outages.

   Revenues of P42,267 million fell by 22%, from P54,245 million in 2023. The decrease was mainly due to lower average realization price resulting from lower fuel tariff as global coal prices fell from an average of US$185.45/MT in the first three quarters of 2023 to US$134.44 /MT for the same period of 2024.

   Notwithstanding the revenue decline, margins improved due to lower generation costs brought by lower global coal prices. Consequently, operating income for the first three quarters of 2024 rose to P9,381 million, up by 22% from P7,703 million in 2023.

   b. **San Roque Hydropower Inc. (SRHI, IPPA of San Roque Hydroelectric Power Plant)**

   The San Roque Hydroelectric Power Plant's net generation of 412 GWh for the first three quarters of 2024, at 18% net capacity factor rate, dropped by 41% due shorter operating hours attributable mainly to lower water reservoir level. Likewise, total offtake volumes of 1,159 GWh decreased by 24% compared to the same period in 2023 resulting from lower generation.

   Revenues of P6,047 million decreased by 49% compared to last year's P11,747 million mainly due to the decline in offtake volume and lower average realization price.

   Operating income of P682 million for the first three quarters of 2024 dropped by 79% compared to same period in 2023. The decline was due to lower margin, resulting from the aforesaid decrease in offtake volumes and average realization price.

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

   The net generation of Ilijan Power Plant for the first three quarters of 2024 significantly increased to 5,339 GWh, from 1,159 GWh registered last year, mainly due to the plant's resumption of operations from June 2023 following the successful supply of re-gasified LNG from the Batangas LNG terminal.

   Likewise, total offtake volumes of 5,879 GWh for the first three quarters of 2024 was higher compared to the same period in 2023 on account of the increase in Meralco nominations due to the full nine months impact of its PSAs with Meralco. Said bilateral contracts have fuel passthrough arrangements that translated to a higher average realization rate. Consequently, revenues increased to P43,522 million for the first three quarters of 2024 from the P25,299 million posted for the same period in 2023.

   For the first three quarters of 2024, SPPC recognized an operating income of P7,054 million due mainly to improved margins. This was a complete turnaround from the P71 million operating loss posted for the same period in 2023.

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

For the first three quarters of 2024, the net generation of the Limay Greenfield Power Plant registered at 2,920 GWh, at 83% net capacity factor rate,. This was a 2% decrease from the same period last year due primarily to higher combined plant outages. Of the plant's net generation, 840 GWh was dispatched to power generation customers while the remainder was supplied to its retail electricity supply (RES) customers.

For the first three quarters of 2024, total offtake volumes of 1,758 GWh went up from same period last year by 6% due to the increase in bilateral sales volume. However, revenues decreased by 6% from P10,235 million in 2023 to P9,591 million in 2024 attributable to lower average realization price with the decline in fuel tariff passed-on to customers as a result of lower global coal prices.

On the other hand, operating income registering at P2,489 million for the first three quarters of 2024 rose by 30% from P1,921 million posted in 2023. The increase was mainly on account of improved margins resulting from lower generation costs brought by the decline in global coal prices.

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

For the first three quarters of 2024, a total of 1,260 GWh was generated by the plant, at a net capacity factor rate of 73%. This is higher by 13% compared to the same period in 2023 owing to the increase in spot nominations. Consequently, total offtake volumes increased by 12% to 1,272 GWh.

However, revenues at P7,632 million dropped by 17% compared to last year due to lower average realization price resulting from lower fuel tariff as global coal prices fell and lower average spot prices. As a result, operating income at P2,202 million declined by 25% compared to last year same period.

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

The Masinloc Power Plant's operating Units 1, 2, and 3 contributed a total net generation of 4,258 GWh for the first three quarters of 2024 with 3,770 GWh or 89% supplied to power generation customers while the rest was dispatched to RES customers. This was 8% higher, compared to the 3,935 GWh generated from last year, as a result of lower outage days in 2024.

Total offtake volumes of 4,695 GWh went up from last year resulting primarily from higher customer nominations and new contracts entered into during the period. On the other hand, revenues and operating income decreased to P23,883 million and P3,752 million, respectively, on account of lower average realization price due to the decline in fuel tariff passed on to bilateral customers as global coal prices fell as well as the decline in spot prices for the period.

g. **Mariveles Power Generation Corporation (MPGC), owner of Mariveles Greenfield Power Plant**

For the first quarter of 2024, all 4 units of the 600 MW Mariveles Greenfield Power Plant of MPGC were undergoing testing and commissioning with Unit 1 and Unit 2 declared operational with the IEMOP starting on March 28, 2024 and September 26, 2024, respectively. MPGC reported revenues and operating income of P7,589 million and P869 million, respectively, in 2024.

## 2. RETAIL AND OTHER POWER-RELATED SERVICES

### a. LPI - RES

For the first three quarters of 2024, total offtake volumes registered at 2,537 GWh. This increased by 63% compared to last year's 1,560 GWh due mainly to higher nominations from customers. Likewise, revenues increased by 38% from P11,121 million last year to P15,293 million for the first three quarters of 2024 due to higher offtake volume.

Consequently, operating income for the first three quarters of 2024 was registered at P1,886 million, 81% higher than the P1,042 million posted for the same period in 2023.

### b. MPCL - RES and BESS

For the first three quarters of 2024, revenues, inclusive of ancillary revenues from the 10 MWh BESS, and operating income decreased to P4,707 million and P781 million, respectively, on account of lower average realization price during the period.

### c. SMGP Kabankalan Power Co. Ltd. (SMGP Kabankalan; owner of Kabankalan I BESS)

Revenues of P586 million for the first three quarters of 2024 increased by 57% compared to same period last year. Likewise, operating income of P376 million was higher by 126% compared to same period last year on account of higher offtake volume since Kabankalan I BESS underwent repair works in 2023.

### d. SMGP BESS (owner of 10 BESS Facilities with combined installed capacity of 330 MWh)

For the first three quarters of 2024, SMGP BESS reported revenues and operating income of P6,041 million and P3,991 million, respectively. Beginning July 2023, the ERC granted provisional authority for the implementation of Ancillary Service Procurement Agreements (ASPA) between NGCP and SMGP BESS with 7 BESS facilities, with a combined installed capacity of 220 MWh, commencing commercial operations on various dates during the second semester of 2023. Another 3 BESS facilities, with a combined installed capacity of 110 MWh, were declared operational in March 2024.

**2023 vs. 2022**

| | September 30 | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| *In Millions* | **2023** | 2022 | Amount | % | **2023** | 2022 |
| Revenues | **P125,213** | P166,147 | (P40,934) | (25%) | **100%** | 100% |
| Cost of power sold | **97,464** | 147,964 | (50,500) | (34%) | **78%** | 89% |
| Gross profit | **27,749** | 18,183 | 9,566 | 53% | **22%** | 11% |
| Selling and administrative expenses | **(4,465)** | (3,909) | 556 | 14% | **(3%)** | (2%) |
| Other operating income | **53** | 8,938 | (8,885) | (99%) | **0%** | 5% |
| Income from operations | **23,337** | 23,212 | 125 | 1% | **19%** | 14% |
| Interest expense and other financing charges | **(12,354)** | (12,138) | 216 | 2% | **(10%)** | (7%) |
| Interest income | **1,086** | 718 | 368 | 51% | **1%** | 0% |
| Equity in net losses of an associate and joint ventures | **(95)** | (331) | 236 | 71% | **0%** | 0% |
| Other charges - net | **(709)** | (15,042) | 14,333 | 95% | **(1%)** | (9%) |
| Income (loss) before income tax | **11,265** | (3,581) | 14,846 | 415% | **9%** | (2%) |
| Income tax expense (benefit) | **2,177** | (946) | 3,123 | 330% | **2%** | 0% |
| Net income (loss) | **P9,088** | (P2,635) | P11,723 | 445% | **7%** | (2%) |

***Revenues***
The Group's consolidated revenues for the first three quarters of 2023 amounted to P125,213 million, down by 25% from P166,147 million in the same period in 2022. The decrease was mainly due to lower offtake volumes of 17,237 gigawatt hours (GWh) for the period, 19% below the offtake volumes in the same period in 2022, following the Group's cessation of power supply to Meralco under their 670 MW contract capacity and eventual termination of the said PSA, anchored on a favorable decision from the higher court. However, the said decline was partially recovered from its 480 MW Emergency Power Supply Agreements (EPSA) with Meralco which took effect in April 2023. Moreover, 5 BESS facilities of SMGP BESS commenced commercial operations in August 2023, thereby contributing additional revenues from ancillary service which further mitigated the decline in bilateral revenues.

***Cost of Power Sold***
Cost of power sold decreased to P97,464 million for the period, which is 34% lower from the P147,964 million incurred for the same period in 2022. The decrease was mainly attributable to lower costs to supply on account of declining coal indices as well as the reduction in the Group's power purchases from the Philippine WESM following the suspension and eventual termination of the obligation to deliver the 670 MW contract capacity to Meralco pursuant to the decision issued by the Court of Appeals.

***Selling and Administrative Expenses***
Selling and administrative expenses increased by 14% or P556 million, from P3,909 million for the first three quarters of 2022 to P4,465 million for the same period in 2023. The increase was mainly due to: (i) higher taxes and licenses pertaining to documentary stamp taxes from various transactions and local business taxes of SPPC, SPI, San Miguel Global Power, LPI, and MPCL; and (ii) increase in personnel-related expenses of the Group with its continuing business activities and expansion.

***Other Operating Income***
Lower other operating income by P8,885 million was due primarily to the gain on sale of properties, previously acquired as potential sites for its several power plant expansion projects, that was executed in 2022 pursuant to the Group's normal course of business and in line with its asset optimization strategies.

***Income from Operations***
Consolidated income from operations of P23,337 million was almost at par with the same period in 2022 with improved margins on contracted volumes, as the Group worked out a transition to fuel passthrough arrangements for most of its bilateral customers and with fuel prices going significantly lower.

***Interest Expense and Other Financing Charges***
Interest expense and other financing charges amounted to P12,354 million for the first three quarters of 2023. The higher number compared to the same period in 2022 was driven mainly by the general increase in global and local interest rate indices and by the new loans drawn by San Miguel Global Power, partly offset by lower interest recognized on the declining principal balance of the IPPA entities' lease liabilities to PSALM especially with the full settlement of SPPC's remaining lease liability for the Ilijan Power Plant last June 2022.

***Interest Income***
Interest income amounted to P1,086 million for the first three quarters of 2023. The higher number compared to the same period in 2022 was due primarily to the interest income recognized on interest-bearing receivables arising from the sale of properties and subsidiaries in 2022.

***Equity in Net Losses of an Associate and Joint Ventures***
Equity in net losses of an associate and joint ventures registered at P95 million for the first three quarters of 2023, lower than in 2022 due mainly to the improvement in the financial performance of AHC.

***Other Charges - net***
Other charges amounted to P709 million for the first three quarters of 2023, significantly lower compared to the P15,042 million losses for the same period in 2022. This was mainly due to lower net foreign exchange losses recognized on the revaluation of the Group's US Dollar-denominated net monetary liabilities, with the lower depreciation of the Philippine Peso against the US Dollar during the period.

***Income Tax Expense (Benefit)***
Provision for income tax made a complete turnaround from P946 million benefit in 2022 to P2,177 million expense in 2023. This resulted from the (i) recognition of deferred tax benefit on net operating loss carryover and unrealized foreign exchange losses in 2022, while (ii) higher deferred tax expenses was recognized by SPI and SRHI on its respective lease-related temporary differences, and by MPCL on the unrealized foreign exchange losses on its US Dollar-denominated borrowings in 2023.

***Net Income (Loss)***
Consequently, net income surged to P9,088 million, a significant turnaround from the net loss of P2,635 million reported in the same period in 2022 which was likewise burdened with net unrealized foreign exchange losses.

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

1. **POWER GENERATION**

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

For the first three quarters of 2023, net generation of 4,934 GWh, at 63% net capacity factor rate, was lower by 6% than in the same period in 2022 mainly driven by lower plant dispatch. This was attributable to the termination of the 330 MW PSA with Meralco starting July 24, 2023. However, this was offset by the increase in replacement power supplied to affiliate generators, thus the 12% increase in total offtake volume.

Revenues of P54,245 million slightly improved by 2% than the P53,295 million reported for the same period in 2022 on account of the aforesaid higher offtake volume sold to affiliate generators to support Ilijan Power Plant in supplying the requirements of the 480 MW EPSA with Meralco. This, along with lower cost to supply brought by the decline in fuel cost with decreasing coal indices, resulted to the increase in operating income from P1,926 million in 2022 to P7,703 million in 2023.

b. **SRHI, IPPA of San Roque Hydroelectric Power Plant**

The San Roque Power Plant's net generation of 700 GWh for the first three quarters of 2023, at 31% net capacity factor rate, increased by 65% due to longer operating hours due to higher water inflows resulting to high water reservoir level. However, total offtake volumes of 1,524 GWh increased by 138% compared to the same period in 2022 due to new bilateral contract which took effect in March 2022, the supply of which was partly sourced from affiliate generators.

Revenues of P11,747 million was up by 68% compared to same period in 2022 due mainly to higher offtake volumes.

As a result, operating income for the first three quarters grew by 3% from P3,177 million in 2022 to P3,264 million in 2023.

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

The net generation of Ilijan Power Plant for the first three quarters of 2023 fell by 57%, due primarily to the plant’s extended outage since its turnover from PSALM in June 2022 up to June 2023 while it underwent retrofitting works to improve its fuel efficiency and reliability, and as it awaited the substantial completion of an adjacent full-scale LNG terminal that has been tolled on a long-term basis to receive, store and re-gasify LNG fuel for the Ilijan Power Plant. The said terminal started supplying LNG fuel to the Ilijan Power Plant in the latter part of May 2023.

Likewise, total offtake volumes of 3,640 GWh for the first three quarters of 2023 decreased by 26% compared to the same period in 2022 due to the suspension and eventual termination of the obligation to supply the 670 MW PSA with Meralco, which was partially offset by the 480 MW and 330 MW EPSAs which took effect on March 26 and August 26, 2023, respectively.

Revenues of P25,299 million for the first three quarters of 2023 improved by 8% compared to the revenues reported in the same period of 2022 mainly on account of higher average realization price.

For the first three quarters of 2023, SPPC recognized an operating loss of P71 million, much lower compared to the P7,192 million operating loss for the same period in 2022. This was mainly due to lower power purchases incurred to serve its bilateral contract requirements.

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

Limay Greenfield Power Plant has a combined capacity of 600 MW. Total net generation of the plant from all operating units of 2,979 GWh for the first three quarters of 2023, at 85% net capacity factor rate, was slightly lower by 4% than in 2022 at 3,115 GWh due to higher plant outages. LPI dispatched 1,508 GWh or 51% of the plant's net generation to its power generation customers while the rest was dispatched to its RES customers.

Total offtake volumes of 1,666 GWh went up from 2022 by 27% due to the increase in spot and replacement power sales volume. However, revenues slightly decreased by 3% from P10,568 million in 2022 to P10,235 million for the first three quarters of 2023 attributable to lower average realization price with the decrease in coal prices.

Operating income registering at P1,921 million in 2023 was 2% lower than the P1,965 million posted in 2022 due mainly on account of the lower average realization price.

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

For the first three quarters of 2023, a total of 1,110 GWh was generated by the plant, at a capacity factor rate of 64%, lower than 2022 by 7% due to the decrease in bilateral nominations.

Likewise, revenues at P9,176 million dropped by 30% from 2022 due to lower bilateral offtake volumes on account of the aforesaid decline in bilateral nominations. As a result, operating income at P2,949 million was down by 41% compared to same period in 2022.

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

The Masinloc Power Plant's operating Units 1, 2, and 3 contributed a total net generation of 3,935 GWh for the first three quarters of 2023 with 3,651 GWh or 93% supplied to power generation customers while the rest was discharged to RES customers. This was 18% lower compared to the 4,809 GWh generated from 2022 as a result of higher outage days attributed to the scheduled preventive maintenance of the 3 units and the turbine retrofit of Unit 1.

Total offtake volumes of 3,997 GWh and revenues of P27,653 million fell from 2022 resulting primarily from lower customer nominations and spot sales volume. Consequently, operating income decreased to P5,295 million on account of lower average realization rates due to lower fuel charges passed-on to bilateral customers.

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

a. **LPI - RES**

For the first three quarters of 2023, total offtake volumes registered at 1,560 GWh. The total offtake volumes declined by 21% compared to 1,964 GWh in 2022 due to contracts that have ceased. As a result, revenues went down by 36% from P17,334 million in 2022 to P11,121 million for the first three quarters of 2023.

Likewise, operating income of P1,042 million for the first three quarters of 2023 was down compared to the P2,364 million posted for the same period in 2022.

b. **MPCL - RES and BESS**

Revenues, inclusive of ancillary revenues from the 10 MW BESS, and operating income decreased to P5,040 million and P963 million, respectively, due to lower customer requirements in the first three quarters of 2023.

c. **SMGP Kabankalan, owner of Kabankalan I BESS**

The revenues of SMGP Kabankalan decreased by 38% compared to the same period of 2022 to reach P372 million for the first three quarters of 2023 on account of forced outage days resulting from the equipment breakdown and repair works in 2023. Consequently, operating income of P167 million was lower by 48% compared to the P319 million registered in 2022.

## III. FINANCIAL POSITION

### 2024 vs. 2023

| In Millions | September 30, 2024 | December 31, 2023 | Horizontal Analysis Increase (Decrease) Amount | % | Vertical Analysis 2024 | 2023 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | **P33,348** | P31,659 | P1,689 | 5% | **4%** | 4% |
| Trade and other receivables - net | **113,190** | 116,976 | (3,786) | (3%) | **14%** | 15% |
| Inventories | **14,758** | 16,841 | (2,083) | (12%) | **1%** | 2% |
| Prepaid expenses and other current assets | **54,112** | 48,522 | 5,590 | 12% | **7%** | 6% |
| **Total Current Assets** | **215,408** | 213,998 | 1,410 | 1% | **26%** | 27% |
| Investments and advances - net | **13,880** | 10,953 | 2,927 | 27% | **2%** | 1% |
| Property, plant and equipment - net | **384,667** | 339,225 | 45,442 | 13% | **47%** | 44% |
| Right-of-use assets - net | **101,517** | 104,975 | (3,458) | (3%) | **12%** | 13% |
| Goodwill and other intangible assets - net | **71,669** | 71,712 | (43) | 0% | **9%** | 9% |
| Deferred tax assets | **1,138** | 974 | 164 | 17% | **0%** | 0% |
| Other noncurrent assets | **36,235** | 43,098 | (6,863) | (16%) | **4%** | 6% |
| **Total Noncurrent Assets** | **609,106** | 570,937 | 38,169 | 7% | **74%** | 73% |
| **Total Assets** | **P824,514** | P784,935 | P39,579 | 5% | **100%** | 100% |
| Loans payable | **24,024** | P13,736 | 10,288 | 75% | **3%** | 2% |
| Accounts payable and accrued expenses | **133,779** | 97,633 | 36,146 | 37% | **16%** | 12% |
| Lease liabilities - current portion | **4,939** | 17,645 | (12,706) | (72%) | **1%** | 2% |
| Income tax payable | **211** | 222 | (11) | (5%) | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **40,107** | 54,125 | (14,018) | (26%) | **5%** | 7% |
| **Total Current Liabilities** | **203,060** | 183,361 | 19,699 | 11% | **25%** | 23% |
| Long-term debt - net of current maturities and debt issue costs | **212,785** | 204,644 | 8,141 | 4% | **26%** | 26% |
| Deferred tax liabilities | **24,426** | 21,285 | 3,141 | 15% | **3%** | 3% |
| Lease liabilities - net of current portion | **22,032** | 25,142 | (3,110) | (12%) | **2%** | 3% |
| Other noncurrent liabilities | **7,318** | 7,030 | 288 | 4% | **1%** | 1% |
| **Total Noncurrent Liabilities** | **266,561** | 258,101 | 8,460 | 3% | **32%** | 33% |
| **Total Liabilities** | **469,621** | 441,462 | 28,159 | 6% | **57%** | 56% |

*Forward*

| In Millions | September 30, 2024 | December 31, 2023 | Horizontal Analysis Increase (Decrease) Amount | % | Vertical Analysis 2024 | 2023 |
|---|---|---|---|---|---|---|
| **Equity Attributable to Equity Holders of the Parent Company** | | | | | | |
| Capital stock | **P2,824** | P2,824 | P - | 0% | **0%** | 0% |
| Additional paid-in capital | **48,082** | 48,082 | - | 0% | **6%** | 6% |
| Senior perpetual capital securities | **137,968** | 161,768 | (23,800) | (15%) | **17%** | 21% |
| Redeemable perpetual capital securities | **145,979** | 102,547 | 43,432 | 42% | **18%** | 13% |
| Equity reserves | **(13,128)** | (3,020) | (10,108) | (335%) | **(2%)** | 0% |
| Retained earnings | **32,228** | 30,367 | 1,861 | 6% | **4%** | 4% |
| | **353,953** | 342,568 | 11,385 | 3% | **43%** | 44% |
| Non-controlling Interests | **940** | 905 | 35 | 4% | **0%** | 0% |
| **Total Equity** | **354,893** | 343,473 | 11,420 | 3% | **43%** | 44% |
| **Total Liabilities and Equity** | **P824,514** | P784,935 | P39,579 | 5% | **100%** | 100% |

The Group's consolidated total assets as at September 30, 2024, amounted to P824,514 million, higher by 5% or P39,579 million than December 31, 2023 balance of P784,935 million. The increase was attributable to the following factors:

a. Increase in property, plant and equipment by P45,442 million as a result of the ongoing construction of the Masinloc Power Plant Units 4 and 5, BESS projects, BCCPP project, Mariveles Greenfield Power Plant, rehabilitation of the Ilijan Power Plant, and additional construction works for Limay and Davao Greenfield Power Plants.

b. Increase in prepaid expenses and other current assets by P5,590 million was mainly attributable to (i) the additional advances paid to suppliers for the procurement of coal and LNG; and (ii) higher restricted cash set aside by SMGP BESS, LPI and MPI for its debt servicing requirements.

c. Increase in investment and advances by P2,927 million was mainly attributable to the additional deposits made by San Miguel Global Power to landholding companies and share in higher net earnings of AHC.

d. Increase in cash and cash equivalents by P1,689 million was due mainly to the net proceeds from the (i) issuance of perpetual capital securities by San Miguel Global Power: (a) US$800 million RPCS in April 2024 and (b) additional US$211 million SPCS in September 2024, net of exchange and tender offers; (ii) P12,000 million term loan drawn by SMGP BESS from its OLSA and P10,000 million term loan drawn by San Miguel Global Power; (iii) short term loans availed by San Miguel Global Power, SPPC and MPGC; and (iv) cash generated from operations. These were partly offset by (i) capital expenditures for Masinloc Power Plant Units 4 and 5, BESS projects, BCCPP Project, Mariveles Greenfield Power Plant Project, and Ilijan Power Plant; (ii) redemption of US$783 million SPCS in April 2024; (iii) payments of maturing long-term loans of San Miguel Global Power, LPI, MPI, MPCL and SMGP BESS; (iv) redemption of Series I fixed rate bonds in April 2024; (v) lease payments of the IPPAs to PSALM; and (vi) distributions paid to the holders of perpetual capital securities.

e. Increase in deferred tax assets by P164 million was due primarily to the deferred income tax benefit recognized by the Group on unrealized foreign exchange losses from the revaluation of its US Dollar-denominated net monetary liabilities.

f. Decrease in other noncurrent assets by P6,863 million was attributable primarily to the reclassification to property, plant and equipment account of advances to suppliers and contractors applied to progress billings for the Group's ongoing projects.

g. Decrease in inventories by P2,083 million was attributable primarily to higher consumption of LNG, spare parts and coal inventories for the Ilijan and coal-fired power plants which exceeded purchases during the period.

The Group's consolidated total liabilities as at September 30, 2024, amounted to P469,621 million, 6% or P28,159 million higher than the December 31, 2023 balance of P441,462 million. The major items accounting for the increase are as follows:

a. Increase in accounts payable and accrued expenses by P36,146 million was mainly attributable to additional payables to contractors relating to the Group's ongoing construction projects, and higher trade payables mainly for the acquisition of LNG and coal fuel inventories and power purchases.

b. Increase in loans payable by P10,288 million was due to additional short-term loans drawn by San Miguel Global Power, SPPC, and MPGC from local banks during the period.

c. Increase in deferred tax liability by P3,141 million was mainly attributable to (i) additional provision for deferred income tax expense arising from lease-related expenses of SPI; and (ii) SPPC's application of its available net operating loss carry over benefits to its income tax due.

d. Decrease in lease liabilities (including current and noncurrent portions) by P15,816 million was mainly on account of (i) lease payments made by the IPPA entities to PSALM, partly offset by the (ii) foreign exchange losses recognized on the revaluation of US Dollar-denominated lease liabilities for the period.

e. Decrease in long-term debt - net of debt issue costs (including current and noncurrent portions) by P5,877 million was attributable to the: (i) payments of maturing long-term loans of San Miguel Global Power, LPI, MPI, MPCL and SMGP BESS; (ii) redemption of Series I fixed rate bonds in April 2024; partly offset by (iii) the P12,000 million drawn by SMGP BESS from its P40,000 million credit facility; (iv) San Miguel Global Power's availment of P10,000 million term loan in July 2024; (v) unrealized foreign exchange losses recognized on the revaluation of US Dollar-denominated loans; and (vi) amortization of debt issue costs.

f. Decrease in income tax payable by P11 million was mainly attributable to lower income tax expense for the third quarter of 2024.

The Group's consolidated total equity as at September 30, 2024 amounted to P354,893 million, higher by 3% or P11,420 million than the December 31, 2023 balance of P343,473 million. The increase is accounted for as follows:

a. Increase in RPCS by P43,432 million was mainly attributable to the issuance of the US$800 million RPCS in April 2024.

b. Increase in retained earnings by P1,861 million was mainly attributable to the net income for the first three quarters of 2024 and partly offset by the distributions to perpetual capital security holders.

c. Decrease in SPCS by P23,800 million was mainly attributable to the redemption of the US$783 million SPCS in April 2024, partly offset by the issuance of US$211 SPCS, net of exchange offers (US$532 million) and tender offers (US$157 million) in September 2024.

d. Decrease in equity reserves by P10,108 million was mainly attributable to the difference between the price paid and net carrying value of the redeemed, exchanged and repurchased SPCS during the period.

## 2023 vs. 2022

| *In Millions* | **September 30, 2023** | December 31, 2022 | Horizontal Analysis Increase (Decrease) Amount | % | Vertical Analysis **2023** | 2022 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | **P28,318** | P22,726 | P5,592 | 25% | **4%** | 3% |
| Trade and other receivables - net | **116,502** | 105,940 | 10,562 | 10% | **15%** | 15% |
| Inventories | **15,848** | 16,822 | (974) | (6%) | **2%** | 2% |
| Prepaid expenses and other current assets | **40,927** | 43,293 | (2,366) | (5%) | **5%** | 6% |
| **Total Current Assets** | **201,595** | 188,781 | 12,814 | 7% | **26%** | 26% |
| Investments and advances - net | **9,982** | 7,855 | 2,127 | 27% | **1%** | 1% |
| Property, plant and equipment - net | **329,147** | 304,412 | 24,735 | 8% | **43%** | 43% |
| Right-of-use assets - net | **105,760** | 106,610 | (850) | (1%) | **14%** | 15% |
| Goodwill and other intangible assets - net | **71,737** | 71,765 | (28) | 0% | **10%** | 10% |
| Deferred tax assets | **2,373** | 2,280 | 93 | 4% | **0%** | 0% |
| Other noncurrent assets | **46,229** | 35,812 | 10,417 | 29% | **6%** | 5% |
| **Total Noncurrent Assets** | **565,228** | 528,734 | 36,494 | 7% | **74%** | 74% |
| **Total Assets** | **P766,823** | P717,515 | P49,308 | 7% | **100%** | 100% |
| Loans payable | **P13,736** | P21,000 | (P7,264) | (35%) | **2%** | 3% |
| Accounts payable and accrued expenses | **93,402** | 84,447 | 8,955 | 11% | **12%** | 12% |
| Lease liabilities - current portion | **20,461** | 19,185 | 1,276 | 7% | **3%** | 2% |
| Income tax payable | **198** | 326 | (128) | (39%) | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue costs | **50,133** | 63,722 | (13,589) | (21%) | **6%** | 9% |
| **Total Current Liabilities** | **177,930** | 188,680 | (10,750) | (6%) | **23%** | 26% |
| Long-term debt - net of current maturities and debt issue costs | **185,019** | 208,431 | (23,412) | (11%) | **24%** | 29% |
| Deferred tax liabilities | **19,768** | 19,364 | 404 | 2% | **2%** | 3% |
| Lease liabilities - net of current portion | **27,676** | 40,773 | (13,097) | (32%) | **4%** | 6% |
| Other noncurrent liabilities | **7,301** | 7,950 | (649) | (8%) | **1%** | 1% |
| **Total Noncurrent Liabilities** | **239,764** | 276,518 | (36,754) | (13%) | **31%** | 39% |
| **Total Liabilities** | **417,694** | 465,198 | (47,504) | (10%) | **54%** | 65% |
| **Equity Attributable to Equity Holders of the Parent Company** | | | | | | |
| Capital stock | **1,660** | 1,250 | 410 | 33% | **0%** | 0% |
| Additional paid-in capital | **14,376** | 2,490 | 11,886 | 477% | **2%** | 0% |
| Deposit for future stock subscription | **13,308** | - | 13,308 | 0% | **2%** | 0% |
| Senior perpetual capital securities | **161,768** | 161,768 | - | 0% | **21%** | 23% |
| Redeemable perpetual capital securities | **122,767** | 51,934 | 70,833 | 136% | **16%** | 7% |
| Equity reserves | **(1,522)** | (1,559) | 37 | 2% | **0%** | 0% |
| Retained earnings | **35,858** | 35,526 | 332 | 1% | **5%** | 5% |
| | **348,215** | 251,409 | 96,806 | 39% | **46%** | 35% |
| Non-controlling Interests | **914** | 908 | 6 | 1% | **0%** | 0% |
| **Total Equity** | **349,129** | 252,317 | 96,812 | 38% | **46%** | 35% |
| **Total Liabilities and Equity** | **P766,823** | P717,515 | P49,308 | 7% | **100%** | 100% |

The Group's consolidated total assets as at September 30, 2023, amounted to P766,823 million, higher by 7% or P49,308 million than December 31, 2022 balance of P717,515 million. The increase was attributable to the following factors:

a. Increase in property, plant and equipment by P24,735 million as a result of the ongoing construction of the Masinloc Power Plant Units 4 and 5, BCCPP project, Mariveles Greenfield Power Plant, rehabilitation of the Ilijan Power Plant, BESS projects, and major repair and additional construction works for Limay and Davao Greenfield Power Plants.

b. Increase in trade and other receivables by P10,562 million was mainly attributable to (i) SPPC's recognition of trade receivables in relation to its 480 MW and 330 MW EPSAs; and (ii) increase in trade receivables of SPI and SRHI.

c. Increase in other noncurrent assets by P10,417 million was mainly attributable to (i) net increase in advances to suppliers/contractors for ongoing projects; (ii) additional restricted cash set aside by MPCL and LPI for its debt servicing requirements; (iii) additional shareholder loans granted to AHC; and (iv) investment properties recognized following the acquisition of IPIEC in April 2023.

d. Increase in cash and cash equivalents by P5,592 million was due mainly to (i) proceeds from the issuances of Philippine Peso and US Dollar-denominated RPCS by San Miguel Global Power and SMGP BESS; (ii) proceeds from the capital infusion of SMC in San Miguel Global Power in July and August 2023; and (iii) net proceeds from the US$100 million, P5,000 million and P2,500 million term loans drawn by San Miguel Global Power in March, June and August 2023, respectively. These were partly offset by the (i) payments of maturing short-term and long-term loans of San Miguel Global Power, MPI, LPI and MPCL; (ii) redemption of Series B and Series G fixed rate bonds in July and August 2023, respectively; (iii) capital expenditures for Masinloc Power Plant Units 4 and 5, BCCPP, Mariveles Greenfield Power Plant, BESS projects and Ilijan Power Plant; (iv) lease payments of SPI and SRHI to PSALM; and (v) distributions paid to the holders of perpetual capital securities.

e. Increase in investment and advances by P2,127 million was mainly attributable to the additional deposits made by SPI and San Miguel Global Power to landholding companies net of share in lower net losses of AHC.

f. Decrease in prepaid expenses and other current assets by P2,366 million was mainly attributable to the (i) decrease in restricted cash of MPCL and LPI for debt servicing requirements; (ii) amortization of real property and business taxes; and (iii) application of advances relating to coal deliveries for the Masinloc Power Plant.

g. Decrease in inventories by P974 million was attributable primarily to the decline in coal prices, partly offset by the LNG supply delivered to the Ilijan Power Plant during the period.

The Group's consolidated total liabilities as at September 30, 2023, amounted to P417,694 million, 10% or P47,504 million lower than the December 31, 2022 balance of P465,198 million. The major items accounting for the decrease are as follows:

a. Decrease in long-term debt - net of debt issue costs (including current and noncurrent portions) by P37,001 million was attributable to the: (i) redemption of Series B and Series G fixed rate bonds in July and August 2023; respectively, and (ii) settlement of long-term debts of San Miguel Global Power, MPI, LPI and MPCL, which were partly offset by (iii) San Miguel Global Power's availment of a US$100 million, P5,000 million and P2,500 million term loans in March, June and August 2023, respectively; (iv) unrealized foreign exchange loss recognized on the revaluation of US Dollar-denominated loans; and (v) amortization of debt issue costs.

b. Decrease in lease liabilities (including current and noncurrent portions) by P11,821 million was mainly on account of lease payments made by the IPPA entities to PSALM, partly offset by the foreign exchange loss recognized for the period on the revaluation of US Dollar-denominated lease liabilities.

c. Decrease in loans payable by P7,264 million was mainly attributable to the net effect of the full settlement by San Miguel Global Power of its P16,000 million loan which matured in June 2023, and availment of an P8,750 million loan during the period.

d. Decrease in other noncurrent liabilities by P649 million was attributable mainly to the settlement of US Dollar-denominated payables to contractors relating to the Group's ongoing construction projects.

e. Decrease in income tax payable by P128 million was mainly attributable to (i) lower taxable income for the period of MPI and MPCL, partly offset by the (ii) income tax payable recognized by landholding subsidiaries on the second tranche of the installment sales of properties.

f. Increase in accounts payable and accrued expenses by P8,955 million was mainly attributable to higher trade-related payables mainly for the acquisition of LNG and fuel, energy fees, and power purchases.

The Group's consolidated total equity as at September 30, 2023, amounted to P349,129 million, higher by 38% or P96,812 million than the December 31, 2022 balance of P252,317 million. The increase is accounted for as follows:

a. Increase in capital stock, additional paid-in capital and deposit for future stock subscriptions by P25,604 million as a result of the additional capital infusion of SMC thru subscription to San Miguel Global Power's common stock in July and August 2023.

b. Increase in RPCS by P70,833 million was attributable to the RPCS issued by San Miguel Global Power and SMGP BESS to SMC. The proceeds of which were used for general corporate purposes, including capital expenditures and repayment by SMGP BESS of its advances from San Miguel Global Power, and refinancing of maturing obligations.

## IV. CASH FLOW

### SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

| *(in Millions)* | September 30 | |
|---|---|---|
| | **2024** | 2023 |
| Net cash flows provided by operating activities | **P43,181** | P15,499 |
| Net cash flows used in investing activities | **(26,940)** | (38,276) |
| Net cash flows provided by (used in) financing activities | **(14,492)** | 28,015 |

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

Net cash flows used in investing activities are as follows:

| *(in Millions)* | September 30 | |
|---|---|---|
| | **2024** | 2023 |
| Decrease (increase) in other noncurrent assets | **P3,320** | (P5,717) |
| Cash from newly acquired subsidiary, net | **-** | 99 |
| Additions to intangible assets | **(43)** | (52) |
| Advances paid to suppliers and contractors | **(592)** | (7,338) |
| Additions to investments and advances | **(2,693)** | (2,898) |
| Additions to property, plant and equipment | **(26,932)** | (22,370) |

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

| *(in Millions)* | September 30 | |
|---|---|---|
| | **2024** | 2023 |
| Proceeds from short-term borrowings | **P100,804** | P76,486 |
| Proceeds from the issuance of RPCS | **43,432** | 70,832 |
| Proceeds from long-term debts | **33,304** | 21,141 |
| Proceeds from the issuance of SPCS, net of exchange and tender offers | **11,127** | - |
| Deposit for future stock subscription | **-** | 13,308 |
| Proceeds from issuance of capital stock | **-** | 12,296 |
| Payments of stock issuance costs | **-** | (29) |
| Distributions paid to RPCS holders | **(1,250)** | - |
| Distributions paid to SPCS holders | **(10,320)** | (8,720) |
| Payments of lease liabilities | **(15,667)** | (14,348) |
| Payments of long-term debts | **(40,367)** | (59,201) |
| Redemption of SPCS | **(45,039)** | - |
| Payments of short-term borrowings | **(90,516)** | (83,750) |

The effect of exchange rate changes on cash and cash equivalents amounted to (P60) million and P354 million on September 30, 2024 and 2023, respectively.

## V. KEY PERFORMANCE INDICATORS

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

### LIQUIDITY RATIO

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

| | ***Conventional*** | | ***Adjusted*** [(1)] | |
|---|---|---|---|---|
| *(in Millions Peso)* | **September 2024** | December 2023 | **September 2024** | December 2023 |
| **(A) Current Assets** | **215,408** | 213,998 | **215,408** | 213,998 |
| **(B) Current Liabilities** | **203,060** | 183,361 | **198,247** | 165,870 |
| **Current Ratio (A) / (B)** | **1.06** | 1.17 | **1.09** | 1.29 |

(1) Current portion of lease liabilities, in relation to the IPPA Agreements with PSALM, are excluded from the total current liabilities as these current obligations on lease are passthrough charges billable to customers. As at September 30, 2024 and December 31, 2023, current portion of lease liabilities to PSALM amounted to P4,813 million and P17,491 million, respectively.

### SOLVENCY RATIO

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

***Per relevant Loan Covenants of San Miguel Global Power***

| *(in Millions Peso)* | **September 2024** | December 2023 |
|---|---|---|
| **(A) Net Debt** [(2)] | **201,510** | 225,585 |
| **(B) Total Equity** [(3)] | **350,018** | 343,034 |
| **Net Debt-to-Equity Ratio (A) / (B)** | **0.58** | 0.66 |

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

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

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

| *(in Millions Peso)* | ***Conventional*** **September 2024** | ***Conventional*** December 2023 | ***Adjusted*** [(4)] **September 2024** | ***Adjusted*** [(4)] December 2023 |
|---|---|---|---|---|
| **(A) Total Assets** | **824,514** | 784,935 | **731,647** | 689,390 |
| **(B) Total Equity** | **354,893** | 343,473 | **354,893** | 343,473 |
| **Asset-to-Equity Ratio (A) / (B)** | **2.32** | 2.29 | **2.06** | 2.01 |

(4) Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at September 30, 2024 and December 31, 2023, the carrying amount of the IPPA power plant assets amounted to P92,867 million and P95,545 million, respectively.

**PROFITABILITY RATIO**

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

| *(in Millions Peso)* | **September 2024** | December 2023 |
|---|---|---|
| **(A) Net Income** [(5)] | **14,280** | 9,903 |
| **(B) Total Equity** | **354,893** | 343,473 |
| **Return on Equity (A) / (B)** | **4.0%** | 2.9% |

(5) Annualized for quarterly reporting.

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

***Per relevant Loan Covenants of San Miguel Global Power***

| *(in Millions Peso)* | **September 2024** | December 2023 |
|---|---|---|
| **(A) EBITDA** [(6)] | **40,294** | 34,511 |
| **(B) Interest Expense** [(7)] | **14,208** | 13,575 |
| **Interest Coverage Ratio (A) / (B)** | **2.84** | 2.54 |

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

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

## OPERATING EFFICIENCY

**Volume Growth (Decline)** = $\dfrac{\textbf{Current Period Offtake Volume}}{\textbf{Prior Period Offtake Volume}} - 1$

| *(in GWh)* | Periods Ended September 30 **2024** | 2023 |
|---|---|---|
| **(A) Current Period Offtake Volume** | **27,043** | 17,237 |
| **(B) Prior Period Offtake Volume** | **17,237** | 21,336 |
| **Volume Growth (Decline) [( A / B ) – 1]** | **56.9%** | (19.2%) |

**Revenue Growth (Decline)** = $\dfrac{\textbf{Current Period Revenue}}{\textbf{Prior Period Revenue}} - 1$

| *(in Millions Peso)* | Periods Ended September 30 **2024** | 2023 |
|---|---|---|
| **(A) Current Period Revenue** | **153,592** | 125,213 |
| **(B) Prior Period Revenue** | **125,213** | 166,147 |
| **Revenue Growth (Decline) [( A / B ) – 1]** | **22.7%** | (24.6%) |

**Operating Margin** = $\dfrac{\textbf{Income from Operations}}{\textbf{Revenues}}$

| *(in Millions Peso)* | Periods Ended September 30 **2024** | 2023 |
|---|---|---|
| **(A) Income from Operations** | **33,481** | 23,337 |
| **(B) Revenues** | **153,592** | 125,213 |
| **Operating Margin (A) / (B)** | **21.8%** | 18.6% |

## VI. OTHER MATTERS

a. Fuel Commodity Price Volatility

In January 2022, the Government of Indonesia implemented a month-long ban on the exportation of its coal which reduced the overall availability of coal fuel in the commodities market. Consequently, international price indices for coal such as the GC Newcastle index surged beyond the expected trajectory of historical prices based on long-term fundamental factors pertinent to the coal commodity market. Barely a few weeks after the partial lifting of the foregoing coal export ban, Russia commenced its invasion of Ukraine on February 24, 2022. This worsened the short-term outlook on coal prices as reflected in the further spikes in coal prices, with GC Newcastle index reaching levels beyond US$400 per MT from May 2022 onwards. With Russia-Ukraine conflict continuing to this day, coal prices remain at elevated levels, averaging at US$134.44/MT and at US$185.45/MT in the first three quarters of 2024 and 2023, respectively, but continue to show a “backwardated” forward curve, which strongly suggests a more bearish outlook on coal prices in the medium term and in the long term.

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

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

b. Malampaya Gas Supply Restrictions

The Ilijan Power Plant was originally designed to use natural gas from the Malampaya gas facility in Palawan (Malampaya) as fuel for its power generation. As early as March 2021, the National Power Corporation issued notices of gas supply restrictions from Malampaya. This significantly reduced the net generation of the Ilijan Power Plant to 60% of its total installed capacity for the remainder of 2021 until the end of the Ilijan IPPA Agreement on June 4, 2022. The Malampaya Gas Sale and Purchase Agreement also expired on the same date as PSALM is no longer required to supply fuel to the Ilijan Power Plant upon turnover of the same to SPPC. The Group was constrained to use its available capacity from its portfolio of generation assets, and in certain cases, purchase from the WESM spot market, to augment its generation from the Ilijan Power Plant to meet its bilateral demand from its customers, primarily from Meralco pursuant to its PSAs. This reduced the gross margins of the Group in cases where the cost of replacement supply exceeds the power generation costs from the Ilijan Power Plant using Malampaya natural gas. This accounts for a significant portion in the reduction of the Group’s gross margins and operating income in 2022.

On June 23, 2022, SPPC entered into a gas supply agreement for 70.26 Petajoules of banked gas with the Philippine National Oil Company (PNOC) at a daily volume of dispatch sufficient to run the Ilijan Power Plant at 45% to 75% plant factor. This volume of gas is adequate and expected to support the Ilijan Power Plant’s fuel requirements until February 2024. To date, the term of the gas supply agreement with PNOC expired without commencing the supply of banked gas to SPPC. The management of SPPC is currently reviewing its legal options on the equitable resolution of its unenforced rights and foregone opportunities over such banked gas.

SPPC pursued the procurement of commercial LNG as fuel for its Ilijan Power Plant. The scheduled deliveries of the procured LNG shipments are aligned with the imminent completion of the Batangas LNG Terminal currently undergoing commissioning activities and the supply of the contract capacities by the Ilijan Power Plant to the Grid.

c. <u>Commitments</u>
The outstanding purchase commitments of the Group amounted to P111,559 million and P104,804 million as at September 30, 2024 and December 31, 2023, respectively.

The Group's material commitments for capital expenditure consist mainly of construction of power plants, mostly utilizing high efficiency low emission technologies, in line with the Group's expansion projects, and acquisition, upgrade or repair of fixed assets needed for normal operations of the business. These will be funded by available cash and proceeds from short-term loans, long-term debt and issued capital securities.

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

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

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

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

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

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