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(Company's Full Name)

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

Julie Ann B. Domino-Pablo
Contact Person

0917-1010354
Company Telephone Number

1 2	3 1	SEC Form 20-IS Definitive Information Sheet	0 6	1st Tues.
Month	Day	FORM TYPE	Month	Day

First Tuesday of
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles
Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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Cashier

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SMC GLOBAL POWER

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

June 7, 2022

The Annual Meeting of the Stockholders of **SMC GLOBAL POWER HOLDINGS CORP.** will be held on **June 7, 2022 (Tuesday) at 10:00 a.m., which will be presided by the Chairman at No. 40 San Miguel Avenue, Mandaluyong City. Stockholders are requested to attend through videoconference through the Zoom Meeting ID 946 5513 9301.**

The Agenda of the Meeting is as follows:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Annual Stockholders' Meeting held on June 1, 2021
3. Approval of the 2021 Audited Financial Statements
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
5. Appointment of External Auditors
6. Election of the Board of Directors
7. Other Matters
8. Adjournment

A copy of the Minutes of the Annual Stockholders' Meeting held on June 1, 2021 is included in this Definitive Information Statement and is available for viewing on the Company's website *www.smcglobalpower.com.ph*.

Due to CoVID-19 health concerns, the Company will not hold a physical meeting and will instead conduct the meeting through videoconferencing. Stockholders can attend the meeting by videoconferencing. Stockholders intending to attend the meeting by videoconferencing should notify the Company by email to *ASM@smcgph.sanmiguel.com.ph* by **May 30, 2022** at 12 noon. The procedure and further details for attending the meeting, participation therein and casting of votes are set forth in Appendix 1 and shall be included in the Definitive Information Statement.

Votes will be cast through ballots or proxies. The deadline for the submission of ballots and proxies is on **May 24, 2022**. For your convenience, a sample of a ballot/proxy is attached to this Definitive Information Statement. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its Corporate Secretary's certification setting the representative's authority to represent the corporation in the meeting. Ballots and proxies may be sent through email at *ASM@smcgph.sanmiguel.com.ph* or by personal delivery to the Office of the Corporate Secretary at the 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila. Proxies need not be notarized. Validation of ballots and proxies will be on **May 30, 2022** at 2:00 p.m. at the Office of the Corporate Secretary at the above-mentioned address. Hard copies of the ballots and proxies and notarized Secretary's Certificates will be immediately sent as soon as reasonable to do so.

Questions and comments to the Board of Directors and/or Management may be sent in advance by email to *ASM@smcgph.sanmiguel.com.ph*.

Mandaluyong City, May 17, 2022.

Virgilio S. Jacinto
Corporate Secretary and
Compliance Officer

Appendix 1

PROCEDURE FOR THE 2022 ANNUAL STOCKHOLDERS' MEETING OF SMC GLOBAL POWER HOLDINGS CORP. THROUGH VIDEOCONFERENCING

1. The Chairman shall preside the 2022 Annual Stockholders' Meeting at No. 40 San Miguel Avenue, Mandaluyong City.
2. Stockholders of record as of May 10, 2022 who intend to attend the meeting through videoconferencing are requested to notify the Company by email to *ASM@smcgph.sanmiguel.com.ph* by May 30, 2022 at 12 noon.
3. For validation purposes, the email should contain the following information: (i) name, (ii) address, (iii) email address, (iv) Zoom user name that the stockholder will be using and (v) a scanned copy of any valid government-issued identification (ID) card with photo of the stockholder.
4. Only the stockholders who have notified the Company of their intention to participate through videoconferencing as above-described and have been validated to be stockholders of record of the Company will be considered in computing stockholder attendance at the meeting, together with the stockholders attending through proxies.
5. On June 6, 2022, the Corporate Secretary and/or the Assistant Corporate Secretary shall inform the stockholders of the password for the videoconferencing by email.
6. On June 7, 2022, 1:45 p.m., the stockholders participating via videoconferencing shall each click on the link provided. The stockholder will need to input the password provided and click join meeting. Thereafter, the stockholder will have to wait until the meeting host will lets you in to the meeting.
7. Votes of all stockholders can only be cast through ballots or proxies submitted on or before May 24, 2022. A sample of the ballot and proxy is included in this Definitive Information Statement.
8. All ballots and proxies should be received by the Corporate Secretary on or before May 24, 2022 by email sent to *ASM@smcgph.sanmiguel.com.ph* or by personal delivery to the Office of the Corporate Secretary at the 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila.
9. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its corporate secretary's certification stating the representative's authority to represent the corporation in the meeting. Validation of ballots and proxies will be on May 30, 2022 at 2:00 p.m. at the Office of the Corporate Secretary at the above-mentioned address.
10. The nominees for election to the Board were submitted in writing to the Board of Directors through the Corporate Secretary. The Corporate Governance Committee is tasked to pre-screen and evaluate the qualifications of the nominees in accordance with the Amended Manual on Corporate Governance of the Company.
11. The voting procedure for all items in the Agenda, including the election of the members of the Board, are set out in this Definitive Information Statement.
12. Stockholders may send their questions and/or comments during the meeting, or prior thereto by email to *ASM@smcgph.sanmiguel.com.ph*. Questions and comments may also be written in the space provided in the sample ballot/proxy form.
13. The proceedings of the meeting will be recorded.

Should you have questions or requests for clarification on the procedure for the 2022 Annual Stockholders' Meeting, please email them to *ASM@smcgph.sanmiguel.com.ph*.

SMC GLOBAL POWER HOLDINGS CORP.
ANNUAL STOCKHOLDERS' MEETING
JUNE 7, 2022
2:00 p.m. via Videoconferencing
("2022 Annual Stockholders' Meeting")

Please mark as applicable:

☐ **<u>Vote by ballot</u>:** The undersigned stockholder of SMC Global Power Holdings Corp. (the "Company") casts his/her vote on the agenda items for the 2022 Annual Stockholders' Meeting, as expressly indicated with **"X"** below in this ballot.

☐ **<u>Vote by proxy:</u>** The undersigned stockholder of the Company hereby appoints ____________________________ or, in his/her/its absence, the Chairman of the meeting, as attorney and proxy, to represent and vote all the shares registered in his/her/its name at the 2022 Annual Stockholders' Meeting and any of its adjournment(s), as fully as the undersigned can do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with **"X"** below. If the undersigned fails to indicate his/her/its vote on the agenda items specified below, his/her/its proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 1, and a "FOR" vote for proposals 2 through 5.

PROPOSAL	**ACTION**			
	VOTE FOR ALL	WITHHOLD FOR ALL	VOTE ONLY FOR	FULL DISCRETION OF PROXY (IF FORM USED AS PROXY)
1. Election of Directors				
The nominees are: a. Ramon S. Ang b. John Paul S. Ang c. Aurora T. Calderon d. Virgilio S. Jacinto e. Jack G. Arroyo, Jr. *(Independent Director)* f. Consuelo M. Ynares-Santiago *(Independent Director)* g. Josefina Guevara-Salonga *(Independent Director)*			a. b. c. d. e. f. g.	
	FOR	AGAINST	ABSTAIN	
2. Approval of the Minutes of the 2021 Annual Stockholders' Meeting				
3. Approval of the 2021 Audited Financial Statements				
4. Ratification of all Acts of the Board of Directors and Corporate Officers since the 2021 Annual Stockholders' Meeting				
5. Appointment of External Auditors for 2022				

Signed this ______ day of ____________ 2022 at ____________________.

_________________________________ ____

PRINTED NAME OF STOCKHOLDER *SIGNATURE OF STOCKHOLDER/AUTHORIZED SIGNATORY*

Questions/Comments to the Board of Directors and/or Management:

____

____

NOTE: This ballot/proxy should be received by the Office of the Corporate Secretary on or before May 24, 2022 by email sent to *ASM@smcgph.sanmiguel.com.ph* or by mail sent to the Office of the Corporate Secretary at the 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila. This ballot/proxy, when properly executed, will be voted in the manner as marked/directed herein by the stockholder. If no direction is made in the proxy, such proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting as recommended by the management or the Board of Directors. A stockholder giving a proxy has the power to revoke it either in an instrument in writing duly presented to and recorded with the Corporate Secretary on or before 12:00 p.m. of May 30, 2022. Notarization of this proxy is not required. For an individual, his/her ballot/proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by a certification issued by its corporate secretary setting the representative's authority to represent the corporation in the 2022 Annual Stockholders Meeting ("Secretary's Certificate"). Validation of ballots and proxies will be on May 30, 2022 at 2:00 p.m. at the above-mentioned address of the Office of the Corporate Secretary. For ballots, proxies and Secretary's Certificates sent to the Office of the Corporate Secretary via email, the hard copies of the ballots, proxies, and notarized Secretary's Certificate should be immediately sent to the Office of the Corporate Secretary as soon as reasonably possible.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [✔] Definitive Information Statement

2. Name of Registrant as specified in its charter **SMC Global Power Holdings Corp.**

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

4. SEC Identification Number **CS2008-01099**

5. BIR Tax Identification Code **006-960-000-000**

6. **5th Floor, C5 Office Building Complex,**
   #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong,
   Pasig City, Metro Manila **1604**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(63) 917-1010354**

8. **June 7, 2022, 2:00 p.m., No. 40 San Miguel Avenue, Mandaluyong City (venue where meeting will be presided by Chairman. Stockholders are requested to attend via videoconference in view of COVID-19 health concerns)**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **May 17, 2022**

10. Name of Person Filing the Statement: **SMC Global Power Holdings Corp.**
    Address and Telephone No.: **5th Floor, C5 Office Building Complex,**
    #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong,
    Pasig City 1604, Metro Manila
    (63) 917-1010354

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
    Php 15 Billion worth of Fixed Rate Bonds issued in July 2016
    Php 20 Billion worth of Fixed Rate Bonds issued in December 2017
    Php 15 Billion worth of Fixed Rate Bonds issued in August 2018
    Php 30 Billion worth of Fixed Rate Bonds issued in April 2019

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (**as of December 31, 2021**)
Common Shares	**1,250,004,000**
Consolidated Total Liabilities (in Thousands)	**Php 383,995,602**

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes [ ] No [✔]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: **N/A**

INFORMATION STATEMENT
GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders

The annual stockholders' meeting of **SMC Global Power Holdings Corp.** (the "Company" or "SMC Global Power") will be held **on June 7, 2022 at 10:00 a.m. and will be presided by the Chairman at No. 40 San Miguel Avenue, Mandaluyong City. Due to COVID-19 health concerns, the stockholders are requested to attend through videoconferencing using the Zoom Meeting ID 946 5513 9301.**

Stockholders intending to attend the meeting by videoconferencing should notify the Company by email to ASM@smcgph.sanmiguel.com.ph by **May 30, 2022** at 12 noon. The procedure and further details for attending the meeting, participation therein and casting of votes are set forth in Appendix 1 of the Notice and shall be included in the Definitive Information Statement.

Votes will be cast through ballots or proxies. The deadline for the submission of ballots and proxies is on **May 24, 2022**. For your convenience, a sample of a ballot/proxy is attached to this Definitive Information Statement. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its Corporate Secretary's certification setting the representative's authority to represent the corporation in the meeting. Ballots and proxies may be sent through email at ASM@smcgph.sanmiguel.com.ph or by personal delivery to the Office of the Corporate Secretary at the 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila. Proxies need not be notarized. Validation of ballots and proxies will be on **May 30, 2022** at 2:00 p.m. at the Office of the Corporate Secretary at the above-mentioned address. Hard copies of the ballots and proxies and notarized Secretary's Certificates will be immediately sent as soon as reasonably possible.

Questions and comments to the Board of Directors and/or Management may be sent in advance by email to ASM@smcgph.sanmiguel.com.ph.

The complete mailing address of the principal office of the Company is **5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila.**

The information statement is first to be sent to the stockholders on **May 17, 2022**.

THE COMPANY IS NOT SOLICITING ANY PROXIES FROM ITS STOCKHOLDERS.

Dissenters' Right of Appraisal

Under Title X of the Revised Corporation Code of the Philippines (the "Revised Corporation Code"), stockholders dissenting from and voting against the following corporate actions may demand payment of the fair market value of their shares as of the date prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action, namely: (i) any amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of shortening the term of corporate existence; (ii) sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; (iii) merger or consolidation; and (iv) investment of corporate funds in another corporation or business or for any other purpose other than the primary purpose for which the corporation was organized, as provided under Section 80 of the Revised Corporation Code.

There are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided under the aforementioned pertinent provisions of the Revised Corporation Code.

Interest of Certain Persons in Matters to be Acted Upon

No director, officer, or nominee for election as director of the Company, or any of their associates, at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect, by security holdings or otherwise in any matter to be acted upon in the meeting, other than their election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

RATIONALE AND BRIEF DISCUSSION OF THE AGENDA OF THE 2022 ANNUAL STOCKHOLDERS' MEETING

1. Certification of Notice and Quorum

    a. Call to Order

        The Chairman of the Board of Directors (or the Chairman of the meeting, as the case may be) (the "Chairman") will call the meeting to order.

    b. Notice and Quorum

        The Corporate Secretary (or the Secretary of the meeting, as the case may be) (the "Secretary") will certify the date when the written notice of the 2022 Annual Stockholders' Meeting was sent to the stockholders as of record date of May 10, 2022.

        The Secretary will likewise certify the presence of a quorum. Under the Company's Amended By-laws, the holders of a majority of the issued and outstanding capital stock of the Company entitled to vote shall, if present in person or by proxy, constitute a quorum for the transaction of business.

    c. Voting and Voting Procedure

        i. A stockholder may vote the number of common shares held in his name in the Company's stock and transfer books as of May 10, 2022. Holders of common shares have the right to vote on all matters requiring stockholders' approval, and are entitled to vote at the meeting by submission of the ballots or proxies in accordance with the procedure set out in the Notice.

        ii. Every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock registered in his name in the books of the Company, on all items in the Agenda except for election of directors (which is set out in the next succeeding paragraph).

        iii. With respect to the election of directors, a stockholder may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle as among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of common shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.

The total number of votes that may be cast by a stockholder of the Company computed as follows: number of common shares held on record as of record date multiplied by seven (7) directors.

iv. Counting of the votes will be done by the Corporate Secretary or Assistant Corporate Secretary with the assistance of the independent auditors.

2. Approval of the Minutes of the Annual Stockholders' Meeting held on June 1, 2021

A copy of the Minutes of the Annual Stockholders' Meeting held on June 1, 2021 (the "2021 Annual Stockholders' Meeting") is included in this Definitive Information Statement (attached as **Annex "G"**) and is available for viewing on the Company's website *www.smcglobalpower.com.ph*. The stockholders will be requested to approve the Minutes of the 2021 Annual Stockholders' Meeting.

3. Approval of the 2021 Audited Financial Statements

a. The Management of the Company will deliver the report on the performance of the Company for 2021 and present for approval of the stockholders the 2021 Audited Financial Statements of the Company.

b. The Secretary will advise the stockholders of the holding of an open forum after the Approval of the 2021 Audited Financial Statements. Stockholders may raise their questions and/or comments during the meeting, or prior thereto by email to *ASM@smcgph.sanmiguel.com.ph*. Questions and comments may also be written in the space provided in the ballot/proxy form.

c. Duly authorized representatives of R. G. Manabat & Co., the external auditors for 2021, will be present at the 2022 Annual Stockholders' Meeting to respond to appropriate questions concerning the 2021 Audited Financial Statements of the Company.

d. After the open forum, the stockholders will then be requested to approve the 2021 Audited Financial Statements.

4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers

The acts and proceedings of the Board of Directors and corporate officers since the 2021 Annual Stockholders' Meeting, as reflected in the minutes of meetings, are set out in this Definitive Information Statement. The acts of Management and corporate officers were taken in furtherance of the conduct of the business of the Company and in the implementation of the matters approved by the Board of Directors. The relevant disclosures relating thereto submitted to the SEC and the Philippine Dealing & Exchange Corp. are posted on the Company's website *www.smcglobalpower.com.ph*.

The stockholders will be requested to ratify all acts of the Board of Directors and Management since the 2021 Annual Stockholders' Meeting.

5. Appointment of External Auditors

The Audit and Risk Oversight Committee shall endorse the re-appointment of R. G. Manabat & Co. as the external auditor of the Company for 2022. The relevant background and description on the extent of the audit services, tax advisory and other related services rendered by the external auditor, including their fees, are provided in this Definitive Information Statement.

The stockholders will be requested to approve the re-appointment of R. G. Manabat & Co. for fiscal year 2022.

6. Election of the Board of Directors for the Ensuing Term

In accordance with the Company's Amended By-laws, the nominations for the election of all directors by the stockholders were submitted in writing to the Board of Directors through the Corporate Secretary. The Corporate Governance Committee has pre-screened and evaluated the qualifications of the nominees in accordance with the Amended Manual on Corporate Governance of the Company in its meeting held on May 2, 2022.

The Board of Directors during its regular meeting held on May 2, 2022 has determined that all the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Section 2, Article III of the Company's Amended By-laws.

The seven (7) nominees, who are all incumbent members of the Board of Directors, will be submitted for re-election to the Board of Directors by the stockholders at the 2022 Annual Stockholders' Meeting. The profiles of the nominees, as well as the certification of their qualifications, are provided in this Definitive Information Statement.

7. Other Matters

The Chairman will inquire whether there are other relevant matters and concerns to be discussed. The Chairman shall accordingly respond to other matters that may be raised by the stockholders.

8. Adjournment

Upon determination that there are no other relevant matters to be discussed, the meeting will be adjourned on motion duly made and seconded.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

As of **May 13, 2022**, the Company has only one (1) class of securities, consisting of 1,250,004,000 issued and outstanding common shares of stock. The common shares of the Company are neither traded in any public trading market, nor subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

Holders of common shares have the right to vote on all matters requiring stockholders' approval. The record date for the determination of security holders entitled to vote is **May 10, 2022**.

Only stockholders of records at the close of business on **May 10, 2022** will be entitled to vote at the meeting. A stockholder entitled to vote at the meeting has the right to vote in person or by proxy. Every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock registered in his name in the books of the Company. However, with respect to the election of directors in accordance with Section 23 of the Revised Corporation Code, a stockholder may vote the number of common shares held in his name in the Company's stock and transfer books as of **May 10, 2022**, and may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle as among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of common shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.

The total number of votes that may be cast by a stockholder of the Company computed as follows: **number of common shares held on record as of record date multiplied by seven (7) directors**.

In accordance with the Company's Amended By-laws, the deadline for submission of proxies is on **May 24, 2022**, which is ten (10) working days before the time set for the annual stockholders' meeting.

At the annual stockholders' meeting, seven (7) directors will be elected, three (3) of which are independent directors.

The beneficial owner of more than five percent (5%) of the Company's voting securities as of **May 13, 2022**, are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held by the Beneficial Owners (includes Common Shares held by their nominees)	% out of Total Outstanding Shares
Common	San Miguel Corporation No. 40 San Miguel Ave., Mandaluyong City (Parent Company)	San Miguel Corporation (SMC)	Filipino	1,250,000,500	100%
Common	Ramon S. Ang No. 40 San Miguel Ave., Mandaluyong City (Director)	Nominee-director of SMC in the Board	Filipino	500	0%
Common	John Paul L. Ang No. 40 San Miguel Ave., Mandaluyong City (Director)	Nominee-director of SMC in the Board	Filipino	500	0%
Common	Aurora T. Calderon No. 40 San Miguel Ave., Mandaluyong City (Director)	Nominee-director of SMC in the Board	Filipino	500	0%

Common	Virgilio S. Jacinto No. 40 San Miguel Ave., Mandaluyong City (Director)	Nominee-director of SMC in the Board	Filipino	500	0%
	Total:			**1,250,002,500**	

The principal stockholder of SMC Global Power is San Miguel Corporation, which owns approximately 100% of the issued and outstanding capital stock of SMC Global Power. SMC is one of the largest and most diversified conglomerates in the Philippines in terms of revenues and assets and its shares are listed on the Philippine Stock Exchange. Originally founded in 1890 as a single brewery in the Philippines, SMC currently owns market-leading businesses in vital industries that support the economic development of the country, including food and beverages, packaging, fuel and oil, infrastructure, property and investments in car distributorship and banking, in addition to its power business.

Under the stewardship of SMC, the Company has become one of the market leaders in the Philippine power industry.

The other stockholders of the Company are its directors, the details of their shareholdings in the Company, as well as their profiles, are set out below.

As regards security ownership of management, the table below sets out the details of the voting securities in the name of the director, executive officers, and nominees for election as directors, of the Company as of **May 13, 2022**:

Title of Class	Name of Record Owner	Position in the Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Total No. of Shares	% out of Total Outstanding Shares
Common	Ramon S. Ang	Chairman & Chief Executive Officer and President & Chief Operating Officer	SMC; Nominee-director of SMC in the Board	Filipino	500	0%
Common	John Paul L. Ang	Vice Chairman	SMC; Nominee-director of SMC in the Board	Filipino	500	0%
Common	Aurora T. Calderon	Director	SMC; Nominee-director of SMC in the Board	Filipino	500	0%
Common	Virgilio S. Jacinto	Director	SMC; Nominee-director of SMC in the Board	Filipino	500	0%
Common	Jack G. Arroyo, Jr.	Independent Director	Jack G. Arroyo, Jr.	Filipino	500	0%

Title of Class	Name of Record Owner	Position in the Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Total No. of Shares	% out of Total Outstanding Shares
Common	Consuelo M. Ynares-Santiago	Independent Director	Consuelo M. Ynares-Santiago	Filipino	500	0%
Common	Josefina Guevara-Salonga	Independent Director	Josefina Guevara-Salonga	Filipino	500	0%

The aggregate number of shares owned of record by the directors of the Company as a group as of **May 13, 2022** is 3,500 common shares, which is less than 1% of the outstanding shares of the Company.

Voting Trust Holders of 5% or More

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

Changes in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company.

Parent Company

The parent company of SMC Global Power is SMC. As of **December 31, 2021**, SMC owns approximately 100% of the issued and outstanding capital stock of SMC Global Power. On the other hand, Top Frontier Investment Holdings, Inc. owns 65.99% of the outstanding common stock of SMC as of **December 31, 2021**.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

The overall management and supervision of SMC Global Power is undertaken by the Board of Directors. The Board is composed of seven (7) members of the Board, three (3) of whom are independent directors. Pursuant to Section 2, Article III of the Company's Amended By-laws, the directors are elected at each regular stockholders' meeting by stockholders entitled to vote. The term of a director is one (1) year from date of election until their successors are elected and qualified.

As of **May 13, 2022**, the following are the incumbent members of the Board of Directors of the Company, all of whom are nominees for re-election as directors at the meeting:

Name	Age	Citizenship	Position	Year Appointed
Ramon S. Ang	68	Filipino	Chairman	2010
John Paul L. Ang	42	Filipino	Vice Chairman	2021

Aurora T. Calderon	67	Filipino	Director	2010
Virgilio S. Jacinto	65	Filipino	Director	2011
Jack Arroyo, Jr.	63	Filipino	Independent Director	2011
Consuelo M. Ynares-Santiago	82	Filipino	Independent Director	2011
Josefina Guevara-Salonga	80	Filipino	Independent Director	2017

As of **May 13, 2022**, the following are the incumbent executive officers of the Company:

Name	**Age**	**Citizenship**	**Position**	**Year Position was Assumed**
Ramon S. Ang	68	Filipino	Chairman & Chief Executive Officer and President & Chief Operating Officer	2010 & 2017
John Paul L. Ang	42	Filipino	Vice Chairman	2021
Virgilio S. Jacinto	65	Filipino	Corporate Secretary & Compliance Officer	2010 & 2011
Elenita D. Go	61	Filipino	General Manager	2011
Paul Bernard D. Causon	44	Filipino	Vice President & Chief Finance Officer	2018 & 2017
Ramon U. Agay	64	Filipino	Assistant Vice President & Comptroller	2015 & 2011
Irene M. Cipriano	47	Filipino	Assistant Corporate Secretary	2010
Maria Floreselda S. Abalos-Sampaga	57	Filipino	Data Privacy Officer	2019
Reynaldo S. Matillano	61	Filipino	Internal Audit Manager	2017
Jeciel B. Campos	64	Filipino	Assistant Vice President and Sales and Marketing Manager	2018
Jose Ferlino P. Raymundo	63	Filipino	Assistant Vice President and Energy Sourcing and Trading Manager	2018
Danilo T. Tolarba	53	Filipino	Assistant Vice President and Human Resources Group Manager	2018
Julie Ann B. Domino-Pablo	40	Filipino	Assistant Vice President and General Counsel	2020
Gonzalo B. Julian, Jr.	55	Filipino	Assistant Vice President, Sales and Marketing Manager-RES, and Head of the Battery Business	2020

The following is a brief description of the business experience of each of the directors and executive officers of the Company over the past five (5) years.

Ramon S. Ang is the incumbent Chairman of the Board and Chief Executive Officer of SMC Global Power since August 31, 2010, and concurrently, the President and Chief Operating Officer (now, Chief Executive Officer) of the Company since April 30, 2017. He is also the Chairman of the Executive Committee of SMC Global Power since September 2, 2011. He is the President and Chief Operating Officer of SMC since March 6, 2002 and Vice Chairman since 1999. He is the Chairman and President of several subsidiaries of SMC Global Power such as San Miguel Energy Corporation ("SMEC"), San Miguel Electric Corp. ("SMELC"), South Premiere Power Corp ("SPPC"), Strategic Power Devt. Corp. ("SPDC"), SMC Consolidated Power Corporation ("SCPC"), San Miguel Consolidated Power Corporation ("SMCPC"), Universal Power Solutions, Inc., Central Luzon Premiere Power Corp. ("CLPPC"), Lumiere Energy Technologies Inc. ("LETI") and KWPP Holdings Corporation; Chairman of Angat Hydropower Corporation ("AHC"); and the Chairman and President and CEO of Mariveles Power Generation Corporation ("MPGC"). He also holds, among others, the following positions in other listed and public companies: President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. and Petron Corporation; President of Ginebra San Miguel Inc.; Chairman of the Board of San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia), and Eagle Cement Corporation; and Vice Chairman of the Board, President and Chief Executive Officer of San Miguel Food and Beverage, Inc. He is the Chairman of the Board of San Miguel Brewery Inc., San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Sea Refinery Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort, Inc., and Eagle Cement Corporation He is the President and Chief Executive Officer of Northern Cement Corporation; and the Chairman and President of San Miguel Properties, Inc., San Miguel Holdings Corp., San Miguel Equity Investments Inc. and San Miguel Aerocity Inc. He is the Chairman of the Board and Chief Executive Officer of SMC Asia Car Distributors Corp. He is also the sole director and shareholder of Master Year Limited, and the Chairman of the Board and President of Privado Holdings, Corp. and Far East Holdings, Inc. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation; President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang holds directorships in various domestic and international subsidiaries of SMC. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University. Mr. Ang attended corporate a governance training seminar conducted by the Center for Global Best Practices on October 29, 2021.

John Paul L. Ang is a Director and Vice Chairman of SMC Global Power since June 1, 2021. He is a member of the Executive Committee, Corporate Governance Committee, Audit and Risk Oversight Committee and Related Party Transaction Committee of SMC Global Power. He is also the President and Chief Executive Officer of Eagle Cement Corporation since 2008 and Southwestern Cement Corporation since 2017. He is also currently a member of the Board of Directors of Top Frontier Investment Holdings, Inc., SMC, Petron Corporation, San Miguel Food and Beverage, Inc., and KB Space Holdings, Inc. He was the Managing Director of Sarawak ClinkerSdn. Bhd. Malaysia and the Purchasing Officer of Basic Cement. He graduated from the Ateneo de Manila University with a Bachelor of Arts degree in Interdisciplinary Studies. On August 17, 2021, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Aurora T. Calderon is a Director of SMC Global Power since August 31, 2010. Ms. Calderon is also a member of the Executive Committee, Audit and Risk Oversight Committee and Related Party Transaction Committee of SMC Global Power. She is a Director of several subsidiaries of SMC Global Power. She is the Senior Vice President Senior Executive Assistant to the President and Chief Operating Officer of SMC since January 20, 2011 and has served as a director of SMC since June 10,

2014. She holds the following positions in other publicly listed companies: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., Petron Corporation and Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia). She is also a member of the Board of Directors of Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Co. Ltd., San Miguel Equity Investments Inc., SMC Asia Car Distributors Corp., San Miguel Yamamura Packaging Corp. and San Miguel Aerocity Inc. She was formerly a Director of PAL Holdings, Inc., Philippine Airlines, Inc., Trustmark Holdings Corporation, Zuma Holdings and Management Corporation, Air Philippines Corporation, and Manila Electric Company. A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East with a degree in BS Business Administration, major in Accountancy. In addition, Ms. Calderon holds directorships in various domestic and international subsidiaries of SMC. On September 23, 2021, she attended a corporate governance training seminar conducted by SGV & Co.

Virgilio S. Jacinto is the Corporate Secretary of SMC Global Power since August 31, 2010, a Director, and its Compliance Officer since September 2, 2011. He is also a member of the Corporate Governance Committee of SMC Global Power. He is the Senior Vice-President, General Counsel, Corporate Secretary and Compliance Officer of SMC (since October 2010). He is also the Corporate Secretary of several subsidiaries of SMC Global Power such as SMEC, SMELC, SPPC, SPDC, SCPC, and SMCPC. He is also the Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc., and Ginebra San Miguel, Inc. He is a Director of Petron Corporation and is a Director and Corporate Secretary of various domestic and international subsidiaries and affiliates of SMC. He was formerly the Vice President and First Deputy General Counsel of SMC. He was a Director and Corporate Secretary of United Coconut Planters Bank, and a Partner at Villareal Law Offices. Atty. Jacinto is an Associate Professor at the University of the Philippines, College of Law. He obtained his law degree from the University of the Philippines *cum laude* where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Masters of Laws degree from Harvard Law School. He holds directorships in various domestic and international subsidiaries of SMC. He attended the following corporate governance training seminars: (i) on October 15, 2021 conducted by ROAM, Inc., and (ii) on October 29, 2021 conducted by the Center for Global Best Practices.

Jack G. Arroyo, Jr. is an Independent Director of SMC Global Power since September 2, 2011. He is also the Chairperson of the Audit and Risk Oversight Committee, and a member of the Corporate Governance Committee and Related Party Transaction Committee of SMC Global Power. He is a medical doctor and who specializes in Ophthalmology, and a sub-specialist in refractive surgery. He is currently affiliated with The American Eye Center, The Medical City, and Eye Referral Center. He is also a member of the Board of Directors of the Philippine Healthcare Educators, Inc., and the Philippine Health Insurance Corporation, representing the Elected Local Chief Executives. He is also a member of the Board of Trustees and Treasurer of Philippine Society of Cataract and Refractive Surgery, and the Vice-President for the National Capital Region of Centrist Democratic Political Educators, Inc. He is also currently the President of Casino Español de Manila. Dr. Arroyo obtained his Doctor of Medicine degree from the University of the Philippines College of Medicine. On October 15, 2021, he attended a corporate governance training seminar conducted by ROAM, Inc.

Consuelo M. Ynares-Santiago is an Independent Director of SMC Global Power since September 2, 2011. She is also the Chairperson of the Corporate Governance Committee, and a member of the Audit and Risk Oversight Committee and Related Party Transaction Committee of SMC Global Power. She is also an Independent Director of Top Frontier Investment Holdings, Inc., SMC SLEX Inc. (formerly, "South Luzon Tollway Corporation"), Anchor Insurance Brokerage Corporation, and Phoenix Petroleum Phil. Inc. She served as an Associate Justice of the Supreme Court of the Philippines; Associate Justice of the Court of Appeals of the Philippines; and a Regional Trial Court Judge of Makati City. She graduated from the University of the Philippines College of Law. On October

15, 2021, she attended a corporate governance training seminar conducted by ROAM, Inc.

Josefina Guevara-Salonga is an Independent Director of SMC Global Power since November 7, 2017. She is also the Chairperson of the Related Party Transaction Committee and a member of the Corporate Governance Committee and Audit and Risk Oversight Committee of SMC Global Power. She is a former Associate Justice of the Court of Appeals. Previously, she was an Executive Judge of the Makati Regional Trial Court. She is currently a trustee of the Tahanan Outreach Program since 2010 and a member of the following associations: San Pedro, Laguna Lawyer's Association, University of the Philippines Women Lawyer's Circle since 1966 and Philippine Women's Judges Association. She also served as a trustee of the Society for Judicial Excellence from 2007 to 2014. She obtained her law degree from the University of the Philippines. On October 15, 2021, she attended a corporate governance training seminar conducted by ROAM, Inc.

Elenita D. Go is the General Manager of SMC Global Power since December 14, 2011. She joined SMC Global Power in June 2011 as Head of its Sales and Trading Group. She is currently the General Manager of several subsidiaries of the Company, including SMEC, SPPC, SPDC, SCPC, SMCPC, CLPPC and LETI, and is the Chairman in other subsidiaries of SMC Global Power. She is also the President of SMGCP Philippines Power Foundation Inc., the Managing Partner and Chief Executive Officer of MPPCL and SMCGP Philippines Energy, and the Chief Operating Officer of MPGC. She has also been a director of Angat Hydropower Corporation since November 18, 2014, Treasurer and member of the Board of Directors of the Philippine Electricity Market Corporation since June 2018 and member of the Board of Trustees of the Philippine Independent Power Producers Association Inc. since 2011. Previously, she was a Director of Manila Electric Company and Head of the Corporate Procurement Unit of SMC. She graduated with a degree in Bachelor of Science in Electrical Engineering from Mapua Institute of Technology. On October 15, 2021, she attended a corporate governance training seminar conducted by ROAM, Inc.

Paul Bernard D. Causon is the Chief Finance Officer of SMC Global Power since March 30, 2017 and was appointed Vice President of the Company on June 5, 2018. Mr. Causon is concurrently the Chief Finance Officer and Treasurer of Angat Hydropower Corporation. He is also the Chief Finance Officer of MPPCL and SMCGP Philippines Energy, and the Chief Financial Officer of SMGCP Philippines Power Foundation Inc. He is the Treasurer and Chief Finance Officer of MPGC and the General Manager of SMELC. He previously served as Vice President, Head of Treasury and Head of Special Projects of Philippine Airlines Inc. and Air Philippines Corporation; Chief Finance Officer and Treasurer of Liberty Telecoms Holdings, Inc. and Wi-Tribe Telecoms Inc.; Partner, Audit Banks and Other Financial Institutions of Manabat Sanagustin & Co., CPAs; and Vice President and Comptroller of China Banking Corporation. He graduated *magna cum laude* from the University of the Philippines with a degree in Bachelor of Science in Business Administration and Accountancy and placed fourth in the Certified Public Accountant Licensure Examination in 2000. On October 15, 2021, he attended a corporate governance training seminar conducted by ROAM, Inc.

Ramon U. Agay is the Comptroller of SMC Global Power since September 2, 2011, and was appointed Assistant Vice President on March 25, 2015. He is also the Finance Manager of the various subsidiaries of SMC Global Power, such as SMEC, SMELC, SPPC, SPDC, SCPC, SMCPC, CLPPC and LETI, and the Treasurer of Daguma Agro, Bonanza Energy, Sultan Energy, Mantech Power Dynamics Services Inc., Safetech Power Services Corp. and several other subsidiaries of SMC Global Power. He is the Executive Vice President and Treasurer of Alpha Water and the Comptroller of MPGC. He had previously held finance positions in SMC and its subsidiaries. He obtained a degree in Bachelor of Science in Commerce, major in Accounting from San Sebastian College. On October 15, 2021, he attended a corporate governance training seminar conducted by ROAM, Inc.

Irene M. Cipriano is the Assistant Corporate Secretary of SMC Global Power since 2010. She is an Assistant Vice President and Associate General Counsel of SMC. She is also the Assistant Corporate

Secretary of Top Frontier Investment Holdings, Inc., and the Corporate Secretary and Assistant Corporate Secretary of various subsidiaries of SMC Global Power and SMC. Atty. Cipriano was formerly the Assistant Corporate Secretary of PAL Holdings, Inc. and Philippine Airlines Inc. She is a Certified Public Accountant and holds a degree in B.S. Accountancy from De La Salle University. She completed her Bachelors of Law degree from San Beda College of Law in 2000. On October 29, 2021, she attended a corporate governance training seminar conducted by the Center for Global Best Practices.

Reynaldo S. Matillano is the Audit Manager of SMC Global since November 1, 2015 and was appointed as Internal Audit Manager on June 6, 2017. Prior thereto, he was part of the audit team of San Miguel Yamamura Packaging Corporation and SMC. He holds a degree in Bachelor in Business Administration, major in Accounting from Saint Paul University in Dumaguete City. On October 15, 2021, he attended a corporate governance training seminar conducted by ROAM, Inc.

Maria Floreselda S. Abalos-Sampaga was appointed as the Data Protection Officer of the SMC Global Power on March 11, 2019 after having joined the Company as a regulatory compliance specialist on May 1, 2018. She is also the Data Protection Officer of the subsidiaries of SMC Global Power. Prior thereto, she held positions in several agencies of the government such as the ERC, the National Wages and Productivity Commission and the Department of Labor and Employment. She obtained her Bachelor of Laws from the Manuel L. Quezon University. On October 15, 2021, she attended a corporate governance training seminar conducted by ROAM, Inc.

Jeciel B. Campos is the Sales and Marketing Manager of SMC Global Power since September 1, 2011 and was appointed Assistant Vice President on June 5, 2018. Mr. Campos is a registered Mechanical Engineer and previously worked as a Marketing & Commercial Relations Officer for Central Luzon at the National Power Corporation Regional Office. He graduated from Mapua Institute of Technology with a Bachelor of Science degree in Mechanical Engineering. On October 15, 2021, he attended a corporate governance training seminar conducted by ROAM, Inc.

Jose Ferlino P. Raymundo is the Energy Sourcing & Trading Manager of SMC Global Power since September 1, 2011 and was appointed Assistant Vice President on June 5, 2018. Mr. Raymundo and is a Professional Electrical Engineer with over 32 years of experience in the power sector having worked for the Power Sector Assets and Liabilities Management Corporation and National Power Corporation prior to joining SMC Global Power. He holds a Bachelor of Science in Electrical Engineering degree from Mapua Institute of Technology. On October 15, 2021, he attended a corporate governance training seminar conducted by ROAM, Inc.

Danilo T. Tolarba has been the Head of the Human Resources Division of SMC Global Power since 2015 and was appointed Assistant Vice-President and Human Resources Group Manager of the Company on June 5, 2018. Previously, Mr. Tolarba was the Manager of HR Services, Employee Relations, HR Technology, Organization Development and Recruitment of SMC Corporate Human Resources; and also held other various senior human resources positions in SMC and its subsidiaries prior thereto. He holds a Bachelor in Business Management degree from the Polytechnic University of the Philippines. On October 15, 2021, he attended a corporate governance training seminar conducted by ROAM, Inc.

Julie Ann B. Domino-Pablo is the Assistant Vice President and General Counsel of SMC Global Power effective July 1, 2020, after having served as its Legal Officer since 2014. She is also the Corporate Secretary of various subsidiaries of SMC Global Power. She was admitted to the Philippine Bar and the New York State Bar in 2009 and is a Certified Public Accountant. Prior to SMC Global Power, Atty. Domino-Pablo was the Chief-of-Staff of the Office of the President & CEO and the concurrent Corporate Planning Department Manager of Power Sector Assets and Liabilities Management Corporation and a consultant to the Office of the General Counsel of the Asian Development Bank.

She also worked for Picazo Buyco Tan Fider & Santos Law Offices until 2010 and for Sycip Gorres Velayo & Co. as an auditor until 2004. She obtained her Masters of Law degree from the University of Pennsylvania Law School and completed the Wharton Business and Law Certificate Program at the Wharton School of Business in 2013. On October 15, 2021, she attended a corporate governance training seminar conducted by ROAM, Inc.

Gonzalo B. Julian, Jr. is the Assistant Vice President, the Sales and Marketing Manager - RES, and the Head of the Battery Business of SMC Global Power effective March 1, 2020. Prior to the acquisition of MPPCL and other entities of the Masinloc Group, he was the Managing Partner and CEO of MPPCL and the Assistant Vice President — Commercial of SMCGP Philippines Inc. He was also a member of the Board of Directors of the Grid Management Committee of the Philippines in 2019 representing the Large Generating Companies sector and has held various positions therein from 2014 to 2019, including Chairman of the Grid Code Compliance Subcommittee and Vice Chairman of Grid Reliability Subcommittee, among others. Mr. Julian was also the Energy Manager of Holcim Philippines, Inc. and the representative of Holcim Philippines, Inc. in the Board of Directors of Trans-Asia Power Generation Corp. in 2012. He also worked in the Asset Management and Planning Division of MERALCO from 1989 to 2008. He is a licensed electrical engineer, a graduate of the Mapua Institute of Technology and a holder of Master of Science in Electrical Engineering Degree (Major in Power Systems) from the University of the Philippines. At present, he is completing his Doctor of Philosophy in Electrical and Electronics Engineering Degree in the University of the Philippines. On October 15, 2021, he attended a corporate governance training seminar conducted by ROAM, Inc.

Term of Office

Pursuant to the Company's Amended By-laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director shall hold office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

The nominees for election to the Board of Directors on **June 7, 2022** are as follows:

1. Ramon S. Ang
2. John Paul L. Ang
3. Aurora T. Calderon
4. Virgilio S. Jacinto
5. Jack G. Arroyo, Jr. – Independent Director
6. Consuelo M. Ynares-Santiago – Independent Director
7. Josefina Guevara-Salonga – Independent Director

Independent Directors

The incumbent independent directors of the Company are as follows:

1. Jack G. Arroyo, Jr.
2. Consuelo M. Ynares-Santiago
3. Josefina Guevara-Salonga

The incumbent independent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the Securities Regulation Code, as amended ("SRC"). The Certifications of the Independent Directors of the Company are attached hereto as **Annexes "A-1", "A-2**" **and "A-3**", respectively, in accordance with Securities and Exchange Commission ("SEC") Memorandum Circular No. 5, Series of 2017.

The nominees for re-election as independent directors of the Board of Directors on June 7, 2022 are as follows:

Nominee for Independent Director (a)	Person/Group recommending nomination (b)	Relationship of (a) and (b)
Jack G. Arroyo, Jr.	Ramon S. Ang	None
Consuelo M. Ynares-Santiago	Ramon S. Ang	None
Josefina Guevara-Salonga	Ramon S. Ang	None

In approving the nominations for independent directors, the Corporate Governance Committee took into consideration the guidelines and procedures on the nomination of independent directors prescribed in SRC Rule 38 and the Amended Manual for Corporate Governance of the Company.

Under Amended Manual on Corporate Governance, the Board's independent directors shall serve for a maximum cumulative term of nine (9) years. Upon reaching this limit, an independent director should be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Company needs to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justifications and seek shareholders' approval during the annual shareholders' meeting.

Each of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago have been serving the Company as an independent director for more than nine (9) years. The Company’s Corporate Governance Committee has evaluated their independence and determined that they possess all the qualifications and none of the disqualifications to act as independent director of the Company, in accordance with the Amended Manual on Corporate Governance. Accordingly, the necessary endorsements for Board approval were made in the meetings held on May 2, 2022. Upon favorable endorsement by the Company’s Corporate Governance Committee, the Board, upon finding meritorious reasons for such re-election, approved and endorsed for the vote of the stockholders of the Company the re-election of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago in the 2022 Annual Stockholders’ Meeting, in compliance with the provisions of the Amended Manual on Corporate Governance.

Re-election of Jack G. Arroyo, Jr.

Serving as an independent director, Jack G. Arroyo, has brought high standards of corporate governance to the Company and objectively contributed providing his insights to the Audit and Risk Oversight Committee which he chairs, the Corporate Governance Committee and the Related Party Transaction Committee where he is a member, and to the Board of Directors of the Company. His years of experience and expertise in his profession and in various organizations have enhanced the corporate values of the Company.

Re-election of Consuelo M. Ynares-Santiago

Serving as an independent director, Consuelo M. Ynares-Santiago, has brought high standards of corporate governance to the Company and objectively contributed providing her insights to the Corporate Governance Committee which she chairs, the Audit and Risk Oversight Committee and the Related Party Transaction Committee where she is a member, and to the Board of Directors of the Company. Her years of experience and expertise in the judiciary, the administration of justice and the legal profession, including her contributions to the various organizations she is a member, have enhanced the corporate values of the Company.

On the basis of the foregoing, the Board of Directors found that the independence of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago have not been diminished or impaired by their long years of service in the Company as members of the Board of Directors. The Board of Directors has full trust and confidence that Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago will continue to be independent and will be able to perform their respective duties to the Board as independent directors with the same zeal, diligence, and vigor as they have consistently done all these years.

The nominations for the election of all directors by the stockholders were submitted in writing to the Board of Directors through the Corporate Secretary in accordance with the provisions of the Amended By-laws and were forwarded to the Corporate Governance Committee. In its meeting to be held on May 2, 2022, the Corporate Governance Committee pre-screened the qualifications of the nominees and prepared a final list of nominees eligible for election. No other nominations were entertained after the final list of candidates was prepared.

Under Section 2, Article III of the Company's Amended By-laws, (i) any stockholder having at least five hundred (500) shares registered in his name may be elected director, and (ii) a person engaged in any business which competes with or is antagonistic to that of the Company as defined in Section 2, Article III of the Company's Amended By-laws is not qualified or eligible for nomination or election to the Board of Directors.

All the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Section 2, Article III of the Company's Amended By-laws.

Significant Employees

While all employees are expected to make a significant contribution to the Company, there is no one particular employee, not an executive officer, expected to make a significant contribution to the business of the Company on his own.

Family Relationships

John Paul L. Ang, the Vice-Chairman of the Board of Directors, is the son of Ramon S. Ang, the Company's Chairman and Chief Executive Officer and President and Chief Operating Officer. Other than the foregoing, there are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors and/or executive officers or persons of the Company nominated or chosen by the Company to become its directors and executive officers.

Involvement of Directors and Officers in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

Certain Relationships and Related Transactions

See Note 20, Related Party Disclosures, of the Notes to the 2021 Audited Consolidated Financial Statements of the Company, hereto attached as **Annex "B"**. No director is engaged in any self-dealing or related party transaction with the Company.

Meeting Attendance

The directors' attendance in meetings of the Board Committees, the Board of Directors and the Stockholders since the 2021 Annual Stockholders' Meeting up to the date of this Definitive Information Statement are set out in the attached **Annex "C"**.

Performance Appraisal

Pursuant to the Amended Manual on Corporate Governance and the respective Board Committee Charters of the Company, the Board of Directors and the Board Committees shall assess their respective performances through self-rating forms duly approved by the Board and the Board Committees during their respective March 1, 2022 meetings, with the end in view of ensuring that its performance accords with best practices and meets its objectives thereunder.

Attached hereto as **Annex "H"** are the results of the self-assessment on the performance of each Board Committees, the Board of Directors, and management for calendar year 2021, based on the self-rating forms approved by the Board of Directors in its March 1, 2022 meeting. The results have been validated by the Corporate Governance Committee and the Compliance Officer of the Company and have been reported to the Board of Directors during its meeting held on May 2, 2022.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Executive Compensation

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer, President and Chief Operating Officer and Senior Executive Officers of the Company are as follows:

Name	Year	Salary (in millions)	Bonus (in millions)
Total compensation of the Chief Executive Officer, President and Chief Operating Officer and Senior Executive Officers	2022 (estimated)	₱74.2	₱26.8
	2021	₱73.9	₱24.2
	2020	₱70.6	₱22.9
All other Officers and Directors as a group unnamed	2022 (estimated)	₱44.4	₱24.3
	2021	₱43.6	₱26.1
	2020	₱34.1	₱19.9

Standard Arrangements

The Amended By-laws of the Company provides that directors, as such, shall not receive any stated salary for their services, but by resolution of the Board, each director, shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. The Amended By-laws of the Company further provides that a director shall not be precluded from serving the Company in any other capacity as an officer, agent or otherwise, and receiving compensation therefor. Other than the aforesaid reasonable *per diem*, the directors of the Company have not received any salary or compensation for their services as directors and for their committee participations for the periods indicated. There are no other special arrangements pursuant to which any director was or is to be compensated. There is no compensatory plan or arrangement for the termination, resignation, or retirement of a member of the Board.

Employment Contract

There is no special employment contract between the Company and a named Executive Officer. There were neither compensatory plan nor arrangement with respect to a named Executive Officer.

Warrants or Options Outstanding

There are no warrants or options held by any of the directors or executive officers of the Company.

Other Arrangements

Except as described above, there are no other arrangements pursuant to which any of the directors and executive officers of the Company were compensated, or is to be compensated, directly or indirectly.

INDEPENDENT PUBLIC ACCOUNTANTS

The accounting firm of R.G. Manabat & Co. served as the Company's external auditors for the last twelve (12) fiscal years. The Board of Directors will again nominate R.G. Manabat & Co. as the Company's external auditors for this fiscal year.

Representatives of R.G. Manabat & Co. are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire. R.G. Manabat & Co., then known as Manabat Sanagustin & Co., has been the Company's external auditors since 2010. In 2016, R.G. Manabat & Co. changed the signing partner assigned to the Company, in compliance with SRC Rule 68 (3) (b) (iv) in respect of the engagement of R.G. Manabat & Co.

FINANCIAL AND OTHER INFORMATION

Brief Description of the General Nature and Business of the Company

Company Overview

SMC Global Power Holdings Corp. ("SMC Global Power" or the "Company") is a wholly-owned subsidiary of San Miguel Corporation, one of the largest and most diversified conglomerates in the Philippines, founded in 1890 that is listed on the Philippine Stock Exchange. San Miguel Corporation has market-leading businesses in various sectors, including beverages, food, packaging, fuel and oil, energy, infrastructure, property development and leasing, cement, and investments in car distributorship and banking services.

SMC Global Power, together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 4,714 MW of combined capacity as of

December 31, 2021. The Company benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and more recently, battery energy storage systems (“BESS”). Based on the total installed generating capacities reported in the Energy Regulatory Commission (“ERC”) Resolution on Grid Market Share Limitation, the Company believes that its combined installed capacity comprises approximately 20% of the National Grid, 27% of the Luzon grid and 8% of the Mindanao grid, in each case as of December 31, 2021.

San Miguel Corporation entered the power industry in 2009 following the acquisition of rights to administer the output produced by Independent Power Producers (“IPPs”) in privatization auctions conducted by the Government through the Power Sector Assets and Liabilities Management Corporation, The following companies under the San Miguel Corporation group became the Independent Power Producer Administrator (“IPPA”) of the following plants: (1) San Miguel Energy Corporation (“SMEC”) became the IPPA for the Sual Power Plant, a coal-fired thermal power plant located in Sual, Pangasinan, in November 2009; (2) Strategic Power Development Corporation (“SPDC”) became the IPPA for the San Roque Power Plant, a hydroelectric power plant located in San Manuel, Pangasinan, in January 2010; and (3) South Premiere Power Corp. (“SPPC”) became the IPPA for the Ilijan Power Plant, a natural gas-fired combined cycle power plant located in Ilijan, Batangas, in June 2010. The Ilijan Power Plant, Sual Power Plant and San Roque Power Plant are collectively referred to as the “IPPA Power Plants”. SMEC, SPPC and SPDC are collectively referred to as the “IPPA Subsidiaries”.

An IPPA under the relevant IPPA agreement has the right to sell electricity generated by the power plants owned and operated by the relevant IPPs without having to bear any of the large upfront capital expenditures for power plant construction or maintenance. As an IPPA, each of SMEC, SPDC and SPPC also has the ability to manage both market and price risks by entering into bilateral contracts with offtakers while capturing potential upside from the sale of excess capacity through the wholesale electricity spot market (“WESM”).

In September 2010, San Miguel Corporation consolidated its power generation business through the transfer of its equity interests in SMEC, SPDC and SPPC to SMC Global Power. SMC Global Power also became a wholly-owned subsidiary of San Miguel Corporation. Since then, SMC Global Power has controlled the 2,545 MW combined contracted capacity of the IPPA Power Plants through the IPPA agreements executed by SMEC, SPDC and SPPC, respectively.

Building on its experience as an IPPA since San Miguel Corporation’s transfer of interests in SMEC, SPDC and SPPC, SMC Global Power embarked on the development of its own greenfield power projects. In 2013, SMC Global Power initiated two greenfield power projects, namely, the construction of the 2 x 150 MW Davao Greenfield Power Plant which is owned by San Miguel Consolidated Power Corporation (“SMCPC”), its wholly-owned subsidiary, and the 4 x 150 MW Limay Greenfield Power Plant which is owned by SMC Consolidated Power Corporation (“SCPC”), another wholly-owned subsidiary. Units 1, 2, 3 and 4 of the Limay Greenfield Power Plant commenced commercial operations in May 2017, September 2017, March 2018 and July 2019, respectively while Units 1 and 2 of the Davao Greenfield Power Plant commenced commercial operations in July 2017 and February 2018, respectively.

SMC Global Power also pursued strategic acquisitions to increase its energy portfolio. In November 2014, SMC Global Power, through its subsidiary PowerOne Ventures Energy Inc. (“PVEI”), acquired a 60% stake in Angat Hydropower Corporation (“AHC”), the owner and operator of the 218 MW Angat Hydroelectric Power Plant.

In March 2018, SMC Global Power completed the acquisition of 51% and 49% of the equity interests in SMCGP Masin Pte. Ltd. (“SMCGP Masin”, formerly Masin AES Pte. Ltd.) from AES Phil Investment Pte. Ltd. (“AES Phil”) and Gen Plus B.V., respectively. SMCGP Masin indirectly owns, through its subsidiaries, at the time of acquisition, Masinloc Power Partners Co. Ltd. ("MPPCL") and SMCGP Philippines Energy Storage Co. Ltd. ("SMCGP Philippines Energy"), formerly AES Philippine Energy Storage Co. Ltd., (SMCGP Masin and its subsidiaries are collectively referred to as the "Masinloc Group"). MPPCL owns, operates and maintains the 1 x 330 MW (Unit 1), 1 x 344 MW (Unit 2) coal-fired power plant and 351.75 MW (Unit 3) expansion project (together, comprising the "Masinloc Power Plant"), and the 10 MWh battery energy storage system project (the "Masinloc BESS"), all located in Masinloc, Zambales, while SMCGP Philippines Energy owns the 20 MWh battery energy storage system facility in Kabankalan, Negros Occidental (the "Kabankalan BESS") which has already commenced commercial operations in January 2022 as ancillary service provider to the National Grid Corporation of the Philippines.

On September 19, 2018, Prime Electric Generation Corporation ("PEGC"), and Oceantech Power Generation Corporation ("OPGC"), both wholly-owned subsidiaries of SMC Global Power, purchased the entire partnership interests in SMCGP Philippines Energy from subsidiaries of SMCGP Masin. SMC Global Power was admitted as an additional limited partner of SMCGP Masinloc Partners Co. Ltd. in 2019 (a limited partnership under the Masinloc Group) and of MPPCL in June 2020.

In July 2018, PEGC acquired the entire equity interest of ALCO Steam Energy Corp. in Alpha Water Realty & Services Corporation ("Alpha Water"), representing 60% of the outstanding capital stock of Alpha Water. As a result, SMC Global Power now effectively owns 100% of Alpha Water through its subsidiaries, PEGC and MPPCL. Alpha Water is the owner of the land on which the current site of the Masinloc Power Plant in Zambales Province is located.

In February 2020, Strategic Energy Development Inc. ("SEDI"), a wholly-owned subsidiary of SMC Global Power, executed an agreement for the acquisition of the 15 MW multi-fuel peaking power plant ("Tagum Peaking Power Plant") located at Tagum City, Davao del Norte, from EEI Power Corporation to provide back-up power to the Davao Greenfield Power Plant.

In December 2020, Mariveles Power Generation Corporation ("MPGC") approved the subscription of SMC Global Power of 29,177,717 common shares out of the increase in the authorized capital stock (ACS) of MPGC increasing the Company's ownership interest in MPGC from 89.54% to 91.98%, as a result of the waiver by Meralco Powergen Corporation, Zygnet Prime Holdings, Inc., and the other stockholders of MPGC, of their right to contribute additional equity. MPGC is currently constructing a 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities in Mariveles, Bataan.

SMC Global Power is also engaged in distribution and retail electricity services. In April 2013, SMC Global Power, through SMC Power Generation Corp. ("SPGC"), acquired 35% equity stake in Olongapo Electric Distribution Company, Inc. ("OEDC"). In October 2013, SMC Global Power entered into a concession agreement for the operation and maintenance of Albay Electric Cooperative, Inc. ("ALECO"), which is the franchise holder for the distribution of electricity in the province of Albay in Luzon. All the rights, interests and obligations of SMC Global Power under the concession agreement with ALECO were assumed by its wholly-owned subsidiary, Albay Power and Energy Corp. ("APEC") on November 2013.

SMC Global Power has also expanded its sale of power to a broader range of customers, including retail customers. In particular, certain of SMC Global Power's subsidiaries were issued retail electricity supplier ("RES") licenses allowing it to enter into contracts with contestable customers and expand its customer base.

SMC Global Power, through its subsidiaries SMEC, SPDC, SPPC, AHC, SCPC, SMCPC, SEDI and MPPCL, sells power through offtake agreements directly to customers, including the Manila Electric Company (Meralco) and other distribution utilities, electric cooperatives, third party RES and industrial customers, or through the WESM. The majority of the consolidated sales of SMC Global Power are through long-term take or pay offtake contracts, most of which have provisions for passing on fuel costs, foreign exchange differentials or certain other fixed costs.

In addition, SMC Global Power, through SMEC and its subsidiaries, Bonanza Energy Resources, Inc., Daguma Agro-Minerals, Inc. and Sultan Energy Phils. Corp., owns coal exploration, production and development rights over approximately 17,000 hectares of land in Mindanao. While the Company does not intend to develop these sites imminently, depending on prevailing global coal prices and the related logistical costs, it may consider eventually tapping these sites to serve as a significant additional source of coal fuel for its planned and existing greenfield coal-fired power plants.

Financial Statements

1. the Audited Consolidated Financial Statements as of and for the year ended December 31, 2021 (with comparative figures as of and for the year ended December 31, 2020), including the Company's Statement of Management's Responsibility and the Notes to the 2021 Audited Consolidated Financial Statements (the "***2021 Audited Consolidated Financial Statements***), are collectively attached hereto as **Annex "B"**.

   The following components of the 2021 Audited Consolidated Financial Statements required by the SEC under SRC Rule 68, as amended, are likewise attached to this Definitive Information Statement, as follows:

   a. Legal matter paragraph in the Auditor's Report or separate reports of auditor on each of the components required under SRC Rule 68, including the following, attached hereto as **Annex** "**B-1**":

   a.1 Map of the conglomerate or group of companies showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates (Part 1, 5(g)); and

   a.2 Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 5 (b)).

   b. A schedule showing financial soundness indicators in two comparative periods as follows: 1) current/liquidity ratios; 2) solvency ratios, debt-to-equity ratio; 3) asset-to-equity ratio; 4) interest rate coverage ratio; 5) profitability ratio and 6) other relevant ratio as the Commission may consider as necessary, attached hereto as **Annex** "**B-2**" (Part 1, 5 (c)).

2. the Unaudited Consolidated Financial Statements as of and for the period ended March 31, 2022 (with comparative figures as of December 31, 2021 and for the period ended March 31, 2021) and the Selected Notes to the Unaudited Consolidated Financial Statements, are collectively attached hereto as **Annex "D"**, comprising of the following components as required by the SEC under SRC Rule 68, as amended:

   a. Statements of Financial Position;
   b. Statements of Comprehensive Income;
   c. Statements of Cash Flows; and
   d. Statements of Changes in Equity.

Management Discussion and Analysis

The Management's Discussion and Analysis or Plan of Operation of the Company as of December 31, 2021 and March 31, 2022 are attached hereto as **Annexes "E" and "F"**, respectively.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has no disagreements with R.G. Manabat & Co. on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Audit and Audit Related Fees

The aggregate fees billed by R.G. Manabat & Co. amounted to ₱8.8 million, ₱9.1 million and ₱13.9 million in 2021, 2020 and 2019, respectively. Said fees include compensation for audit services, tax advisory and other related services such as review and agreed-upon procedures. There were no fees paid to the independent auditors for accounting, compliance, planning, and other services other than for those services described above.

The Audit and Risk Oversight Committee has an existing policy to review and pre-approve audit and non-audit services rendered by the independent auditors of the Company. The Audit and Risk Oversight Committee does not allow SMC Global Power to engage independent auditors for certain non-audit services expressly prohibited by SEC regulations to be performed by an independent auditor for its audit clients. This is to ensure that such independent auditors maintain the highest level of independence from SMC Global Power, both in fact and appearance.

Market Price of and Dividends on the Company's Common Equity and Related Stockholder Matters

The Company has an authorized capital stock of ₱2,000,000,000.00 comprised of 2,000,000,000 common shares with par value of ₱1.00 per common share. As of **May 13, 2022**, the Company has issued and outstanding 1,250,004,000 common shares. The common shares of the Company are neither traded in any public trading market, nor subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

As of **May 13, 2022**, the Company has eight (8) stockholders, seven (7) of whom are individuals with at least five hundred (500) shares each. The following sets out the shareholdings of the stockholders of the Company and the approximate percentages of their respective shareholdings to the total outstanding capital stock of the Company:

Name of Stockholder	**Class of Securities**	**Number of Shares**	**% of Outstanding Shares**
San Miguel Corporation	Common	1,250,000,500	100%
Ramon S. Ang	Common	500	0%
John Paul L. Ang	Common	500	0%
Aurora T. Calderon	Common	500	0%
Virgilio S. Jacinto	Common	500	0%
Jack G. Arroyo, Jr.	Common	500	0%
Consuelo M. Ynares-Santiago	Common	500	0%
Josefina Guevara-Salonga	Common	500	0%
Total	Common	1,250,004,000	100%

Dividend Policy

The Company and its subsidiaries are allowed under Philippine laws to declare dividends, subject to certain requirements. These requirements include, for example, that the Board is authorized to declare dividends only from its unrestricted retained earnings. Dividends may be payable in cash, shares or property, or a combination of the three, as the Board shall determine. A cash dividend declaration does not require any further approval from stockholders. The declaration of stock dividends is subject to the approval of stockholders holding at least two-thirds of the outstanding capital stock of the Company. The Board may not declare dividends which will impair its capital.

The Company and its subsidiaries declare dividends as determined by the Board, taking into consideration factors such as the implementation of business plans, debt service requirements, operating expenses, budgets, funding for new investments and acquisitions and appropriate reserves and working capital.

However, under existing loan facilities, the Company and certain major subsidiaries of the Company are not allowed to distribute any cash dividends to its shareholders, or to purchase, call for redemption or redeem, retire or otherwise acquire for value any shares (including options, warrants or other rights to acquire such shares of common stock) of the Company, any of its subsidiaries or any direct or indirect parent of the Company held by any persons or entity other than the Company or any wholly owned material subsidiary, unless certain conditions are complied with.

There were no cash dividend declarations during the year ended December 31, 2021, 2020, and 2019.

Distributions to Senior Perpetual Capital Securities (SPCS) Holders

Details of distributions paid to SPCS holders are as follows:

(in thousand)	**2021**	2020	2019
January	**P1,095,768**	₱ -	₱ -
April	**3,190,832**	1,882,400	-
May	**952,753**	1,080,562	-
July	**1,147,753**	1,226,070	-
October	**3,538,231**	1,801,429	1,732,869
November	**1,002,972**	1,027,544	-
December	**1,262,901**	-	-
	P12,191,210	₱7,018,005	₱1,732,869

Further, SMC Global Power paid distributions to SPCS holders amounting to US$17.10 million (equivalent to ₱1,170.6 million, inclusive of tax), US$26.25 million (equivalent to ₱1,837.2 million, inclusive of tax), US$26.0 million (equivalent to ₱1,813.6 million, inclusive of tax) and US$14.88 (equivalent to ₱1,041.3 million, inclusive of tax), on January 21, 2022, April 21, 2022, April 25, 2022, and May 5, 2022, respectively.

Distributions to Undated Subordinated Capital Securities (USCS) Holders

Details of distributions paid to USCS holders are as follows:

(in thousand)	2020	2019
February	₱735,220	₱757,133
May	-	837,321
August	711,498	758,435
November	-	830,478
	₱1,446,718	₱3,183,367

Further, on February 26, 2021, SMC Global Power paid distributions amounting to US$10.13 million (equivalent to ₱656.17 million, inclusive of tax), to the holders of the US$300 million USCS issued on August 26, 2015.

Distributions to Redeemable Perpetual Securities (RPS) Holder

Details of distributions paid to RPS holder are as follows:

(in thousand)	**2021**	2020	2019
March	**₱492,375**	₱513,703	₱530,512
June	**487,886**	510,961	527,363
September	**506,797**	499,586	525,992
December	**509,437**	491,563	512,891
	₱1,996,495	₱2,015,813	₱2,096,758

On March 16, 2022, SMC Global Power paid distributions amounting to US$10.16 million (equivalent to ₱520.30 million), to the RPS holder.

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

SMC Global Power has not sold unregistered or exempt securities nor has it issued securities constituting an exempt transaction within the past 3 years, except the following:

1. RPS

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

2. SPCS issued and listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"):

Name of Security Sold	**Underwriter**	**Date of Sale**	**Amount of Securities**	**Basis for Exemption**
SPCS	N/A	April 25, 2019	US$500,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	July 3, 2019	US$300,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	November 5, 2019	US$500,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	January 21, 2020	US$600,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	October 21, 2020	US$400,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	December 15, 2020	US$350,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	June 9, 2021	US$600,000,000.00	Section 10.1(l) of the SRC
SPCS	N/A	September15, 2021	US$150,000,000.00	Section 10.1(l) of the SRC
			US$3,400,000,000.00	

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

Compliance with Leading Practice on Corporate Governance

On August 19, 2011, the Board of Directors adopted the Company's Manual on Corporate Governance pursuant to the Revised Code of Corporate Governance issued by the SEC under its Memorandum Circular No. 6, Series of 2009. On April 11, 2016, the Board approved the adoption of the Amended Manual on Corporate Governance of SMC Global Power (the "Amended Manual"), incorporating therein, among others, the amendments pursuant to SEC Memorandum Circular 9, Series of 2014. In compliance with SEC Memorandum Circular No. 9, Series of 2016, the Board approved the adoption of further amendments to the Amended Manual on May 5, 2017 (the "2nd Amended Manual"). SMC Global Power's Amended By-laws was also further amended to incorporate the relevant provisions under the 2nd Amended Manual. The aforesaid amendments were approved by the SEC on December 20, 2017. The Amended By-laws of the Company now provides that the 2nd Amended Manual and the Charters of the Board Committees, as may be amended from time to time, shall be suppletory to the same. The 2nd Amended Manual was further revised by the Company on May 12, 2020, and filed with the SEC on June 30, 2020 (the "3rd Amended Manual") to comply with SEC Memorandum Circular No. 24, Series of 2019, otherwise known as Code of Corporate Governance for Public Companies and Registered Issuers (the "CG Code for PCs and RIs").

The duty to conduct the evaluation by SMC Global Power to measure and determine the level of compliance of the Board of Directors and top-level management with the 3rd Amended Manual is vested by the Board of Directors on the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the 3rd Amended Manual. Pursuant to the 3rd Amended Manual and the respective Board Committee Charters of SMC Global Power, the Board of Directors and the Board Committees must also assess their respective performances through self-rating forms duly approved by the Board and the Board Committees during their respective meetings on March 1, 2022, with the end in view of ensuring that its performance accords with best practices and meets its objectives thereunder.

Under the CG Code for PCs and RIs, SMC Global Power is now required to submit an Annual Corporate Governance Report (ACGR). Pursuant to SEC Memorandum Circular No. 13, Series of 2021 ("SEC MC No. 13"), every public company ("PC") and registered issuer ("RI") shall be required to submit its ACGR with the SEC on or before June 30 of the following year for every year that the company qualifies as a PC or RI. The first submission of the ACGR shall cover the period from January – December 2021. The Company shall be filing its ACGR for 2021 on or before June 30, 2022 in compliance with SEC MC No. 13.

Pursuant to its commitment to good governance and business practice, SMC Global Power continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance, which it determines to be in the best interests of SMC Global Power, its stockholders and other stakeholders. In addition, in keeping abreast of the latest best practices in corporate governance and complying with applicable legal requirements, including SEC Memorandum Circular No. 13 (Series of 2013), directors and officers of SMC Global Power regularly attend corporate governance training seminars. For 2021, its directors and officers attended at least one (1) of the following corporate governance training seminars: (i) by SGV & Co. on September 23, 2021, (ii) by Center for Global Best Practices on August 17, 2021 and October 29, 2021, and (iii) by ROAM, Inc. on October 15, 2021.

With regard to the adequacy of the Corporation's internal control, the Board of Directors, during its meeting held on March 1, 2022, confirmed and certified that a sound internal audit, control and compliance system is in place and working effectively.

ACTION WITH RESPECT TO REPORTS

The approval of the following will be considered and acted upon at the meeting:

1. Minutes of the Annual Stockholders' Meeting held on June 1, 2021 (the "2021 Annual Stockholders' Meeting") with the following items:

    a. Certification of Quorum
    b. Approval of the Minutes of the Annual Stockholders' Meeting held on June 2, 2020
    c. Approval of the 2020 Audited Financial Statements
    d. Election of the Board of Directors
    e. Ratification of Acts, Proceedings, and Resolutions of the Board of Directors and Corporate Officers
    f. Appointment of External Auditors
    g. Other Matters
    h. Adjournment

A copy of the Minutes of the Annual Stockholders' Meeting held on June 1, 2021 is hereto attached as **Annex "G"** and is available for viewing on the Company's website www.smcglobalpower.com.ph.

The said minutes contain the following information, among others:

i. Voting and vote tabulation procedures used in the 2020 meeting;
ii. Opportunity given to stockholders or members to ask questions;

iii. The matters discussed and resolutions reached;
iv. A record of the voting results for each agenda item; and
v. A list of the directors, officers and stockholders who attended the meeting.

2. Approval of the 2021 Audited Financial Statements;

3. Ratification of all acts, proceedings and resolutions of the Board of Directors and Corporate Officers since the 2021 Annual Stockholders' Meeting, which include:

   a. Approval of the following matters:

      i. Minutes of Previous Meetings;
      ii. Quarterly financial performance and financial position of the Company;
      iii. Distributions to the holders of the USD650 Million Redeemable Perpetual Securities which the Company issued on March 15, 2018;
      iv. Capital securities distribution to holders of the USD750 Million SPCS which the Company issued on October 21, 2020;
      v. Capital securities distribution to holders of the USD800 Million SPCS which the Company issued on April 25, 2019;
      vi. Capital securities distribution to holders of the USD500 Million SPCS, which the Company issued on 05 November 2019;
      vii. Issuance of additional Senior Perpetual Capital Securities of at least US$100,000,000.00 [1] or such other amount as Management may determine;
      viii. Capital Securities Distribution to holders of the USD750 Million SPCS which the Corporation issued on 09 June 2021;
      ix. Capital Securities Distribution to holders of the USD600 Million SPCS which the Corporation issued on 21 January 2020;
      x. the execution of the term loan facilities of the Corporation for USD200 Million with greenshoe option with Sumitomo Mitsui Banking Corporation Singapore Branch and other financial institutions acceptable to the Corporation;
      xi. Change in the principal address of the Corporation from 155 EDSA, Brgy. Wack-Wack, Mandaluyong City, Metro Manila to 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila, and the amendment of Article Third of the Amended Articles of Incorporation of the Corporation to reflect the aforementioned change in address;
      xii. Financial performance and financial position of the Corporation as of 31 December 2021;
      xiii. Issuance, offer and sale to the public in the Philippines of bonds in the aggregate principal amount of up to ₱60,000,000,000.00;
      xiv. Details of the 2022 Annual Stockholders' Meeting of the Company, including the internal procedures for the conduct of 2021 Annual Stockholders' Meeting via remote communication through videoconferencing, in accordance with existing rules and guidelines promulgated by the SEC;
      xv. Report on the qualifications of the nominees for the election to the Board of Directors of the Company to be held on the 2022 Annual Stockholders' Meeting;
      xvi. Report on the validation of the results by the Corporate Governance Committee and the Compliance Officer of the Company of the Performance Assessments of the Board Committees, the Board of Directors and Management of the Company for 2021; and
      xvii. Amendments to the Multi-Employer Retirement Plan Rules and Regulations of SMCGP and subsidiaries.

[1] Pursuant thereto the Company issued US$150,000,000 SPCS on September 15, 2021;

b. Election and Appointment of officers;

c. Appointment of the members of the Board Committees; and

d. Designation of depository banks, appointment of authorized signatories for banking and other corporate transactions.

4. Appointment of R.G. Manabat & Co. as external auditors of the Company for fiscal year 2022, and

5. Election of the Board of Directors.

The Minutes of the 2021 Annual Stockholders' Meeting, and the Minutes of the Board of Directors Meetings beginning June 1, 2021, will be available for examination by the stockholders of the Company during office hours at the Office of the Corporate Secretary.

VOTING PROCEDURES

For the election of directors, the seven (7) nominees with the greatest number of votes will be elected as directors.

Considering that the 2022 Annual Stockholders' Meeting will be held via videoconference, votes of all stockholders on any or all of the proposals or matters submitted at the meeting can be cast through ballots or proxies submitted on or before May 24, 2022 by email sent to *ASM@smcgph.sanmiguel.com.ph* or by personal delivery to the Office of the Corporate Secretary at No. 40 San Miguel Avenue, Mandaluyong City. A sample of the ballot and proxy is included in this Definitive Information Statement.

For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its corporate secretary's certification stating the representative's authority to represent the corporation in the meeting. Validation of ballots and proxies will be on May 24, 2022 at 2:00 p.m. at the Office of the Corporate Secretary at the above-mentioned address.

In all proposals or matters for approval except for election of directors, each share of stock entitles its registered owner (who is entitled to vote on such particular matter) to one (1) vote. In case of election of directors, cumulative voting as set out in pages 9-10 of this Definitive Information Statement shall be adopted. Counting of the votes will be done by the Corporate Secretary or Assistant Corporate Secretary with the assistance of the independent auditors.

UNDERTAKING

The Company undertakes to post the full version of this Definitive Information Statement under SEC Form 20-IS, together with all its annexes on the Company's website www.smcglobalpower.com.ph upon its approval by the SEC.

The Company undertakes to provide any requesting stockholder, free of charge, a printed or electronic copy of its 2021 Annual Report under SEC Form 17-A and the 1st Quarter 2022 Financial Report under SEC Form 17-Q, at the stockholder's option, upon written request addressed to the Office of the Corporate Secretary, SMC Global Power Holdings Corp., 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Mandaluyong City on **May 17, 2022.**

SMC GLOBAL POWER HOLDINGS CORP.

By:

Virgilio S. Jacinto
Corporate Secretary and Compliance Officer

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JACK G. ARROYO, JR.**, Filipino, of legal age and a resident of C-302 Galeria de Magallanes, Lapu-Lapu St., Magallanes Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **SMC GLOBAL POWER HOLDINGS CORP.** and has been its independent director since 2 September 2011.

2. I am affiliated with the following companies or organizations:

Company/Organization	*Position/Relationship*	*Period of Service*
Casino Español de Manila	President Member of the Board	2015 to present 2010 to present
Philippine Society of Cataract and Refractive Surgery (PSCRS)	Member of the Board of Trustees and Treasurer	2001 to present
Centrist Democratic Political Educators, Inc. (CDPI)	Vice President of the National Capital Region	December 2016 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **SMC GLOBAL POWER HOLDINGS CORP.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC Issuances.

4. I am not related to any director/officer/substantial shareholder of **SMC GLOBAL POWER HOLDINGS CORP.** and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or any Government-Owned or Controlled Corporation (GOCC).

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **SMC GLOBAL POWER HOLDINGS CORP.** of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this at Mandaluyong City.

JACK G. ARROYO, JR.
Affiant

SUBSCRIBED AND SWORN to before me this MAY - 2 2022 at Mandaluyong City, affiant personally appeared before me and exhibited to me his Philippines Passport with Passport No. P7252861A issued on May 22, 2018, at DFA Manila.

Doc. No. : 379;
Page No.: 77;
Book No.: IX;
Series of 2022.

JOSE ANGELITO M. ILANO
Commission No. 0520-20
Notary Public for Mandaluyong City
Until June 30, 2022
(S.C. B.M. No. 3795; 09/28/2021)
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 62172
PTR No. 4884369; 01/14/22; Mandaluyong City
Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. V-0022159; 04/14/22; Pasig City

JOSE ANGELITO M. ILANO
NOTARY PUBLIC
ROLL NO. 62172
MANDALUYONG CITY, PHILS.

ANNEX "A-2"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CONSUELO M. YNARES-SANTIAGO**, Filipino, of legal age and a resident of No. 4 Queensville cor. Derby Streets, White Plains, Quezon City City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **SMC GLOBAL POWER HOLDINGS CORP.** and has been its independent director since 2 September 2011.

2. I am affiliated with the following companies or organizations:

Company/Organization	*Position/Relationship*	*Period of Service*
Top Frontier Investment Holdings, Inc.	Independent Director	2013 to present
Anchor Insurance Brokerage Corporation	Independent Director	2012 to present
South Luzon Tollway Corporation	Independent Director	2015 to present
Phoenix Petroleum Phil. Inc.	Independent Director	2013 to Present
National Sandigan Foundation of the Philippines	Member	2009 to present
Tahanan Outreach Program Services (TOPS)	Member, Board of Directors	2014 to present
UP Women Lawyers' Circle (WILOCI)	Consultant	2002 to present
Women's Lawyers' Association of the Philippines	Member	1990 to present
Federacion International de Abogados	Member	1990 to present
Apostleship of Prayer Association	Member	2002 to present
Retired Supreme Court Justices Association of the Philippines	Member	2009 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **SMC GLOBAL POWER HOLDINGS CORP.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC Issuances.

4. I am not related to any director/officer/substantial shareholder of **SMC GLOBAL POWER HOLDINGS CORP.** and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or any Government-Owned or Controlled Corporation (GOCC).

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **SMC GLOBAL POWER HOLDINGS CORP.** of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this MAY - 2 2022 at Mandaluyong City.

Consuelo M. Ynares-Santiago

CONSUELO M. YNARES-SANTIAGO
Affiant

SUBSCRIBED AND SWORN to before me this MAY - 2 2022 at Mandaluyong City, affiant personally appeared before me and exhibited to me her Philippine Passport with Passport No. P9683307A issued on November 23, 2018, at DFA Manila.

Doc. No. : 377;
Page No.: 77;
Book No.: IV;
Series of 2022.

JOSE ANGELITO M. ILANO
Commission No. 0520-20
Notary Public for Mandaluyong City
Until June 30, 2022
(S.C. B.M. No. 3795; 09/28/2021)
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 62172
PTR No. 4884369; 01/14/22; Mandaluyong City
IBP Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. V-0022159; 04/14/22; Pasig City

JOSE ANGELITO M. ILANO
NOTARY PUBLIC
ROLL NO. 62172
MANDALUYONG CITY, PHILS.

ANNEX "A-3"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOSEFINA GUEVARA-SALONGA**, Filipino, of legal age and a resident of 44 Magallanes Avenue, Magallanes Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **SMC GLOBAL POWER HOLDINGS CORP.** and has been its independent director since 7 November 2017.

2. I am affiliated with the following companies or organizations:

Company/Organization	*Position/ Relationship*	*Period of Service*
Tahanan Outreach Program and Service (TOPS)	Trustee	2010-Present
San Pedro, Laguna Lawyers' Association	Member	Present
WILOCI (U.P.) Lawyers' Association	Member	1966-Present
Philippine Women Judges' Association	Member	Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **SMC GLOBAL POWER HOLDINGS CORP.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC Issuances.

4. I am not related to any director/officer/substantial shareholder of **SMC GLOBAL POWER HOLDINGS CORP.** and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or any Government-Owned or Controlled Corporation (GOCC).

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **SMC GLOBAL POWER HOLDINGS CORP.** of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this at Mandaluyong City.

Josefina Guevara- Salonga
Affiant

SUBSCRIBED AND SWORN to before me this MAY - 2 2022 at Mandaluyong City, affiant personally appeared before me and exhibited to me her Philippine Passport with Passport No. P8640089A issued on September 6, 2018, at DFA Manila.

Doc. No.: 378;
Page No.: 77;
Book No.: VI;
Series of 2022.

JOSE ANGELITO M. ILANO
Commission No. 0520-20
Notary Public for Mandaluyong City
Until June 30, 2022
(S.C. B.M. No. 3795; 08/28/2021)
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 62172
PTR No. 4894369; 01/14/22; Mandaluyong City
IBP Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. V-0022159; 04/14/22; Pasig City

JOSE ANGELITO M. ILANO
NOTARY PUBLIC
ROLL NO. 62172
MANDALUYONG CITY, PHILS

ANNEX "B"

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	8	0	1	0	9	9

COMPANY NAME

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

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	8702-4579	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	June / 1st Tuesday	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Paul Bernard D. Causon	pcauson@smcgph.sanmiguel.com.ph	8702-4579	N/A

CONTACT PERSON's ADDRESS

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

Note 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES

(A Wholly-owned Subsidiary of San Miguel Corporation)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
SMC Global Power Holdings Corp.
5th Floor, C5 Office Building Complex
#100 E. Rodriguez Jr. Ave., C5 Road
Bo. Ugong, Pasig City 1604, Metro Manila

Opinion

We have audited the consolidated financial statements of SMC Global Power Holdings Corp. and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, is of most significance in our audit of the consolidated financial statements of the current period. This matter is addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of Goodwill (P69,953 million)
Refer to Note 3, Significant Accounting Policies, Note 4, Use of Judgments, Estimates and Assumptions and Note 15, Goodwill and Other Intangible Assets.

The risk -

The Group recognized a significant amount of goodwill arising from the acquisition of Masinloc Group. The annual impairment test on goodwill was significant to our audit since the assessment process is complex and judgmental by nature as it is based on assumptions on future market and/or economic conditions including future cash flow projections, growth rate and discount rate.

Our response -

We performed the following audit procedures, among others, on the valuation of goodwill:

- We tested the integrity and reasonableness of the discounted cash flow model used by the Group. This involved using our own valuation specialist to assist us in evaluating the model used and assumptions applied and comparing these assumptions to externally derived data as well as our own assessments in relation to key inputs such as projected revenues, discount rate and terminal growth rate, as well as performing our own sensitivity analysis on the assumptions.

- We also assessed the Group's disclosures on key assumptions and the sensitivity of the outcome of the impairment assessment to changes in key assumptions used in the valuation.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A as at and for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A as at and for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Darwin P. Virocel.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
  covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
  Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8854088
  Issued January 3, 2022 at Makati City

March 4, 2022
Makati City, Metro Manila

SMC GLOBAL POWER

5th Floor, C5 Office Building Complex,
#100 E. Rodriquez Jr. Ave., C5 Road,
BO. Ugong, Pasig City 1604
Metro Manila, Philippines
T: (02) 8702-4579
www.smcglobalpower.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SMC Global Power Holdings Corp.** (the "**Company**") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors (BOD) is responsible for overseeing the Company's financial reporting process.

The BOD reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

RAMON S. ANG
Chairman of the Board & CEO
President & COO

PAUL BERNARD D. CAUSON
Chief Finance Officer

Signed this 1st day of March 2022

ACKNOWLEDGMENT

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

Before me, a Notary Public for and in Mandaluyong City, this 1st day of March 2022, personally appeared the following:

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

known to me to be the same persons who executed the foregoing instrument and that they acknowledged to me that the same is their free and voluntary act and deed and that of the corporation they represent.

IN WITNESS WHEREOF, I have hereunto affixed my notarial seal at the date and place first above written.

Doc. No.: 57;
Page No.: 13;
Book No.: VI;
Series of 2022

MARILEN S. VIZCO-ADRIANO
NOTARY PUBLIC
ROLL NO. 52532
MANDALUYONG CITY, PHILIPPINES

MARILEN S. VIZCO-ADRIANO
Appointment No. 0571-20
Notary Public for Mandaluyong City
Until June 30, 2022 pursuant to SC En Banc Resolution dated September 28, 2021 in relation to B.M. No. 3795
No. 155 EDSA, Brgy. Wack-Wack, Mandaluyong City
Roll No. 52532
PTR No. 4875148; 01/07/2022; Mandaluyong City
IBP Lifetime IBP No. 835229; 10/08/2010; Quezon City Chapter
MCLE Compliance No. VI-0018687; 02/18/2019; Pasig City

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(In Thousands)

	Note	**2021**	2020
ASSETS			
Current Assets			
Cash and cash equivalents	*7, 30, 31*	**P67,690,151**	P110,717,686
Trade and other receivables - net	*4, 6, 8, 20, 30, 31*	**47,272,302**	36,162,259
Inventories	*4, 6, 9, 20*	**10,017,822**	5,582,080
Prepaid expenses and other current assets	*6, 10*	**31,489,892**	24,916,061
Total Current Assets		**156,470,167**	177,378,086
Noncurrent Assets			
Investments and advances - net	*4, 11*	**10,838,846**	9,956,798
Property, plant and equipment - net	*4, 6, 12*	**211,858,532**	171,415,437
Right-of-use assets - net	*6, 13*	**157,159,661**	162,313,084
Deferred exploration and development costs	*4, 6, 14*	**719,393**	714,726
Goodwill and other intangible assets - net	*4, 6, 14, 15*	**72,943,146**	72,858,197
Deferred tax assets	*4, 27*	**1,447,415**	1,645,882
Other noncurrent assets	*16, 20, 30, 31*	**24,287,040**	13,733,628
Total Noncurrent Assets		**479,254,033**	432,637,752
		P635,724,200	P610,015,838
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*17, 30, 31*	**P1,529,970**	P1,680,805
Accounts payable and accrued expenses	*18, 20, 30, 31*	**56,055,226**	40,279,512
Lease liabilities - current portion	*4, 6, 30, 31*	**21,677,035**	24,006,629
Income tax payable		**24,754**	10,060
Current maturities of long-term debt - net of debt issue costs	*19, 30, 31*	**30,185,418**	22,721,660
Total Current Liabilities		**109,472,403**	88,698,666
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*19, 30, 31*	**192,736,025**	196,831,122
Deferred tax liabilities	*27*	**20,182,639**	19,456,124
Lease liabilities - net of current portion	*4, 6, 30, 31*	**56,536,324**	75,504,465
Other noncurrent liabilities	*4, 6, 20, 21, 30, 31*	**5,068,211**	3,221,440
Total Noncurrent Liabilities		**274,523,199**	295,013,151
Total Liabilities		**383,995,602**	383,711,817

Forward

	Note	2021	2020
Equity	*22*		
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**P1,062,504**	P1,062,504
Additional paid-in capital		**2,490,000**	2,490,000
Senior perpetual capital securities		**167,767,364**	132,199,732
Redeemable perpetual securities		**32,751,570**	32,751,570
Undated subordinated capital securities		**-**	13,823,499
Equity reserves	*21, 31*	**(1,536,280)**	(4,228,092)
Retained earnings		**48,247,948**	47,178,853
		250,783,106	225,278,066
Non-controlling Interests	*11*	**945,492**	1,025,955
Total Equity		**251,728,598**	226,304,021
		P635,724,200	P610,015,838

See Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(In Thousands, Except Per Share Data)

	Note	**2021**	2020	2019
REVENUES	*20, 23, 33*	**P133,710,171**	P115,028,651	P135,060,079
COST OF POWER SOLD	*24*	**96,908,445**	71,895,548	91,758,200
GROSS PROFIT		**36,801,726**	43,133,103	43,301,879
SELLING AND ADMINISTRATIVE EXPENSES	*25*	**4,915,271**	6,210,237	7,348,194
INCOME FROM OPERATIONS		**31,886,455**	36,922,866	35,953,685
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*6, 12, 17, 18, 19*	**(18,269,192)**	(18,582,926)	(19,720,720)
INTEREST INCOME	*7*	**617,100**	1,007,235	1,585,459
EQUITY IN NET LOSSES OF AN ASSOCIATE AND JOINT VENTURES - Net	*11*	**(117,348)**	(472,694)	(391,054)
OTHER INCOME - Net	*6, 12, 26*	**3,761,479**	7,922,509	4,199,255
INCOME BEFORE INCOME TAX		**17,878,494**	26,796,990	21,626,625
INCOME TAX EXPENSE	*27, 28*	**1,900,167**	7,923,452	7,263,116
NET INCOME		**P15,978,327**	P18,873,538	P14,363,509
Attributable to:				
Equity holders of the Parent Company	*29*	**P16,058,084**	P18,840,154	P14,370,482
Non-controlling interests		**(79,757)**	33,384	(6,973)
		P15,978,327	P18,873,538	P14,363,509
Earnings Per Common Share Attributable to Equity Holders of the Parent Company				
Basic/Diluted	*29*	**P0.88**	P5.80	P5.21

See Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(In Thousands)

	Note	**2021**	2020	2019
NET INCOME		**P15,978,327**	P18,873,538	P14,363,509
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Equity reserve for retirement plan	*21*	**11,817**	4,868	(33,164)
Income tax expense	*27*	**(193)**	(523)	(9,148)
Share in other comprehensive income (loss) of an associate - net	*11*	**1,238**	1	(517)
		12,862	4,346	(42,829)
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations		**3,380,769**	(1,656,800)	(989,010)
Net gain (loss) on cash flow hedges	*31*	**55,962**	(7,243)	(38,066)
		3,436,731	(1,664,043)	(1,027,076)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**3,449,593**	(1,659,697)	(1,069,905)
TOTAL COMPREHENSIVE INCOME - Net of tax		**P19,427,920**	P17,213,841	P13,293,604
Attributable to:				
Equity holders of the Parent Company		**P19,507,677**	P17,180,457	P13,300,577
Non-controlling interests		**(79,757)**	33,384	(6,973)
		P19,427,920	P17,213,841	P13,293,604

See Notes to the Consolidated Financial Statements.

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(In Thousands)

		Equity Attributable to Equity Holders of Parent Company												
							Equity Reserves							
	Note	Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Undated Subordinated Capital Securities	Equity Reserve	Translation Reserve	Reserve for Retirement Plan	Hedging Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2021		**P1,062,504**	**P2,490,000**	**P132,199,732**	**P32,751,570**	**P13,823,499**	**(P1,621,661)**	**(P2,500,221)**	**(P59,057)**	**(P47,153)**	**P47,178,853**	**P225,278,066**	**P1,025,955**	**P226,304,021**
Net income (loss)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,058,084**	**16,058,084**	**(79,757)**	**15,978,327**
Other comprehensive income - net of tax		**-**	**-**	**-**	**-**	**-**	**-**	**3,380,769**	**12,862**	**55,962**	**-**	**3,449,593**	**-**	**3,449,593**
Total comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**-**	**3,380,769**	**12,862**	**55,962**	**16,058,084**	**19,507,677**	**(79,757)**	**19,427,920**
Issuance of senior perpetual capital securities	*22, 32*	**-**	**-**	**35,567,632**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,567,632**	**-**	**35,567,632**
Redemption of undated subordinated capital securities		**-**	**-**	**-**	**-**	**(13,823,499)**	**(758,001)**	**-**	**-**	**-**	**-**	**(14,581,500)**	**-**	**(14,581,500)**
Share issuance costs		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(145,116)**	**(145,116)**	**-**	**(145,116)**
Decrease in noncontrolling interest		**-**	**-**	**-**	**-**	**-**	**220**	**-**	**-**	**-**	**-**	**220**	**(706)**	**(486)**
Distributions:					**-**									
Undated subordinated capital securities	*22*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(656,168)**	**(656,168)**	**-**	**(656,168)**
Redeemable perpetual securities	*22*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,996,495)**	**(1,996,495)**	**-**	**(1,996,495)**
Senior perpetual capital securities	*22*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,191,210)**	**(12,191,210)**	**-**	**(12,191,210)**
Transactions with owners		**-**	**-**	**35,567,632**	**-**	**(13,823,499)**	**(757,781)**	**-**	**-**	**-**	**(14,988,989)**	**5,997,363**	**(706)**	**5,996,657**
As at December 31, 2021		**P1,062,504**	**P2,490,000**	**P167,767,364**	**P32,751,570**	**P -**	**(P2,379,442)**	**P880,548**	**(P46,195)**	**P8,809**	**P48,247,948**	**P250,783,106**	**P945,492**	**P251,728,598**
As at January 1, 2020		P1,062,504	P2,490,000	P65,885,565	P32,751,570	P13,823,499	(P1,621,661)	(P843,421)	(P63,403)	(P39,910)	P38,987,442	P152,432,185	P992,571	P153,424,756
Net income		-	-	-	-	-	-	-	-	-	18,840,154	18,840,154	33,384	18,873,538
Other comprehensive income (loss) - net of tax		-	-	-	-	-	-	(1,656,800)	4,346	(7,243)	-	(1,659,697)	-	(1,659,697)
Total comprehensive income (loss)		-	-	-	-	-	-	(1,656,800)	4,346	(7,243)	18,840,154	17,180,457	33,384	17,213,841
Issuance of senior perpetual capital securities	*22, 32*	-	-	66,314,167	-	-	-	-	-	-	-	66,314,167	-	66,314,167
Share issuance costs		-	-	-	-	-	-	-	-	-	(168,207)	(168,207)	-	(168,207)
Distributions:														
Undated subordinated capital securities	*22*	-	-	-	-	-	-	-	-	-	(1,446,718)	(1,446,718)	-	(1,446,718)
Redeemable perpetual securities	*22*	-	-	-	-	-	-	-	-	-	(2,015,813)	(2,015,813)	-	(2,015,813)
Senior perpetual capital securities	*22*	-	-	-	-	-	-	-	-	-	(7,018,005)	(7,018,005)	-	(7,018,005)
Transactions with owners		-	-	66,314,167	-	-	-	-	-	-	(10,648,743)	55,665,424	-	55,665,424
As at December 31, 2020		P1,062,504	P2,490,000	P132,199,732	P32,751,570	P13,823,499	(P1,621,661)	(P2,500,221)	(P59,057)	(P47,153)	P47,178,853	P225,278,066	P1,025,955	P226,304,021

Forward

		Equity Attributable to Equity Holders of Parent Company												
							Equity Reserves							
	Note	**Capital Stock**	**Additional Paid-in Capital**	**Senior Perpetual Capital Securities**	**Redeemable Perpetual Securities**	**Undated Subordinated Capital Securities**	**Equity Reserve**	**Translation Reserve**	**Reserve for Retirement Plan**	**Hedging Reserve**	**Retained Earnings**	**Total**	**Non-controlling Interests**	**Total Equity**
As at January 1, 2019, As adjusted		P1,062,504	P2,490,000	P -	P32,751,570	P26,933,565	P466,843	P145,256	P8,052	(P1,844)	P31,882,862	P95,738,808	P -	P95,738,808
Net income		-	-	-	-	-	-	-	-	-	14,370,482	14,370,482	(6,973)	14,363,509
Other comprehensive loss - net of tax		-	-	-	-	-	-	(989,010)	(42,829)	(38,066)	-	(1,069,905)	-	(1,069,905)
Total comprehensive income (loss)		-	-	-	-	-	-	(989,010)	(42,829)	(38,066)	14,370,482	13,300,577	(6,973)	13,293,604
Reversal of reserve for retirement plan	*21*	-	-	-	-	-	-	333	(28,626)	-	28,293	-	-	-
Issuance of senior perpetual capital securities	*22*	-	-	65,885,565	-	-	-	-	-	-	-	65,885,565	-	65,885,565
Redemption of undated subordinated capital securities	*22*	-	-	-	-	(13,110,066)	(2,072,934)	-	-	-	-	(15,183,000)	-	(15,183,000)
Non-controlling interests from acquisition of an asset	*11*	-	-	-	-	-	(15,570)	-	-	-	-	(15,570)	999,544	983,974
Share issuance costs		-	-	-	-	-	-	-	-	-	(281,201)	(281,201)	-	(281,201)
Distributions:														
Undated subordinated capital securities	*22*	-	-	-	-	-	-	-	-	-	(3,183,367)	(3,183,367)	-	(3,183,367)
Redeemable perpetual securities	*22*	-	-	-	-	-	-	-	-	-	(2,096,758)	(2,096,758)	-	(2,096,758)
Senior perpetual capital securities	*22*	-	-	-	-	-	-	-	-	-	(1,732,869)	(1,732,869)	-	(1,732,869)
Transactions with owners		-	-	65,885,565	-	(13,110,066)	(2,088,504)	333	(28,626)	-	(7,265,902)	43,392,800	999,544	44,392,344
As at December 31, 2019		P1,062,504	P2,490,000	P65,885,565	P32,751,570	P13,823,499	(P1,621,661)	(P843,421)	(P63,403)	(P39,910)	P38,987,442	P152,432,185	P992,571	P153,424,756

See Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(In Thousands)

	Note	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P17,878,494**	P26,796,990	P21,626,625
Adjustments for:				
Interest expense and other financing charges	*6, 17, 19*	**18,263,484**	18,575,630	19,710,034
Depreciation and amortization	*6, 12, 13, 15, 24, 25*	**11,374,200**	10,566,173	9,917,656
Unrealized foreign exchange losses (gains) - net		**1,642,094**	(3,809,291)	(4,208,210)
Equity in net losses of an associate and joint ventures	*11*	**117,348**	472,694	391,054
Impairment losses on trade and other receivables	*8, 25*	**44,006**	305,829	257,879
Impairment losses on property, plant and equipment	*12, 26*	**34,991**	35,018	35,084
Retirement cost (benefit)	*21*	**23,756**	25,095	(136,488)
Impairment losses on concession assets	*6, 24*	**-**	90,819	29,575
Loss on retirement of machineries and equipment	*12, 26*	**-**	-	66
Gain on sale of property, plant and equipment	*12, 26*	**-**	-	(1,402)
Unrealized marked - to - market gain on derivatives	*31*	**(111,932)**	(9,299)	(57,558)
Reversal of impairment losses on other receivables	*8, 26*	**(410,433)**	(137,551)	-
Interest income	*7, 16*	**(617,100)**	(1,007,235)	(1,585,459)
Operating income before working capital changes		**48,238,908**	51,904,872	45,978,856
Decrease (increase) in:				
Trade and other receivables - net	*8*	**(9,315,447)**	(7,288,105)	2,507,863
Inventories	*9*	**(4,375,044)**	(602,370)	135,620
Prepaid expenses and other current assets	*10*	**(7,102,806)**	(2,141,031)	(1,881,731)
Increase in:				
Accounts payable and accrued expenses	*18*	**11,672,484**	6,482,160	4,491,594
Other noncurrent liabilities and others		**4,272,950**	1,209,675	812,602
Cash generated from operations		**43,391,045**	49,565,201	52,044,804
Interest income received		**578,406**	1,026,767	1,547,373
Income taxes paid		**(253,054)**	(1,686,492)	(2,189,655)
Interest expense and other financing charges paid		**(18,277,655)**	(19,936,843)	(21,443,487)
Net cash flows provided by operating activities		**25,438,742**	28,968,633	29,959,035

Forward

	Note	2021	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in other noncurrent assets		**P2,230,011**	P4,554,304	(P1,617,363)
Proceeds from sale of property, plant and equipment	*12*	**-**	-	1,817
Additions to deferred exploration and development costs	*14*	**(4,204)**	(3,390)	(5,011)
Additions to intangible assets	*6, 15*	**(185,046)**	(246,806)	(211,183)
Additions to investments and advances	*11*	**(998,157)**	(97,217)	(197,275)
Advances paid to suppliers and contractors		**(14,173,577)**	(2,564,829)	(6,368,700)
Additions to property, plant and equipment	*12, 17, 19*	**(39,594,597)**	(26,771,409)	(10,117,487)
Net cash flows used in investing activities		**(52,725,570)**	(25,129,347)	(18,515,202)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of senior perpetual capital securities	*22, 32*	**35,567,632**	66,314,167	65,885,565
Proceeds from short-term borrowings	*17, 32*	**29,077,530**	5,728,725	9,179,550
Proceeds from long-term debt	*19, 32*	**21,885,000**	2,179,240	34,834,600
Payment of stock issuance costs		**(145,116)**	(168,207)	(281,201)
Distributions paid to undated subordinated capital securities holders	*22*	**(656,168)**	(1,446,718)	(3,183,367)
Distributions paid to redeemable perpetual securities holder	*22*	**(1,996,495)**	(2,015,813)	(2,096,758)
Distributions paid to senior perpetual capital securities holders	*22*	**(12,191,210)**	(7,018,005)	(1,732,869)
Redemption of undated subordinated capital securities	*22*	**(14,581,500)**	-	(15,183,000)
Payments of long-term debt	*19, 32*	**(23,136,723)**	(6,261,421)	(12,406,504)
Payments of lease liabilities	*6, 32*	**(24,464,357)**	(22,629,718)	(19,297,119)
Payments of short-term borrowings	*17, 32*	**(29,332,530)**	(6,227,025)	(15,436,350)
Net cash flows provided by (used in) financing activities		**(19,973,937)**	28,455,225	40,282,547
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**4,233,230**	(1,531,012)	(284,055)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(43,027,535)**	30,763,499	51,442,325
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**110,717,686**	79,954,187	28,511,862
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P67,690,151**	P110,717,686	P79,954,187

See Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Reporting Entity

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

On December 22, 2021, the Philippine SEC approved the change of the Parent Company's principal office from 155 EDSA, Brgy. Wack-Wack, Mandaluyong City, Metro Manila to 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila.

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. (PSE).

2. Basis of Preparation

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 1, 2022.

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

Items	Measurement Basis
Financial assets at fair value through profit or loss (FVPL)	Fair value
Defined benefit retirement liability	Present value of the defined benefit retirement obligation

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

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries. The major subsidiaries include the following:

	Percentage of Ownership	
	2021	2020
Power Generation		
San Miguel Energy Corporation (SMEC)	**100**	100
South Premiere Power Corp. (SPPC)	**100**	100
Strategic Power Devt. Corp. (SPDC)	**100**	100
SMC PowerGen Inc.	**100**	100
SMC Consolidated Power Corporation (SCPC) [(a)]	**100**	100
San Miguel Consolidated Power Corporation (SMCPC) [(b)]	**100**	100
Central Luzon Premiere Power Corp.	**100**	100
Lumiere Energy Technologies Inc. (LETI)	**100**	100
PowerOne Ventures Energy Inc. (PVEI) [(c)]	**100**	100
Prime Electric Generation Corporation (PEGC)	**100**	100
Oceantech Power Generation Corporation (OPGC)	**100**	100
Masinloc Power Partners Co. Ltd. (MPPCL) [(d)]	**100**	100
SMCGP Philippines Energy Storage Co. Ltd. (SMCGP Philippines Energy) [(e)]	**100**	100
Premiere Energy Resources, Inc. (formerly Masinloc Energy Resources Inc. [MERI]) [(f)]	**100**	100
Power Ventures Generation Corporation	**100**	100
TopGen Energy Development Inc.	**100**	100
Universal Power Solutions, Inc. (UPSI)	**100**	100
Mariveles Power Generation Corporation (MPGC) [(g)]	**92**	90
Everest Power Development Corporation	**100**	100
SMC Global Light and Power Corp.	**100**	100
Prestige Power Resources Inc.	**100**	100
Reliance Energy Development Inc.	**100**	100
Ascend Power Resources Inc.	**100**	100
Converge Power Generation Corp.	**100**	100
EnergyCore Resources Inc.	**100**	100
Strategic Energy Development Inc. (SEDI)	**100**	100
Excellent Energy Resources Inc. (EERI)	**100**	100

Forward

	Percentage of Ownership	
	2021	2020
Retail and Other Power-related Services		
San Miguel Electric Corp. (SMELC)	**100**	100
Albay Power and Energy Corp. (APEC)	**100**	100
SMC Power Generation Corp. (SPGC) *(h)*	**100**	100
Coal Mining		
Daguma Agro-Minerals, Inc. (DAMI) *(i)*	**100**	100
Sultan Energy Phils. Corp. (SEPC) *(i)*	**100**	100
Bonanza Energy Resources, Inc. (BERI) *(i)*	**100**	100
Others		
Mantech Power Dynamics Services Inc.	**100**	100
Safetech Power Services Corp.	**100**	100
Ondarre Holding Corporation	**100**	100
Grand Planters International, Inc.	**100**	100
Golden Quest Equity Holdings Inc. *(i)*	**100**	100
SMCGP Transpower Pte. Ltd. (SMCGP Transpower)	**100**	100
SMCGP Philippines Inc. (SPHI).	**100**	100
Dewsweeper Industrial Park, Inc. (DIPI) *(j)*	**100**	100
Soracil Prime Inc. (Soracil) *(k)*	**100**	-

(a) Owner of the 4 x 150 megawatts (MW) Circulating Fluidized Bed (CFB) coal-fired power plant in Limay, Bataan (Phase I and II Limay Greenfield Power Plant).
(b) Owner of the 2 x 150 MW CFB coal-fired power plant in Malita, Davao (Davao Greenfield Power Plant).
(c) PVEI owns 60% of the outstanding capital stock of Angat Hydropower Corporation (AHC) and KWPP Holdings Corporation (KWPP) as joint ventures (Note 11).
(d) Co-owned by the Parent Company (with its wholly-owned subsidiaries SMCGP Masin Pte. Ltd. [SMCGP Masin], SMCGP Masinloc Partners Company Limited [MaPaCo], and SMCGP Masinloc Power Company Limited [MaPoCo], and owner of the Masinloc Power Plant (Notes 11 and 12).
(e) Indirectly owned by the Parent Company, through its wholly-owned subsidiaries PEGC and OPGC, and owner of the battery energy storage system (BESS) facility being constructed in Kabankalan, Negros Occidental.
(f) On November 22, 2021, MERI changed its name to Premiere Energy Resources, Inc.
(g) The Parent Company subscribed to additional unissued common shares of MPGC in December 2021, thereby increasing its ownership interest from 89.54% to 91.98% as at December 31, 2021. Non-controlling interests represent the 7.71% and 0.31% held by Meralco PowerGen Corporation (MGen) and by Zygnet Prime Holdings, Inc. (Zygnet), respectively. It has not yet started commercial operations as at December 31, 2021 (Note 11).
(h) SPGC owns 35% of the outstanding capital stock of Olongapo Electricity Distribution Company, Inc., (OEDC) as an associate (Note 11).
(i) Indirectly owned by the Parent Company through SMEC and has not yet started commercial operations as at December 31, 2021.
(j) Acquired on November 3, 2020 (Note 11).
(k) Acquired on March 15, 2021 (Note 11).

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in MPGC as at December 31, 2021 and 2020 (Note 11).

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statements of income; and (iii) reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amended Standards

The FRSC approved the adoption of a number of amended standards as part of PFRS.

The Group has early adopted below amendments to PFRS effective April 1, 2021 and accordingly, changed its accounting policies:

- Coronavirus Disease 2019 (COVID-19)-Related Rent Concessions beyond June 30, 2021 (Amendment to PFRS 16, *Leases*). The optional practical expedient introduced in the 2020 amendment that simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19 and which solely applies to reduction in lease payments originally due on or before June 30, 2021 has been extended to June 30, 2022. The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond June 30, 2021.

The adoption of the amendments did not have any impact on the consolidated financial statements as the Group did not have COVID-19-related rent concessions.

Standards Issued But Not Yet Adopted

A number of amended standards are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these are expected to have a significant effect on the consolidated financial statements.

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

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

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

  The Group is currently performing detailed assessment of the potential effect of adopting the amendments and has yet to reasonably estimate the impact.

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

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

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

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

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

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

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

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

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

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

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

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

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023, with early application permitted.

In November 2021, the International Accounting Standards Board issued the *Exposure Draft, Non-Current Liabilities with Covenants* after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend PAS 1 as follows:

- conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current;

- additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months; and

- separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

The effective date of the amendments will be deferred to no earlier than January 1, 2024.

Comments on the Exposure Draft is due on March 21, 2022.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments)*. The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures.

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

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

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

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

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

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

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

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

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

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

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

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

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

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

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

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

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

- how employees of the business are compensated; and

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

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

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

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

- prepayment and extension features; and

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

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

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

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

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

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

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

The Group's cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost, noncurrent receivables and restricted cash are included under this category (Notes 7, 8, 10, 16, 30 and 31).

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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

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

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

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

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

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

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

The Group's derivative assets that are designated as cash flow hedge are classified under this category (Notes 16, 30 and 31).

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

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

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

The Group's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 10, 30 and 31).

Financial Liabilities

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

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

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

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 18, 30 and 31).

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

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

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category (Notes 6, 17, 18, 19, 30 and 31).

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

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

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

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

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

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

<u>Impairment of Financial Assets</u>
The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

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

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

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

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

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income.

Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

Offsetting Financial Instruments

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

Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

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

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

The Group has outstanding derivative assets accounted for as cash flow hedge as at December 31, 2021 and 2020 (Notes 10, 16, 30 and 31).

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

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

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

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

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

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

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

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

The Group has no embedded derivatives as at December 31, 2021 and 2020.

Inventories
Inventories are valued at the lower of cost and net realizable value. Cost is determined using specific identification method and weighted average method for coal inventories and weighted average method for fuel oil and other consumables, and spare parts. Net realizable value is the current replacement cost.

Any write-down of inventories to net realizable value and all losses of inventories are recognized as expense in the year of write-down or loss occurrence. The amount of reversals, if any, of write-down of inventories arising from an increase in net realizable value are recognized as reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

Prepaid Expenses and Other Current Assets
Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in the consolidated statements of income as they are consumed or expire with the passage of time.

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Business Combination
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of “Selling and administrative expenses” account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of income.

- *Goodwill in a Business Combination*
  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units.

  Each unit or group of units to which the goodwill is allocated:

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

  - is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

  Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

- *Intangible Assets Acquired in a Business Combination*
  The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

  Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

  An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

Business Combinations under Common Control
The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interests method.

The assets and liabilities of the combining entities are reflected in the consolidated statements of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments are those to align accounting policies between the combining entities.

No new goodwill is recognized as a result of the business combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is recognized in equity.

The consolidated statements of income reflect the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had been combined for the period that the entities were under common control.

Acquisition of an Entity that does not Constitute a Business
If the Group acquires an entity that does not constitute a business, then the transaction is outside the scope of PFRS 3. The transaction is accounted for as asset acquisition in which the cost of acquisition is allocated between the individual identifiable assets and liabilities in the group based on their relative fair values at the date of acquisition. The transaction does not give rise to goodwill.

The Group recognized the related non-controlling interest based on proportionate share of net assets.

Non-controlling Interests
The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

Investments in Shares of Stock of an Associate and Joint Ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in shares of stock of an associate and joint ventures are accounted for using the equity method.

Under the equity method, the investment in shares of stock of an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of an associate or joint venture is recognized as "Equity in net losses of an associate and joint ventures" account in the consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate or joint venture arising from changes in the associate or joint venture's other comprehensive income. The Group's share on these changes is recognized as "Share in other comprehensive income (loss) of an associate" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in the shares of stock of an associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in shares of stock of an associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in shares of stock of an associate or joint venture and then recognizes the loss as part of "Equity in net losses of an associate and joint ventures" account in the consolidated statements of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in an associate or joint venture upon loss of significant influence or joint control, and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of income.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Property, Plant and Equipment
Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less impairment in value, if any.

The initial cost of property, plant and equipment comprises of its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes related asset retirement obligation (ARO), if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Power plants	5 - 43
Leasehold improvements	5 - 25 or term of the lease, whichever is shorter
Other equipment	2 - 20
Building	5 - 25

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of income in the period of retirement and disposal.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset; and

- the Group has the right to direct the use of the identified asset.

Group as Lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term as follows:

	Number of Years
Land	2 - 30
Buildings and improvements	2 - 5
Powerplants	29 - 43

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

Group as Lessor
The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15, *Revenue from Contracts with Customers,* to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the following estimated useful lives of other intangible assets with finite lives:

	Number of Years
Power concession right	25
Computer software and licenses	3

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entity in the Group can provide with the infrastructure, to whom it can provide them, and at what price; and (b) the grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement are accounted for under Philippine Interpretation IFRIC 12, *Service Concession Arrangements.* Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of the Interpretation if the conditions in (a) are met.

The Interpretation applies to both: (i) infrastructure that the entity in the Group construct or acquire from a third party for the purpose of the service arrangement; and (ii) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of the Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of the contractual arrangements within the scope of the Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

The Group's power concession right pertains to the right granted by the Government to the Parent Company, through APEC, to operate and maintain the franchise of Albay Electric Cooperative, Inc. (ALECO). The Group's power concession right is carried at cost less accumulated amortization and any accumulated impairment losses.

The useful life of power concession right is assessed to be either finite or indefinite. Power concession right arising from a service concession arrangement is amortized using straight-line method over the concession period, which is 25 years from the first day of the commencement of operations, or the estimated useful lives of the infrastructure, whichever is shorter, and assessed for impairment whenever there is an indication that the asset may be impaired. The amortization period and method are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of income in the expense category consistent with the function of the concession assets.

The power concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the power concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

An entity recognizes and measures revenue in accordance with PFRS 15 for the services it performs. If an entity performs more than one service under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative stand-alone selling prices of the services delivered.

When an entity provides construction or upgrade services, the consideration received or receivable by the entity is recognized at fair value. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date, to estimated total costs for each contract.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entity has contractual obligations to fulfill as a condition of its license: (i) to maintain the infrastructure to a specified level of serviceability; or (ii) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures the contractual obligations in accordance with PAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date.

In accordance with PAS 23, *Borrowing Costs,* borrowing costs attributable to the arrangement are recognized as expenses in the period in which they are incurred unless the applicable entities have a contractual right to receive an intangible asset (a right to charge users of the public service). In this case, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement.

Concession payable is recognized at the date of inception of the concession agreement. Fixed concession fees are recognized at present value using the discount rate at the inception date. This account is debited upon payment of fixed fees and such payments are apportioned between interest payment and payment of the principal. Interest arising from the accretion of concession payable is presented under “Interest expense and other financing charges” account in the consolidated statements of income.

Concession payable that are expected to be settled within 12 months after the reporting date are classified as current liabilities. Otherwise, these are classified as noncurrent liabilities.

Mining Rights
The Group's mining rights have finite lives and are carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in the consolidated statements of income as incurred.

Amortization of mining rights is recognized in the consolidated statements of income based on the units of production method utilizing only recoverable coal reserves as the depletion base. In applying the units of production method, amortization is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proved and probable reserves.

The amortization of mining rights will commence upon commercial operations.

Gain or loss from derecognition of mining rights is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

Deferred Exploration and Development Costs
Deferred exploration and development costs comprise of expenditures which are directly attributable to:

- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Deferred exploration and development costs also include expenditures incurred in acquiring mining rights, entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration assets are reassessed on a regular basis and tested for impairment provided that at least one of the following conditions is met:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

If the project proceeds to development stage, the amounts included within deferred exploration and development costs are transferred to property, plant and equipment.

Impairment of Non-financial Assets

The carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, deferred exploration and development costs and intangible assets with finite useful lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

Fair Value Measurements

The Group measures financial and non-financial assets and liabilities at fair value at each reporting date.

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

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

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

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

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

ARO. The Group records a provision for asset retirement costs of its power plants. Asset retirement costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of right-of-use assets. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the retirement liability. The unwinding of the discount is expensed as incurred and recognized as part of “Interest expense and other financing charges” account in the consolidated statements of income. The estimated future costs of asset retirement are reviewed annually and adjusted prospectively. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the right-of-use assets (previously in the cost of power plants). If the decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognized immediately in the consolidated statements of income.

Capital Stock, Additional Paid-in Capital and Reserves

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the “Additional paid-in capital” account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Equity Reserve

The equity reserve includes the effect of transactions with non-controlling interests and equity adjustments arising from group restructuring transactions.

Translation Reserve

The translation reserve comprises of all foreign currency differences arising from the translation of the financial statements of foreign operations.

Reserve for Retirement Plan

The reserve for retirement plan represents re-measurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest).

Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

The hedging reserve also includes cost of hedging which reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts, time value of options and foreign currency basis spread which are initially recorded in other comprehensive income.

Senior Perpetual Capital Securities (SPCS), Redeemable Perpetual Securities (RPS) and Undated Subordinated Capital Securities (USCS)

SPCS, RPS and USCS are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or financial liabilities with another person or entity that is potentially unfavorable to the issuer.

Incremental costs directly attributable to the issuance of SPCS, RPS and USCS are recognized as a deduction from equity, net of tax. The proceeds received, net of any directly attributable transaction costs, are credited to SPCS, RPS and USCS.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Revenue

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenues are inclusive of pass-through charges, net of value-added tax (VAT) and other fees collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Power

Revenue from Power Generation and Trading. Revenue from power generation and trading is recognized over time when actual power or capacity is generated, transmitted and/or made available to the customers, net of related discounts and adjustments.

Retail and Other Power-related Services. Revenue from retail and other power-related services is recognized over time upon the supply of electricity to the customers. The Uniform Filing Requirements on the rate unbundling released by the Energy Regulatory Commission (ERC) on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) system loss charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) currency exchange rate adjustments, where applicable and (h) interclass and life subsidies. Feed-in tariffs allowance, VAT and universal charges are billed and collected on behalf of the national and local government and do not form part of the Group's revenue. Generation, transmission and system loss charges, which are part of revenues, are pass-through charges.

Revenue from Other Services

Revenue from other services is recognized when the related services are rendered.

Other Income

Interest Income. Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

Management Income. Management income is recognized when earned in accordance with the terms of the agreement.

Rent Income. Rent income from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Construction Revenue. Construction revenue related to the Group's recognition of intangible asset on the right to operate and maintain the franchise of ALECO, which is the fair value of the intangible asset, is earned and recognized as the construction progresses. The Group recognizes the corresponding amount as intangible asset as it recognizes the construction revenue. The Group assumes no profit margin in earning the right to operate and maintain the franchise of ALECO.

The Group uses the cost to cost percentage-of-completion method to determine the appropriate amount of revenue to be recognized in a given period. The stage of completion is measured by reference to the costs incurred related to the construction of ALECO infrastructure up to the end of the reporting period as a percentage of total estimated cost of the construction.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost of power sold is debited for the direct costs related to power generation, retail and distribution of electricity, and/or trading. Expenses are recognized when incurred.

Interest Expense and Other Financing Charges. Interest expense and other financing charges comprise finance charges on lease liabilities, loans, concession payable, premium on option liabilities and other borrowings. Finance charges on lease liabilities, loans, concession payable and premium on option liabilities are recognized in the consolidated statements of income using the effective interest method.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statements of income in subsequent periods.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of income. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are initially recorded in the respective functional currency of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation, which are recognized in other comprehensive income.

Foreign Operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity.

<u>Taxes</u>
Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets”, “Accounts payable and accrued expenses” or “Income tax payable” accounts in the consolidated statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of distributions to the holders of SPCS, RPS and USCS, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Operating Segments

The Group’s operating segments are organized and managed separately according to the services provided, with each segment representing a strategic business unit that offers different economic characteristic and activities. Financial Information on operating segments is presented in Note 5 to the consolidated financial statements.

The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Group’s financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the accounting policies, the Group has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the consolidated financial statements:

Determining whether a Contract Contains a Lease. The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Lease Commitments - Group as Lessor. The Group has entered into various lease agreements as a lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized in the consolidated statements of income amounted to P11,717, P12,901 and P12,274 in 2021, 2020 and 2019, respectively (Notes 6 and 26).

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P78,213,359 and P99,511,094 as at December 31, 2021 and 2020, respectively (Notes 6, 30, 31 and 32).

Identification of Distinct Performance Obligation. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group has determined that it has distinct performance obligations other than the sale of power such as the provision of technical support and lease of equipment to its customers and allocates the transaction price into these several performance obligations.

Determining Whether the Group is acting as a Principal or Agent in a Revenue Transaction. The determination whether the Group is a principal or agent in a contract is made by identifying each specified goods or services promised to the customers in the contract and evaluating whether the Group obtains control of the specified goods and services before it is transferred to the customer.

For the sale of power and retail and other power-related services, the Group has the obligation to provide a recurring service to the customer over the contract term and transfers control upon delivery, hence, the Group has determined that it is acting as principal in these revenue arrangements with customers.

Applicability of Philippine Interpretation IFRIC 12. In accounting for the Group's transactions in connection with its Concession Agreement with ALECO, significant judgment was applied to determine the most appropriate accounting policy to use.

Management used Philippine Interpretation IFRIC 12 as guide and determined that the Concession Agreement is within the scope of the Interpretation. Management determined that the consideration receivable, in exchange for the fulfillment of the Group's obligation under the Concession Agreement, is an intangible asset in the form of a right (license) to charge fees to users. Judgment was further exercised by management in determining the costs components of acquiring the right (Notes 3, 6 and 15).

The Group's power concession right represents the right to operate and maintain the franchise of ALECO; i.e., the right to collect electricity fees from the consumers of ALECO. At the end of the concession period, all assets and improvements shall be returned to ALECO and any additions and improvements to the system shall be transferred to ALECO.

Difference in judgment in respect to the accounting treatment of the transactions would materially affect the assets, liabilities and operating results of the Group.

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms, and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in AHC and KWPP as joint ventures (Note 11).

Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 31.

Contingencies. The Group is currently involved in various pending claims and cases which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and cases has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and cases will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 33).

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment of ECL on Trade and Other Receivables. The Group, in applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade and other receivables. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer to reflect the effects of current and forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on trade and other receivables is not material because substantial amount of trade and other receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade and other receivables.

In 2021 and 2020, the Group recognized impairment losses on trade and other receivables amounting to P44,006 and P305,829, respectively. The allowance for impairment losses on trade and other receivables amounted to P2,672,082 and P3,034,110 as at December 31, 2021 and 2020, respectively. The carrying amount of trade and other receivables amounted to P47,272,302 and P36,162,259 as at December 31, 2021 and 2020, respectively (Note 8).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2021 and 2020. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2021**	2020
Cash and cash equivalents (excluding cash on hand)	*7*	**P67,688,162**	P110,715,432
Investment in debt instruments (included under “Prepaid expenses and other current assets” account)	*10*	**-**	694
Noncurrent receivables (including Amounts owed by related parties included under “Other noncurrent assets” account)	*16*	**1,513,704**	508,654
Restricted cash (included under “Prepaid expenses and other current assets” and “Other noncurrent assets” accounts)	*10, 16*	**4,430,396**	4,790,792
		P73,632,262	P116,015,572

Fair Value Measurements. A number of the Group’s accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Note 31.

Write-down of Inventory. The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The Group assessed that no write-down of inventories to net realizable value is necessary as at December 31, 2021 and 2020.

The carrying amount of inventories amounted to P10,017,822 and P5,582,080 as at December 31, 2021 and 2020, respectively (Note 9).

Estimated Useful Lives of Property, Plant and Equipment and Right-of-Use Assets. The Group estimates the useful lives of property, plant and equipment and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and right-of-use assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment and right-of-use assets is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment and right-of-use assets would increase the recorded cost of power sold and selling and administrative expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation and amortization, amounted to P212,033,506 and P171,547,548 as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P20,667,921 and P13,034,902 as at December 31, 2021 and 2020, respectively (Note 12).

Right-of-use assets, net of accumulated depreciation and amortization, amounted to P157,159,661 and P162,313,084 as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of right-of-use assets amounted to P16,228,779 and P10,724,874 as at December 31, 2021 and 2020, respectively (Note 13).

Estimated Useful Lives of Intangible Assets. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives, such as mining rights and computer software and licenses, net of accumulated amortization, amounted to P1,869,946 and P1,848,158 as at December 31, 2021 and 2020, respectively. Accumulated amortization of computer software and licenses amounted to P318,112 and P275,471 as at December 31, 2021 and 2020, respectively (Note 15). The amortization of mining rights will commence upon commercial operations.

Estimated Useful Lives of Intangible Assets - Power Concession Right. The Group estimates the useful life of power concession right based on the period over which the assets are expected to be available for use. The Group has not included any renewal period on the basis of uncertainty of the probability of securing renewal contract at the end of the original contract term as at the reporting date.

The amortization period and method are reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset.

The carrying amount of power concession right amounted to P1,119,978 and P1,056,817 as at December 31, 2021 and 2020, respectively (Notes 6 and 15).

Impairment of Goodwill. The Group determines whether the goodwill acquired in a business combination is impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The recoverable amount of goodwill arising from the acquisition of SMCGP Masin, SMCGP Transpower and SPHI (collectively referred to as Masinloc Group) has been determined based on the value in use using discounted cash flows. Assumptions used in the discounted cash flows include discount rate of 9.0% in 2021, 2020, and 2019 and terminal growth rate of 5.0% in 2021, 4.0% in 2020 and 3.0% in 2019 (Note 15).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

No impairment loss was recognized in 2021, 2020 and 2019 in relation to the goodwill arising from the acquisition of the Masinloc Group, which accounts for almost 100% of the goodwill in the consolidated statements of financial position as at December 31, 2021 and 2020.

The carrying amount of goodwill amounted to P69,953,222 as at December 31, 2021 and 2020 (Note 15).

Acquisition Accounting. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The Group has determined that the acquisition of the Masinloc Group represents a business due to the presence of the integrated set of activities acquired while the acquisition of MPGC, DIPI and Soracil represents an asset acquisition since it does not meet the requirements of being a business as set out in PFRS 3.

The carrying amount of goodwill arising from business combinations amounted to P69,953,222 as at December 31, 2021, and 2020 (Note 15).

Estimating Coal Reserves. Coal reserve estimates are based on measurements and geological interpretation obtained from natural outcrops, trenches, tunnels and drill holes. In contrast with “coal resource” estimates, profitability of mining the coal during a defined operating period or “mine-life” is a necessary attribute of “coal reserve”. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans. Estimates of reserves for undeveloped areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted.

The Philippine Department of Energy (DOE) is the government agency authorized to implement Coal Operating Contracts (COC) and regulate the operation of contractors pursuant to DOE Circular No. 81-11-10: Guidelines for Coal Operations in the Philippines. For the purpose of the 5-year development and production program required for each COC, the agency classifies coal reserves, according to increasing degree of uncertainty, into (i) positive, (ii) probable, and (iii) inferred. The DOE also prescribes the use of “total in-situ reserves” as the sum of positive reserves and two-thirds of probable reserve; and “mineable reserve” as 60% of total in-situ reserve for underground, and 85% for surface (including open-pit) coal mines (Note 14).

Recoverability of Deferred Exploration and Development Costs. A valuation allowance is provided for estimated unrecoverable deferred exploration and development costs based on the Group's assessment of the future prospects of the mining properties, which are primarily dependent on the presence of economically recoverable reserves in those properties.

The Group’s mining activities related to coal are all in the preparatory stages as at December 31, 2021 and 2020. All related costs and expenses from mining activities are currently deferred as exploration and development costs to be amortized upon commencement of commercial operations. The Group has not identified any facts and circumstances which suggest that the carrying amount of the deferred exploration and development costs exceeded the recoverable amounts as at December 31, 2021 and 2020.

Deferred exploration and development costs amounted to P719,393 and P714,726 as at December 31, 2021 and 2020, respectively (Note 14).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group’s assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets arising from MCIT and NOLCO have not been recognized because the management believes that it is not probable that future taxable income will be available against which the Group can utilize the benefits therefrom (Note 27).

Deferred tax assets from temporary differences amounted to P1,447,415 and P1,645,882 as at December 31, 2021 and 2020, respectively (Note 27).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, right-of-use assets, deferred exploration and development costs and intangible assets with finite useful lives when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on property, plant and equipment amounted to P174,974 and P132,111 as at December 31, 2021 and 2020, respectively (Note 12).

The combined carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, deferred exploration and development costs and intangible assets with finite useful lives amounted to P383,566,356 and P347,305,020 as at December 31, 2021 and 2020, respectively (Notes 11, 12, 13, 14 and 15).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 21 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P157,588 and P147,729 as at December 31, 2021 and 2020, respectively (Note 21).

ARO. The Group has ARO arising from power plants and leased properties. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of the ARO by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.93% to 12.64% depending on the life of the capitalized costs. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The Group's ARO, presented under "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P792,968 and P868,883 as at December 31, 2021 and 2020, respectively.

5. Segment Information

Operating Segments

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

The coal mining companies, which were acquired in 2010, have not yet started commercial operations and remain in the preparatory stages of mining activities (Note 14).

Segment Assets and Liabilities

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

Inter-segment Transactions

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

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

Major Customers

The Group sells, retails and distributes power, through power supply agreements (PSA), retail supply contracts (RSC), concession agreement and other power-related service agreements (Note 6), either directly to customers (other generators, distribution utilities [DU], electric cooperatives and industrial customers) or through the Philippine Wholesale Electricity Spot Market (WESM). Sale of power to Manila Electric Company (Meralco) amounting to P53,313,150, P50,497,918 and P62,795,380 in 2021, 2020 and 2019, respectively, represents more than 10% of the Group's total revenues.

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

Operating Segments

Financial information about reportable segments follows:

	For the Years Ended December 31																	
	Power Generation			Retail and Other Power-related Services			Coal Mining			Others			Eliminations			Consolidated		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Revenues																		
External	P110,294,417	P95,034,262	P111,950,126	P23,236,333	P19,859,669	P23,095,136	P -	P -	P -	P179,421	P134,720	P14,817	P -	P -	P -	P133,710,171	P115,028,651	P135,060,079
Inter-segment	19,582,558	22,278,900	22,816,768	10,212	162,456	248,030	-	-	-	1,010,105	839,663	732,061	(20,602,875)	(23,281,019)	(23,796,859)	-	-	-
	129,876,975	117,313,162	134,766,894	23,246,545	20,022,125	23,343,166	-	-	-	1,189,526	974,383	746,878	(20,602,875)	(23,281,019)	(23,796,859)	133,710,171	115,028,651	135,060,079
Costs and Expenses																		
Cost of power sold	97,078,222	76,569,735	95,089,427	19,190,830	17,555,302	21,406,492	-	-	-	756,120	643,819	17,988	(20,116,727)	(22,873,308)	(24,755,707)	96,908,445	71,895,548	91,758,200
Selling and administrative expenses	4,307,035	5,641,851	6,640,576	685,878	866,740	509,513	8,875	8,289	8,814	1,629,592	1,623,909	2,177,718	(1,716,109)	(1,930,552)	(1,988,427)	4,915,271	6,210,237	7,348,194
	101,385,257	82,211,586	101,730,003	19,876,708	18,422,042	21,916,005	8,875	8,289	8,814	2,385,712	2,267,728	2,195,706	(21,832,836)	(24,803,860)	(26,744,134)	101,823,716	78,105,785	99,106,394
Segment Result	P28,491,718	P35,101,576	P33,036,891	P3,369,837	P1,600,083	P1,427,161	(P8,875)	(P8,289)	(P8,814)	(P1,196,186)	(P1,293,345)	(P1,448,828)	P1,229,961	P1,522,841	P2,947,275	31,886,455	36,922,866	35,953,685
Interest expense and other financing charges																(18,269,192)	(18,582,926)	(19,720,720)
Interest income																617,100	1,007,235	1,585,459
Equity in net losses of an associate and joint ventures - net																(117,348)	(472,694)	(391,054)
Other income - net																3,761,479	7,922,509	4,199,255
Income tax expense																(1,900,167)	(7,923,452)	(7,263,116)
Consolidated Net Income																P15,978,327	P18,873,538	P14,363,509

	As at and For the Years Ended December 31											
	Power Generation		Retail and Other Power-related Services		Coal Mining		Others		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Other Information												
Segment assets	P496,862,462	P420,489,538	P13,927,745	P10,937,365	P736,789	P731,624	P110,153,274	P123,111,073	(P71,185,477)	(P29,714,639)	P550,494,793	P525,554,961
Investments and advances - net	9,368,275	9,481,855	231,597	213,308	-	-	295,842,856	247,012,017	(294,603,882)	(246,750,382)	10,838,846	9,956,798
Goodwill and other intangible assets - net											72,943,146	72,858,197
Deferred tax assets											1,447,415	1,645,882
Consolidated Total Assets											P635,724,200	P610,015,838
Segment liabilities	P238,452,748	P178,328,738	P8,126,374	P7,198,913	P842,509	P828,490	P5,490,372	P5,776,957	(P112,045,237)	(P47,440,247)	P140,866,766	P144,692,851
Long-term debt - net											222,921,443	219,552,782
Income tax payable											24,754	10,060
Deferred tax liabilities											20,182,639	19,456,124
Consolidated Total Liabilities											P383,995,602	P383,711,817
Capital expenditures	P39,274,510	P26,646,921	P -	P -	P -	P -	P420,597	P160,952	(P100,510)	(P36,464)	P39,594,597	P26,771,409
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	9,541,894	9,132,693	1,699,272	1,383,372	-	10	165,396	77,436	(32,362)	(27,338)	11,374,200	10,566,173
Noncash items other than depreciation and amortization	3,609,404	(3,188,211)	(233,052)	91,677	(8)	7	(1,924,582)	(19,957)	-	99,097	1,451,762	(3,017,387)

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

6. Significant Agreements and Lease Commitments

a. IPPA Agreements

As a result of the biddings conducted by 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
SMEC	Sual Coal - Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
SPDC	San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province
SPPC	Ilijan Natural Gas - Fired Combined Cycle Power Plant (Ilijan Power Plant)	Ilijan, Batangas Province

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

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

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

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

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

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

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

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

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

Relative to the IPPA Agreements, SMEC, SPDC and SPPC have to pay PSALM monthly payments for 15 years until October 1, 2024, 18 years until April 26, 2028 and 12 years until June 26, 2022, respectively. Energy fees amounted to P17,762,434, P20,365,268 and P26,417,124 in 2021, 2020 and 2019, respectively (Note 24). SMEC and SPDC renewed their performance bonds amounting to US$58,187 and US$20,305, which will expire on November 3, 2022 and January 25, 2023, respectively (Note 10).

On June 16, 2015, SPPC renewed its performance bond amounting to US$60,000 with a validity period of one year. This performance bond was subsequently drawn by PSALM on September 4, 2015 which is subject to an ongoing case (Notes 8 and 33).

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

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

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreements and recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income. Interest expense amounted to P4,706,105, P6,045,444 and P7,290,341 in 2021, 2020 and 2019, respectively.

SMEC, SPDC and SPPC's power plants under lease arrangement, presented under "Right-of-use assets - net" account in the consolidated statements of financial position, amounted to P151,827,880 and P157,014,283 as at December 31, 2021 and 2020, respectively (Note 13).

Maturity analysis of lease payments as at December 31, 2021 and 2020 are disclosed in Note 30.

b. Land Lease Agreement with PSALM

MPPCL has an existing lease agreement with PSALM for the lease of a 199,600 square meters land located in Barangay Bani, Masinloc, Zambales. The lease agreement will expire on April 11, 2028.

In August 2019, Alpha Water acquired 12,522 square meters out of the existing land currently being leased by MPPCL from PSALM for a total consideration of P15,653 (Note 12).

The lease liability is amortized using a 4.52% discount rate over the period of the agreement. Amortization is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income which amounted to P3,063, P3,070 and P3,311 in 2021, 2020 and 2019, respectively.

MPPCL's land under lease arrangement, presented under "Right-of-use assets - net" account in the consolidated statements of financial position, amounted to P88,535 and P102,568 as at December 31, 2021 and 2020, respectively (Note 13).

Maturity analysis of lease payments as at December 31, 2021 and 2020 are disclosed in Note 30.

c. Market Participation Agreements (MPA)

SMEC, SPDC, SPPC, SCPC, SMELC, SMCPC, MPPCL, SMCGP Philippines Energy and UPSI each entered into separate MPAs with the Philippine Electricity Market Corporation (PEMC) to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member.

The relevant parties in each of the MPAs acknowledged that PEMC was entering into the agreement in its capacity as both governing arm and autonomous group market operator of the WESM, and that in due time the market operator functions shall be transferred to an independent market operator (IMO) pursuant to RA No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” (EPIRA). The parties further agreed that upon such transfer, all rights, obligations and authority of PEMC under the MPA shall also pertain to the IMO and that all references to PEMC shall also refer to such IMO.

Upon the initiative of the DOE and PEMC, Independent Electricity Market Operator of the Philippines (IEMOP) was incorporated and assumed the functions and obligations as the market operator of the WESM commencing on September 26, 2018. Consequently, SMEC, SPDC, SPPC, SCPC, SMELC, SMCPC and MPPCL each entered into separate Supplemental MPAs with PEMC and IEMOP for the transfer of rights of the market operator to IEMOP.

Under the WESM Rules, the cost of administering and operating the WESM shall be recovered through a charge imposed on all WESM members or transactions, as approved by the ERC. Market fees charged by PEMC to SMEC, SPDC, SPPC, SCPC and MPPCL, recognized as part of “Plant operations and maintenance, and other fees” under “Cost of power sold” account in the consolidated statements of income, amounted to P126,305, P184,897 and P205,868 in 2021, 2020 and 2019, respectively (Note 24).

SMELC, SCPC and MPPCL each has a standby letter of credit, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM, which expired in 2021. Subsequently, SCPC and MPPCL has extended its validity until 2022 and 2023, respectively.

d. PSAs and RSCs

SMEC, SPPC, SPDC, SMCPC, SCPC, SMELC, SEDI and MPPCL have offtake contracts such as PSAs and RSCs with various counterparties to sell electricity produced by the power plants. Counterparties for PSAs include DUs, electric cooperatives, third party Retail Electricity Supplier (RES) and other entities.

Counterparties for RSCs are Contestable Customers, or large industrial users which have been certified contestable by the ERC.

Majority of the consolidated sales of the Group are through long-term offtake contracts, which may have provisions for take-or-pay, passing on fuel costs, foreign exchange differentials or certain other fixed costs and minimum offtake level. Most of the agreements provide for renewals or extensions subject to mutually agreed terms and conditions by the parties and applicable rules and regulations. Tariff structures vary depending on the customer and their needs, with some having structures based on energy-based pricing or capacity-based pricing.

For capacity-based contracts, the customers are charged with the capacity fees based on the contracted capacity plus the energy fees for the associated energy taken during the month. As stipulated in the contracts, energy-based contracts on the other hand, are based on the actual energy consumption of customers using the basic energy charge and/or adjustments.

SMEC, SPPC, SPDC, SMCPC, SCPC and MPPCL can also purchase power from WESM or other power generation companies during periods when the power generated from the power plants is not sufficient to meet customers' power requirements. Power purchases amounted to P25,304,405, P12,918,282, P21,434,786 in 2021, 2020 and 2019, respectively (Note 24).

On March 2, 2021, EERI and MPPCL have executed long-term PSAs with Meralco for the supply and delivery of 1,200 MW and 600 MW contract capacity starting in November 2024 and April 2025, respectively. These PSAs have been filed and are pending approval by the ERC to date.

Recently, in February 2022, SPPC also executed a PSA with Meralco for the supply of 170 MW (net) contract capacity, for a term of 5 months after it was declared as the winning bidder in the competitive selection process conducted by Meralco for the same.

Revenues from retail sales to contestable customers amounted to P19,262,185, P16,723,387 and P19,630,929 in 2021, 2020 and 2019, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Note 23).

e. Memorandum of Agreement (MOA) with San Roque Power Corporation (SRPC)

On December 6, 2012, SPDC entered into a 5-year MOA with SRPC to sell a portion of the capacity of the San Roque Power Plant. Under the MOA, i) SRPC shall purchase a portion of the capacity sourced from the San Roque Power Plant; ii) SRPC shall pay a settlement amount to SPDC for the capacity; and iii) the MOA may be earlier terminated or extended subject to terms and mutual agreement of the parties. The MOA was extended for another 2 years and expired on March 25, 2020.

Revenue from sale of capacity of the San Roque Power Plant amounted to P7,470, P106,641 and P651,580 in 2021, 2020 and 2019, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Note 23). Revenue recognized in 2021 pertains to the adjustment from sale of capacity in 2020 and 2019.

f. Ancillary Service Procurement Agreement (ASPA)

On September 8, 2017, MPPCL entered into an ASPA with the National Grid Corporation of the Philippines (NGCP) for a period of 5 years to allocate the entire capacity of its 10 MW Masinloc BESS as frequency regulating reserve for the NGCP to maintain power quality, reliability and security of the grid.

On May 6, 2021, SMCGP Philippines Energy entered into an ASPA with NGCP for a period of 5 years commencing on January 26, 2022, allocating its 20 MW Kabankalan 1 BESS to provide ancillary services to the Visayas grid based on the Provisional Authority granted by the ERC (Note 12).

Revenue from ancillary services of MPPCL amounted to P346,433, P395,310 and P354,728 in 2021, 2020 and 2019, respectively, and was recognized as part of “Revenues” account in the consolidated statements of income (Note 23).

g. Coal Supply Agreements

SMEC, SMCPC, SCPC, and MPPCL have supply agreements with various coal suppliers for the coal requirements of the power plants.

h. Distribution Wheeling Service (DWS) Agreements

As RES, SMELC, SCPC and MPPCL each entered into DWS Agreements with certain DUs for the conveyance of electricity through its distribution systems in order to supply the power requirements of their respective contestable customers. The agreements are valid and binding upon execution unless terminated by either party.

The DWS charges from the DUs are passed on to the contestable customers who have opted for a single billing arrangement as provided in the ERC Supplemental Switching Rules.

SMELC’s DWS Agreements were no longer renewed relative to the expiration of its RES license in September 2021 (Note 28).

i. Lease Agreements

Group as Lessee
Information about significant leases for which the Group is a lessee that qualifies under PFRS 16 are as follows:

i. The Parent Company has lease agreements for the use of office spaces and staff house with San Miguel Properties, Inc. and Bright Ventures Realty, Inc., both entities under common control, and an external party for a period of 1 to 5 years, renewable upon agreement between the parties.

ii. In November 2015, SCPC leased parcels of land from New Ventures Realty Corporation (NVRC), an entity under common control, for its Phase I Limay Greenfield Power Plant and ash dump facility. This is covered by two lease agreements, each having an initial term of 25 years with an option to renew for a further 25 years. The agreements contain a clause allowing annual escalation adjustments of rental rates starting on certain anniversary dates.

iii. On December 7, 2015, LETI leased a parcel of land from NVRC for its Phase II Limay Greenfield Power Plant for a period of 25 years from the effective date with an option to renew this lease for another 25 years. The rent shall be increased annually by 6.0% starting from the second anniversary of the lease execution. The lease agreement was assigned to SCPC pursuant to the sale of the Phase II Limay Greenfield Power Plant on June 22, 2017.

iv. DAMI leases a parcel of land in General Santos City with SMC. The existing lease agreement is for a 10-year period up to June 30, 2023, subject to renewal. The rent is subject to an automatic 10.0% per annum escalation rate. Amortization of right-of-use assets and rent for the year, capitalized in “Deferred exploration and development costs” account in the consolidated statements of financial position, amounted to P463 and P500 as at December 31, 2021 and 2020, respectively (Note 14).

v. In 2016, SMCPC entered into an agreement with Kyron Landholdings Inc. (KLI), an entity under common control, for the sublease of a parcel of land for its Davao Greenfield Power Plant. The initial term of the lease is for a period of 25 years with the option to renew further for 25 years. Beginning January 1, 2018 until the end of the term, the rental shall be increased by 5.1% per annum.

   In 2020, an amendment was made to the agreement reducing the parcel of land to 919,820 square meters. The modification of lease arrangements increased the lease liability and right-of-use assets - net by P16,021 and P14,864, respectively, and resulted to a recognition of loss on lease modification amounting to P1,157 in 2020 presented as part of “Other income - net” account in the consolidated statements of income (Note 26).

vi. On December 13, 2017, SCPC leased a foreshore area aggregating to 465,967 square meters from the Department of Environment and Natural Resources (DENR) for its pier and jetty facility. The lease is for a period of 25 years with an option to renew for another 25 years. The agreement contains a clause to increase annual rental based on appraised value of land and improvements every 10 years.

vii. On March 7, 2017, SCPC leased a parcel of land with approximate area of 66,000 square meters from PNOC Alternative Fuels Corporation for the construction of auxiliary facilities of the Limay Greenfield Power Plant. The lease is for a period of 25 years with an option to renew for another 25 years. The agreement contains a clause to increase the annual rental by 3% and every 5 years, the amount equivalent to 5% of the re-appraised value shall be the new rental rate.

viii. On October 3, 2018, SMCPC leased a foreshore area aggregating to 68,779 square meters from the DENR for its pier and jetty facility. The lease is for a period of 25 years with an option to renew for another 25 years. The agreement contains a clause to increase annual rental based on appraised value of land and improvements every 10 years.

ix. On December 5, 2019, MPGC leased a total of 1,654,400 square meters of land from E-Fare Investment Holdings Inc. (E-Fare), an entity under common control, for a period of 24 years and 6 months from the effective date with an option to renew this lease for another 25 years. The agreement contains a clause to increase annual rental by 5% starting from the first anniversary of the effective date.

x. On January 6, 2020, MPGC leased a total of 115,996 square meters of land from E-Fare for a period of 24 years and 5 months from the effective date with an option to renew for another 25 years. The rent shall be increased annually by 5.0% starting from the third anniversary of the effective date.

xi. On February 3, 2020, UPSI has entered into an agreement with KLI for the sublease of a parcel of land for its BESS facilities. The initial term of the lease is for a period of 18 years and 4 months with the option to renew further for 25 years. Beginning January 1, 2021 until the end of the term, the rental shall be increased by 5.1% per annum.

xii. In 2020, SMCPC was granted by the DENR a provisional permit for the temporary occupation and use for industrial purposes of a parcel of public land (offshore) situated in Malita aggregating to 99,809 square meters while applying the foreshore lease.

xiii. In 2021, EERI leased a total of 390,829 square meters of land for its liquefied natural gas-fired power plant from Ilijan Primeline Industrial Estate Corp., for a period of 25 years from the effective date with an option to renew further for 25 years. Beginning the fourth anniversary of the effective date, the rental shall be increased by 5% per annum.

xiv. In 2020 and 2021, UPSI leased parcels of land with total approximate area of 345,239 and 43,594 square meters from various third parties for the construction of its BESS facilities, respectively. The initial terms of the leases range for a period of 15 to 25 years with the option to renew further for 15 to 25 years, as may be applicable. For lease agreements with escalation clause, the rental shall be increased by 5% or 10% per annum, until the end of the term.

xv. In 2021, MPGC leased a total of 47,772 square meters of land from the Authority of Freeport Area of Bataan (AFAB) for the construction and development of a transmission line for a period of 25 years with an option to renew and extend. The terms of agreement include an option for MPGC to pay the total rental in full for the entire period.

xvi. In 2021, the Parent Company entered into a lease agreement with Mabini Properties, Inc., an entity under common control for the use of office and parking spaces for a term of 5 years, with an option to renew upon mutual agreement of both parties. The agreement contains a clause to increase annual rental by 3% starting from the first anniversary of the effective date.

Related right-of-use assets from these lease arrangements are disclosed in Note 13.

The Group also entered into various lease agreements that did not qualify under PFRS 16 for the recognition of right-of-use assets and lease liabilities due to the lease being short-term in nature.

SMEC and MPPCL had short-term lease agreements with Challenger Aero Air Corporation, an entity under common control, for the lease of aircrafts, which expired on December 31, 2021. Both leases did not qualify under PFRS 16 as these were short-term in nature.

Relative to the lease agreements, the Group was required to pay advance rental and security deposits which are included under “Trade and other receivables - net” or “Prepaid expenses and other current assets” accounts in the consolidated statements of financial position (Notes 8 and 10).

Maturity analysis of lease payments are disclosed in Note 30.

Interest expense recognized in the consolidated statements of income amounted to P118,474, P108,378 and P107,389 in 2021, 2020 and 2019, respectively.

Rent expense recognized in the consolidated statements of income amounted to P370,341, P337,605 and P328,379 in 2021, 2020 and 2019, respectively (Notes 4, 24 and 25).

Total cash outflows amounted to P29,603,394, P29,288,895 and P26,932,127 in 2021, 2020 and 2019, respectively.

Group as Lessor
In May 2011, GPII entered into an agreement with NVRC, for the lease of certain parcels of land located in Limay, Bataan with a total area of 612,193 square meters. The lease term is for a period of 10 years up to May 2021, with an option to renew not later than 6 months prior to expiration and a 3.0% escalation rate of the rental every year from signing of the contract. This agreement was subsequently amended, reducing the leased area to 340,646 square meters effective October 1, 2013. This was further amended reducing the leased area to 130,980 square meters and with a corresponding reduction in the monthly rental effective on December 1, 2016. On June 20, 2017, NVRC assigned its leasehold rights to Petron Corporation, an entity under common control.

There are no restrictions imposed on these lease agreements such as those concerning dividends, additional debt and further leasing.

Rent income recognized under “Other income - net” account in the consolidated statements of income amounted to P11,717, P12,901 and P12,274 in 2021, 2020 and 2019, respectively (Notes 4 and 26).

j. Concession Agreement

The Parent Company entered into a 25-year Concession Agreement with ALECO on October 29, 2013. It became effective upon confirmation of the National Electrification Administration on November 7, 2013.

On January 28, 2014, the Parent Company and APEC entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations of the Parent Company under the Concession Agreement effective January 2, 2014.

The Concession Agreement include, among others, the following rights and obligations:

i. as Concession Fee, APEC shall pay to ALECO: (1) separation pay of ALECO employees in accordance with the Concession Agreement and (2) the amount of P2,100 every quarter for the upkeep of residual ALECO (fixed concession fee);

ii. if the net cash flow of APEC is positive within 5 years or earlier from date of signing of the Concession Agreement, 50% of the Net Cash Flow each month shall be deposited in an escrow account until the cumulative nominal sum reaches P4,048,529;

iii. on the 20th anniversary of the Concession Agreement, the concession period may be extended by mutual agreement between ALECO and APEC; and

iv. at the end of the concession period, all assets and system, as defined in the Concession Agreement, shall be returned by APEC to ALECO in good and usable condition. Additions and improvements to the system shall likewise be transferred to ALECO.

In this regard, APEC shall provide services within the franchise area and shall be allowed to collect fees and charges, as approved by the ERC. APEC formally assumed operations as concessionaire on February 26, 2014.

The Group recognized as intangible assets all costs directly related to the Concession Agreement. The intangible assets consist of: a) concession rights, which include fixed concession fees and separation pay of ALECO employees amounting to P384,317. Fixed concession fees are recognized at present value using the discount rate at the inception date with a corresponding concession payable recognized; and b) infrastructure, which includes the costs of structures and improvements, distribution system and equipment. Cost of infrastructure amounted to P1,173,507 and P1,049,937 as at December 31, 2021 and 2020, respectively. Interest expense on concession payable, included as part of "Interest expense and other financing charges" account in the consolidated statements of income, amounted to P5,372, P5,541 and P5,700 in 2021, 2020 and 2019, respectively. Amortization of concession assets recognized in the "Depreciation and amortization" account in the consolidated statements of income amounted to P60,409, P56,058 and P48,320 in 2021, 2020 and 2019, respectively (Note 24).

Maturities of the carrying amount of concession payable are as follows:

	2021	2020
Not later than 1 year	**P3,207**	P3,028
More than 1 year and not later than 5 years	**14,835**	14,008
Later than 5 years	**73,040**	77,074
	P91,082	P94,110

Power concession assets consist of:

	Concession Rights	**Completed Projects/Others**	**Asset Under Construction (Contract Asset)**	**Total**
Cost				
January 1, 2020	P384,317	P786,175	P69,853	P1,240,345
Additions	-	187,917	23,479	211,396
Reclassifications	-	-	(17,487)	(17,487)
December 31, 2020	384,317	974,092	75,845	1,434,254
Additions	-	125,480	1,794	127,274
Reclassifications	-	(3,704)	-	(3,704)
December 31, 2021	**384,317**	**1,095,868**	**77,639**	**1,557,824**
Accumulated Amortization				
January 1, 2020	89,674	90,851	-	180,525
Amortization	15,373	40,685	-	56,058
December 31, 2020	105,047	131,536	-	236,583
Amortization	15,373	45,036	-	60,409
December 31, 2021	**120,420**	**176,572**	-	**296,992**
Accumulated Impairment Losses				
January 1, 2020	-	50,035	-	50,035
Impairment losses	-	90,819	-	90,819
December 31, 2020	-	140,854	-	140,854
Impairment losses		-	-	-
December 31, 2020 and 2021	**-**	**140,854**	**-**	**140,854**
Carrying Amount				
December 31, 2020	P279,270	P701,702	P75,845	P1,056,817
December 31, 2021	**P263,897**	**P778,442**	**P77,639**	**P1,119,978**

The Group accounted for revenue and costs relating to construction or upgrade services in accordance with PFRS 15 based on the stage of completion of work performed. The fair value of the construction and upgrade services provided is equal to the recorded cost of the intangible asset built up from day one until the construction activity ceases. Construction revenue and construction cost amounted to P127,274, P211,396 and P206,397 in 2021, 2020 and 2019, respectively (Note 26).

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**2021**	2020
Cash in banks and on hand		**P18,485,740**	P28,838,242
Short-term investments		**49,204,411**	81,879,444
	4, 30, 31	**P67,690,151**	P110,717,686

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates. Interest income from cash and cash equivalents amounted to P580,849, P986,533 and P1,563,704 in 2021, 2020 and 2019, respectively.

8. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**2021**	2020
Trade		**P37,096,420**	P28,167,718
Non-trade		**9,723,627**	9,191,288
Amounts owed by related parties	*11, 16, 20*	**3,124,337**	1,837,363
	6	**49,944,384**	39,196,369
Less allowance for impairment losses	*4*	**2,672,082**	3,034,110
	4, 30, 31	**P47,272,302**	P36,162,259

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

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

	Note	**2021**	2020
Balance at beginning of year		**P3,034,110**	P2,828,484
Impairment losses during the year	*4, 25*	**44,006**	305,829
Cumulative translation adjustment and others		**4,399**	37,348
Reversal during the year	*25, 26*	**(410,433)**	(137,551)
Balance at end of year	*4*	**P2,672,082**	P3,034,110

Impairment losses recognized in the consolidated statements of income under "Selling and administrative expenses" account amounted to P44,006, P305,829 and P257,879 in 2021, 2020 and 2019, respectively. In 2021 and 2020, certain trade and other receivables were collected and the related allowance for impairment losses recognized in prior years were reversed accordingly.

Non-trade receivables include the following:

a. Due from PSALM amounting to US$60,000 which pertains to SPPC's performance bond pursuant to the Ilijan IPPA Agreement that was drawn by PSALM on September 4, 2015. The validity of PSALM's action is the subject of an ongoing case filed by SPPC with the Regional Trial Court ("RTC") of Mandaluyong City (Note 33).

b. As at December 31, 2021 and 2020, SMEC has receivables for the cost of fuel, market fees and other charges related to the dispatch of the excess capacity of the Sual Power Plant amounting to P251,504 and P290,955, respectively. In addition, SMEC has receivables arising from WESM transactions related to the excess capacity amounting to P3,661,983 and P3,021,857 as at December 31, 2021 and 2020, respectively. The issue on excess capacity is the subject of ongoing cases (Note 33).

c. On June 16, 2011, SMEC entered into a MOA with Hardrock Coal Mining Pty Ltd. (HCML) and Caason Investments Pty Ltd. (Caason), companies registered in Australia, for the acquisition of shares in HCML. SMEC paid Caason Australian dollars 12,000 (equivalent to P550,000), for an option to subscribe to the shares in HCML (the "Deposit"), with further option for SMEC to decide not to pursue its investment in HCML, which will result in the return of the Deposit to SMEC plus interest. In a letter dated July 15, 2011, SMEC notified Caason and HCML that it shall not pursue the said investment and therefore asked Caason and HCML for the return of the Deposit with corresponding interest (the "Amount Due"), pursuant to the terms of the MOA.

   On September 2, 2014, SMEC, HCML and Caason agreed to a schedule of payment of the outstanding Amount Due to SMEC. In January 2020, the same parties entered into a Deed of Arrangement. SMEC reversed a total of P22,925 and P137,551, and recognized a foreign exchange loss of P4,399 and P30,074, from the allowance for the amounts recovered from HCML in 2021 and 2020, respectively (Note 26).

   As at December 31, 2021 and 2020, total outstanding receivable from HCML amounting to P295,780 and P314,307, respectively, has been fully provided with allowance.

d. SCPC made advances for the construction of transmission assets on behalf of NGCP. The reimbursement shall take place after full payment and proper turnover of the transmission assets to NGCP.

e. As at December 31, 2021, LETI's claim with the Bureau of Internal Revenue (BIR) for refund of its unutilized creditable withholding taxes (CWT) for taxable year 2017, amounting to P439,161, has been collected.

f. The remaining balance mainly pertains to billings for demurrage charges, refundable security deposit for bid purposes, and receivables from customers which will be remitted to the Government upon collection.

9. Inventories

Inventories at cost consist of:

	Note	**2021**	2020
Coal	*6*	**P7,051,095**	P3,128,261
Materials and supplies		**2,715,255**	2,221,551
Fuel oil	*20*	**167,613**	142,503
Other consumables		**83,859**	89,765
	4	**P10,017,822**	P5,582,080

There were no inventory write-downs to net realizable value in 2021, 2020 and 2019. Inventories charged to cost of power sold amounted to P39,108,912, P23,954,749 and P31,362,501 in 2021, 2020 and 2019, respectively (Note 24).

10. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	**2021**	2020
Input VAT		**P15,687,063**	P13,668,675
Prepaid tax		**9,670,879**	7,741,670
Restricted cash	*16, 30, 31*	**2,550,607**	874,705
Advances to suppliers		**1,734,615**	479,104
PSALM monthly fee outage credits	*6*	**1,397,267**	1,681,464
Derivative assets not designated as cash flow hedge	*20, 30, 31*	**111,932**	-
Derivative assets designated as cash flow hedge	*30, 31*	**-**	26
Investment in debt instruments	*30, 31*	**-**	694
Other prepaid expenses	*20*	**337,529**	469,723
		P31,489,892	P24,916,061

Input VAT consists of VAT on purchases of goods and services which can be offset against the output VAT payable (Note 18).

Prepaid tax consists of local business taxes and permits, CWTs and excess tax credits which can be used as a deduction against future income tax payable.

Restricted cash pertains to funds maintained in various financial institutions: (a) as cash flow waterfall accounts required under the respective credit facilities of SCPC and SMCPC (Notes 16 and 19), (b) as environmental guarantee fund for remittance to the DENR, and (c) as financial benefits to host communities, as required by law.

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

PSALM monthly fee outage credits pertain to the approved reduction in SMEC's future monthly fees payable to PSALM resulting from the outages of the Sual Power Plant in 2021 and 2020.

The methods and assumptions used to estimate the fair values of restricted cash and derivative assets are discussed in Note 31.

Other prepaid expenses pertain to the following:

a. Prepaid insurance of the Group for power plants amounted to P114,124 and P119,456 as at December 31, 2021 and 2020, respectively.

b. The Parent Company's prepaid legal and financial advisory fees relating to its financing activities amounting to P107,167 and P62,075 as at December 31, 2021 and 2020, respectively.

c. Prepaid rent of the Group from various short-term lease agreements amounted to P28,661 and P27,598 as at December 31, 2021 and 2020, respectively (Note 6).

11. Investments and Advances

Investments and advances consist of:

	2021	2020
Investments in Shares of Stock of an Associate and Joint Ventures		
Cost	**P7,618,892**	P7,618,892
Accumulated Equity in Net Losses		
Balance at beginning of year	**2,251,362**	1,778,669
Equity in net losses during the year	**119,810**	473,379
Share in other comprehensive income during the year	**(1,238)**	(1)
Adjustment to equity in net losses in prior year	**(2,462)**	(685)
Balance at end of year	**2,367,472**	2,251,362
	5,251,420	5,367,530
Advances	**5,587,426**	4,589,268
	P10,838,846	P9,956,798

Advances pertain to deposits made to certain land holding companies which will be applied against future stock subscriptions.

The following are the developments relating to the Group's investments in shares of stock of an associate and joint ventures:

a. Investment in shares of stock of an associate

OEDC

In April 2013, SPGC and San Miguel Equity Investments, Inc. (SMEII), an entity under common control, entered into a Deed of Assignment of Subscription Rights whereby SMEII agreed to assign 35% ownership interest in OEDC to SPGC for a consideration of P8,750.

Subscriptions payable amounted to P28,101 as at December 31, 2021 and 2020 (Note 20).

The table below summarizes the financial information of investment in shares of stock of an associate which is accounted for using the equity method:

	2021 (Unaudited)	2020 (Audited)
Country of Incorporation	**Philippines**	Philippines
Current assets	**P512,192**	P467,266
Noncurrent assets	**1,309,723**	1,305,062
Current liabilities	**(724,485)**	(660,915)
Noncurrent liabilities	**(474,897)**	(534,101)
Net assets	**P622,533**	P577,312
Revenue	**P1,838,709**	P1,652,648
Net income	**P41,684**	P25,462
Other comprehensive income	**3,537**	3
Total comprehensive income	**P45,221**	P25,465
Share in net income	**P14,589**	P8,912
Share in other comprehensive income	**P1,238**	P1
Carrying amount of investment	**P231,597**	P215,770

b. Investments in shares of stock of joint ventures

i. AHC and KWPP

The Parent Company, through PVEI, and Korea Water Resources Corporation (K-water) entered into a joint venture for the acquisition, rehabilitation, operation and maintenance of the 218 MW Angat Hydroelectric Power Plant (Angat Power Plant) awarded by PSALM to K-water.

On November 18, 2014, PVEI acquired from the individual stockholders and K-water, 2,817,270 shares or 60% of the outstanding capital stock of AHC and from the individual stockholders, 75 shares representing 60% of KWPP’s outstanding capital stock.

Subsequently, AHC and KWPP each issued shares in favor of nominee directors of PVEI and K-water to complete their respective shareholding interest.

In accordance with the entry of PVEI into AHC and KWPP, K-water and PVEI are jointly in control of the management and operation of AHC and KWPP.

AHC
AHC was incorporated on November 15, 2013 and was created to engage in the operations and maintenance of the Angat Power Plant and to supply power generated to power corporations and to electric utilities, to import hydro-electric facilities and equipment, and to do all acts necessary and incidental thereto, in accordance with RA No. 9136 or otherwise known as the EPIRA.

KWPP
KWPP was incorporated on November 27, 2013 and was established for the purpose of acquiring, holding or leasing water and flowage rights.

The table below summarizes the financial information of investments in shares of stock of joint ventures which is accounted for using the equity method:

December 31, 2021 (Unaudited)

	AHC	**KWPP**
Country of Incorporation	**Philippines**	**Philippines**
Current assets	**P2,646,360**	**P2,875**
Noncurrent assets	**17,166,595**	**18,293**
Current liabilities	**(1,147,775)**	**(5,884)**
Noncurrent liabilities	**(12,468,790)**	**(14,307)**
Net assets	**P6,196,390**	**P977**
Revenue	**P1,926,530**	**P -**
Net losses/total comprehensive losses	**(P223,940)**	**(P59)**
Share in net losses/total comprehensive losses	**(P134,364)**	**(P35)**
Carrying amount of investment	**P5,019,011**	**P812**

December 31, 2020 (Audited)

	AHC	KWPP
Country of Incorporation	Philippines	Philippines
Current assets	P2,222,271	P2,685
Noncurrent assets	16,969,641	18,803
Current liabilities	(1,312,650)	(5,721)
Noncurrent liabilities	(11,458,932)	(14,730)
Net assets	P6,420,330	P1,037
Revenue	P1,341,109	P -
Net losses/total comprehensive losses	(P799,653)	(P62)
Share in net losses/total comprehensive losses	(P479,792)	(P37)
Carrying amount of investment	P5,153,375	P847

Investment in Shares of Stock of Subsidiaries
The following are the developments relating to the subsidiaries:

i. PVEI

In January 2017, PVEI granted shareholder advances amounting to US$31,800 (equivalent to P1,578,870) to its joint venture company, AHC. The advances bear an annual interest rate of 4.50% and are due on April 30, 2017. The due date of the advances may be extended as agreed amongst the parties.

As at December 31, 2021 and 2020, the remaining balance of the shareholder advances amounted to US$2,281 (equivalent to P116,339 and P109,550, respectively) and due date was extended to December 31, 2022. Interest income amounted to P5,138, P5,165 and P5,367 in 2021, 2020 and 2019, respectively (Note 20).

In June and October 2021, PVEI granted shareholder loans to AHC amounting to P600,000 and P408,540, respectively. The loans bear interest rates of 4.6% and 6.125%, respectively, and are due on January 5, 2032. Outstanding balance amounted to P1,008,540 and interest income amounted to P18,840 as at and for the year ended December 31, 2021 (Note 20).

ii. MPGC

In 2019, MPGC started the construction of its 4 x 150 MW CFB Coal-fired Power Plant in Mariveles, Bataan.

On January 7, 2019, the BOD and stockholders of MPGC approved the increase in its authorized capital stock from P3,800,000 divided into 38,000,000 common shares with par value of P100 per share to P9,600,000 divided into 96,000,000 common shares with par value of P100 per share. On January 25, 2019, the Parent Company subscribed to the remaining unissued 18,314,898 common shares of MPGC, thereby increasing its ownership interest in MPGC from 49% to 73.58%. With the subscription, the Parent Company has obtained control over MPGC and started consolidating MPGC effective January 25, 2019.

Subsequently, on September 6, 2019, the Parent Company subscribed to an additional 58,000,000 common shares out of the increased authorized capital stock of MPGC at the subscription price of P100 per share, or a total subscription amount of P5,800,000. The increase in authorized capital stock of MPGC was approved by the Philippine SEC on the same date.

On December 21, 2020, the BOD and stockholders of MPGC approved another increase in its authorized capital stock from P9,600,000 to P12,600,000, divided into 126,000,000 shares with par value of P100 per share, and the Parent Company subscribed to an additional 29,177,717 shares at a subscription price of P100 per share, or a total subscription amount of P2,917,772. On December 7, 2021, the Philippine SEC approved the increase in authorized capital stock of MPGC.

Following these subscriptions, the Parent Company's ownership interest in MPGC further increased from 89.54% as at December 31, 2020 to 91.98% as at December 31, 2021. Non-controlling interests in MPGC held by MGen and Zygnet were reduced from 10.05% to 7.71% and from 0.41% to 0.31%, respectively, as at December 31, 2021.

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

As at December 31, 2021, the Parent Company has fully paid the total subscriptions made in 2021.

iii. MPPCL

In 2018, the Parent Company acquired the Masinloc Group including MPPCL which owns, operates and maintains the Masinloc Power Plant.

Commercial operations of Unit 3 commenced on September 26, 2020, following the granting of a Provisional Authority to Operate by ERC in favor of MPPCL Unit 3 and the declaration with IEMOP of its commercial operations (Note 12).

iv. MPPCL, MaPoCo and MaPaCo

Effective October 1, 2021, MPPCL, MaPoCo and MaPaCo have adopted Philippine Peso as their functional currency. The change from US dollar to Philippine Peso functional currency was determined based on the evaluation of the significant change in the underlying transactions, events and conditions relevant to MPPCL, MaPoCo and MaPaCo in accordance with PAS 21, *The Effects of Changes in Foreign Exchange Rates*.

A notification of the change in functional currency was filed separately by MPPCL, MaPoCo and MaPaCo with the Philippine SEC on January 28, 2022.

v. DIPI

On November 3, 2020, the Parent Company acquired all the outstanding capital stock of DIPI for a total consideration of P5,138, including transaction costs. The acquisition gave the Parent Company 100% ownership interest and control over DIPI and resulted to the consolidation of DIPI effective November 3, 2020.

The acquisition of DIPI is accounted for as an asset acquisition since the acquired set of assets and activities does not constitute a business as defined in PFRS 3.

DIPI owns certain parcels of land located in Pagbilao, Quezon to be used for future expansion projects of the Group (Note 12).

vi. Soracil

On March 15, 2021, the Parent Company acquired 100% outstanding capital stock of Soracil for a total consideration amount of P798,098, inclusive of transaction costs. Soracil is engaged in the business of acquiring by purchase, lease, or otherwise, lands or interest in lands and realty, and to own, hold, improve, develop, manage, alone or jointly with others and operate said land or lands or real estate so acquired, and to erect or cause to be erected on any lands, owned, held, occupied, or acquired by the corporation, buildings and other structures with their appurtenances, and to rebuild, enlarge, alter, improve, or remodel any building or other structures now or hereafter erected on any lands or real estates so owned, held or occupied, or otherwise dispose of any lands or real estate or interests in lands or real estates and in buildings and other structures at any time owned or held by the corporation.

The following summarized the recognized net assets acquired from Soracil at acquisition date:

Current assets	**P16,254**
Noncurrent assets	**779,505**
Current liabilities	**(151)**
Net assets	**P795,608**

In accordance with the criteria set out in paragraph 2 of PFRS 3 and based on Philippine Interpretations Committee Question and Answer No. 2011 - 06 PFRS 3 (2008), and PAS 40, Investment Property - Acquisition of Investment Properties - Asset Acquisition or Business Combination, the Parent Company is exempt from applying acquisition method and should be accounted for as an asset acquisition based on the principles described in other PFRS. The acquired set of assets and activities does not constitute a business as defined in PFRS 3.

12. Property, Plant and Equipment

Property, plant and equipment consist of:

	Note	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	Capital Projects in Progress	Total
Cost							
January 1, 2020		P105,359,446	P11,932,557	P2,926,411	P1,743,202	P37,415,253	P159,376,869
Additions		953,009	52,733	796,993	53,130	24,915,544	26,771,409
Acquisition of a subsidiary	*11*	-	660,939	-	-	-	660,939
Reclassifications		24,872,748	517,925	1,185,177	2,134,936	(26,798,988)	1,911,798
Currency translation adjustments		(2,671,479)	(5,135)	(131,105)	(69,817)	(1,261,029)	(4,138,565)
December 31, 2020		128,513,724	13,159,019	4,777,476	3,861,451	34,270,780	184,582,450
Additions		527,220	342,780	339,283	4,803	38,380,511	39,594,597
Acquisition of a subsidiary	*11*	-	781,995	-	-	-	781,995
Reclassifications		2,619,673	(70,095)	641,642	5,102	(309,903)	2,886,419
Currency translation adjustments		4,287,195	31,999	199,017	186,554	151,201	4,855,966
December 31, 2021		**135,947,812**	**14,245,698**	**5,957,418**	**4,057,910**	**72,492,589**	**232,701,427**
Accumulated Depreciation and Amortization							
January 1, 2020		8,030,395	269,362	520,323	110,355	-	8,930,435
Depreciation and amortization		4,750,370	175,031	201,322	88,546	-	5,215,269
Reclassifications		492	-	37,881	-	-	38,373
Currency translation adjustments		(1,103,045)	(69)	(38,802)	(7,259)	-	(1,149,175)
December 31, 2020		11,678,212	444,324	720,724	191,642	-	13,034,902
Depreciation and amortization		5,248,687	196,429	401,056	114,162	-	5,960,334
Reclassifications		-	-	48,326	-	-	48,326
Currency translation adjustments		1,561,861	1,464	43,991	17,043	-	1,624,359
December 31, 2021		**18,488,760**	**642,217**	**1,214,097**	**322,847**	**-**	**20,667,921**
Accumulated Impairment Losses							
January 1, 2020		-	-	102,402	-	-	102,402
Impairment	*26*	-	-	35,018	-	-	35,018
Currency translation adjustments		-	-	(5,309)	-	-	(5,309)
December 31, 2020		-	-	132,111	-	-	132,111
Impairment	*26*	-	-	34,991	-	-	34,991
Currency translation adjustments		-	-	7,872	-	-	7,872
December 31, 2021		**-**	**-**	**174,974**	**-**	**-**	**174,974**
Carrying Amount							
December 31, 2020		P116,835,512	P12,714,695	P3,924,641	P3,669,809	P34,270,780	P171,415,437
December 31, 2021		**P117,459,052**	**P13,603,481**	**P4,568,347**	**P3,735,063**	**P72,492,589**	**P211,858,532**

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

b. CPIP pertains to the following:

   i. Projects of MPPCL for the construction of the Masinloc Power Plant Unit 4, 20 MW BESS, and other related facilities.

      Following the declaration with IEMOP of the commercial operations date of Masinloc Unit 3 effective September 26, 2020, all related CPIP costs were reclassified to the appropriate property, plant and equipment account.

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

   iii. Projects of UPSI for the construction of BESS facilities and gas turbine generators situated in various locations in the Philippines.

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

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

   v. Initial expenditures of EERI related to the development of its combined cycle power plant in Batangas.

   vi. Various construction works relating to the respective power plant facilities of SCPC and SMCPC.

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

	Note	**2021**	2020	2019
Cost of power sold	*24*	**P5,484,187**	P4,828,013	P4,363,897
Selling and administrative expenses	*25*	**476,147**	387,256	223,391
		P5,960,334	P5,215,269	P4,587,288

Total depreciation and amortization, recognized in the consolidated statements of income, include amortization of capitalized interest and decommissioning and dismantling costs amounting to P251,398, P364,273 and P99,307 in 2021, 2020 and 2019, respectively. The Group recognized impairment losses amounting to P34,991, P35,018, and P35,084 in 2021, 2020, and 2019, respectively, and presented as part of "Other income - net" account in the consolidated statements of income (Note 26).

The Group has borrowing costs amounting to P1,059,256, P1,509,315 and P2,360,582 which were capitalized in 2021, 2020 and 2019, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization were 7.47% in 2021 and range from 7.75% to 12.96% and 6.28% to 9.09% in 2020 and 2019, respectively. The unamortized capitalized borrowing costs amounted to P7,943,628 and P7,135,770 as at December 31, 2021 and 2020, respectively (Note 19).

Reclassifications also include application of advances to contractors against progress billings for capital projects in progress.

As at December 31, 2021 and 2020, certain property, plant and equipment amounting to P127,318,347 and P125,835,340, respectively, are pledged as security for syndicated project finance loans (Note 19).

Certain fully depreciated property, plant and equipment with aggregate costs amounting to P4,460,275 and P4,066,574 as at December 31, 2021 and 2020, respectively, are still being used in the Group's operations.

13. Right-of-Use Assets

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

	Land	Buildings and Improvements	Power Plants	Total
Cost				
January 1, 2020	P4,326,235	P90,450	P167,387,089	P171,803,774
Additions	983,315	4,192	-	987,507
Remeasurement and others	252,256	-	-	252,256
Currency translation adjustments	(5,579)	-	-	(5,579)
December 31, 2020	5,556,227	94,642	167,387,089	173,037,958
Additions	172,797	315,240	-	488,037
Remeasurement and others	(123,522)	-	-	(123,522)
Currency translation adjustments	(14,033)	-	-	(14,033)
December 31, 2021	**5,591,469**	**409,882**	**167,387,089**	**173,388,440**
Accumulated Depreciation and Amortization				
January 1, 2020	63,362	36,713	5,186,403	5,286,478
Depreciation and amortization	59,409	36,657	5,186,403	5,282,469
Remeasurement and others	155,927	-	-	155,927
December 31, 2020	278,698	73,370	10,372,806	10,724,874
Depreciation and amortization	64,026	70,713	5,186,403	5,321,142
Remeasurement and others	182,763	-	-	182,763
December 31, 2021	**525,487**	**144,083**	**15,559,209**	**16,228,779**
Carrying Amount				
December 31, 2020	P5,277,529	P21,272	P157,014,283	P162,313,084
December 31, 2021	**P5,065,982**	**P265,799**	**P151,827,880**	**P157,159,661**

The carrying amount of the power plants of the IPPAs under lease arrangements amounted to P151,827,880 and P157,014,283 as at December 31, 2021 and 2020, respectively (Note 6).

The carrying amount of MPPCL's land under lease arrangement amounted to P88,535 and P102,568 as at December 31, 2021 and 2020, respectively (Note 6).

The combined asset retirement costs of SCPC, SMCPC, UPSI and MPPCL amounted to P588,594 and P717,289 as at December 31, 2021 and 2020, respectively.

The remeasurement pertain mainly to the change in the estimated dismantling costs of ARO during the year.

14. Deferred Exploration and Development Costs

The movement in deferred exploration and development costs is as follows:

	Note	**2021**	2020
Balance at beginning of year		**P714,726**	P710,836
Additions		**4,204**	3,390
Reclassification	*6*	**463**	500
Balance at end of year	*4*	**P719,393**	P714,726

Deferred exploration and development costs comprise of expenditures which are directly attributable to the mining activities of DAMI, SEPC and BERI in relation to their respective COC.

In 2010, SMEC acquired DAMI, SEPC and BERI resulting in the recognition of mining rights of P1,719,726 (Notes 4 and 15).

DAMI's coal property covered by COC No. 126, issued by the DOE, is located in South Cotabato consisting of 2 coal blocks with a total area of 2,000 hectares, more or less, and has an In-situ coal resources (measured plus indicated coal resources) of about 68.30 million metric tons as at December 31, 2021 and 2020.

SEPC has a coal mining property and right over an aggregate area of 7,000 hectares, more or less, composed of 7 coal blocks located in South Cotabato and Sultan Kudarat. As at December 31, 2021 and 2020, COC No. 134 has an In-situ coal resources (measured plus indicated coal resources) of about 35.02 million metric tons.

BERI's COC No. 138, issued by the DOE is located in Sarangani and South Cotabato consisting of 8 coal blocks with a total area of 8,000 hectares, more or less, and has an In-situ coal resources (measured plus indicated coal resources) of about 23.45 million metric tons as at December 31, 2021 and 2020.

Status of Operations

In 2008 and 2009, the DOE approved the conversion of the COC for Exploration to COC for Development and Production of DAMI, SEPC and BERI effective on the following dates:

Subsidiary	COC No.	Effective Date	Term*
DAMI	126	November 19, 2008	20 years
SEPC	134	February 23, 2009	10 years
BERI	138	May 26, 2009	10 years

**The term is followed by another 10-year extension, and thereafter, renewable for a series of 3-year periods not exceeding 12 years under such terms and conditions as may be agreed upon with the DOE.*

On April 27, 2012 and January 26, 2015, the DOE granted the requests of DAMI, SEPC and BERI, for a moratorium on suspension of the implementation of the production timetable as specified under their respective COC. The request is in connection with a resolution passed by South Cotabato in 2010 prohibiting open-pit mining activities in the area. The moratorium was retrospectively effective from the dates of their respective COC, when these were converted to Development and Production Phase, until December 31, 2017 or until the ban on open-pit mining pursuant to the Environment Code of South Cotabato has been lifted, whichever comes first.

On October 20, 2017, DAMI, SEPC and BERI again requested for extension of the moratorium. This was granted on March 27, 2018, with effectivity of January 1, 2018 to December 31, 2018, along with an approved Work Program and Budget (WPB) to be complied with by DAMI, SEPC and BERI during the extended moratorium period.

On September 18, 2018, SEPC applied with the DOE for a ten-year extension of its COC No. 134 which is due to expire on February 23, 2019. This application was accompanied by a new 5-year WPB as required for the extension of the moratorium period to expire in 2018.

On December 18, 2018, DAMI further requested for another extension of the moratorium. The DOE replied on January 11, 2019 requiring, instead of considering another moratorium extension, the submission of a 5-year WPB which DAMI complied with.

On December 18, 2018, BERI requested for another extension of the moratorium. Further, on December 27, 2018, BERI applied for a 10-year extension of its COC No. 138 prior to its expiration on May 23, 2019 and subsequently submitted a 5-year WPB, consistent with the COC No. 138 status as a Development and Production Contract, as required by the DOE.

The first two years of this new 5-year WPB submitted by BERI focuses on the supplemental exploration, with drilling activity especially in Block 58 of the COC No. 138 where mineable reserves of coal are expected to be delineated. Further, the first 2 years of the 5-year WPB submitted by DAMI, SEPC and BERI, focuses on the "removal of tension cracked materials to prevent landslide" within their respective COC areas as identified by Mines and Geosciences Bureau/DENR XII, and requested by the Municipality of Lake Sebu. Full-scale coal production will start during the third year when the Provincial Government of South Cotabato would have endorsed the Project on any or all of the following grounds:

a. the mining of coal in Barangay Ned is found to be beneficial to the host community as it reduces landslide risks and protects lives;

b. the mining method is "contour stripping and progressive rehabilitation" and not the banned "open-pit mining";

c. DAMI, SEPC and BERI have vested rights to mining within their respective COC prior to the issuance of the open-pit mining ban; and

d. the ban could be lifted as a result of court cases filed against it.

On March 2, 2019, DAMI, SEPC and BERI requested DOE for the consolidation of the 3 COCs for the following justifications:

a. the coal seams, although of varying thickness are continuous from one COC to another and deal for interconnected contour strip mining due to nearly horizontal deposition;

b. sulfur content vary over a wide range from less than 1 percent in the lower section of the thick seam in DAMI to over 4 percent in the Maitum blocks of BERI, and would require blending of the coal products from one COC to another in order to meet the acceptable market specification; and

c. the coal resources and reserves vary greatly from one COC to another as the thickness and depth of the coal seams are variable, thus requiring stringent mine planning, operational efficiency and economic feasibility considerations.

However, on May 15, 2019, DAMI, SEPC and BERI clarified to the DOE that their request for consolidation of the 3 COCs was not meant to abandon nor withdraw the extension request of SEPC applied on September 21, 2018, having in mind the vested right provision of Section 21 of RA No. 11038 or the “Expanded National Integrated Protected Areas System Act of 2018”. Thus, DAMI, SEPC and BERI altogether declared that it is seeking for:

a. the extension of COC of SEPC; and

b. the consolidation of COC No. 126 and COC No.138 of DAMI and BERI, respectively, based on the justification set forth in the March 2, 2019 letter.

On December 11, 2019, the DOE approved the 10-year extension and the initial 5-year WPB for COC No. 134 of SEPC.

On January 10, 2020, DAMI and BERI met with the Energy Resources Development Bureau representatives to discuss the proposed consolidated 5-year WPB and the documentary requirements to effect consolidation of the 2 COCs.

On April 13, 2020, SEPC, DAMI and BERI reported to DOE inevitable delays in the implementation of their business plans, as embodied in their approved WPB of their respective COC, due to the COVID-19 pandemic. This was followed on June 24, 2020 by a request for 6 months extension of the Work and Financial Commitments of SEPC, DAMI and BERI due to the continuing effects of the COVID-19 pandemic.

On August 28, 2020, DAMI and BERI submitted to DOE for approval a Deed of Assignment and Transfer conveying the agreement whereby BERI assigns and transfers its rights and obligations over COC No. 138 to DAMI. This is a requirement of the DOE for the consolidation of the COCs of BERI and DAMI.

On October 5, 2020, SEPC further requested that instead of only 6 months, its production years be extended by 2 years to enable recovery of its investment and maximize the recovery of its existing reserves.

On December 6, 2021, the Sangguniang Panlalawigan of South Cotabato endorsed the implementation of the respective COCs of DAMI, BERI and SEPC, thereby removing the biggest impediment for implementation of the 3 COCs and the implementation of the 5-year WPB of SEPC that was approved by the DOE on December 11, 2019. With this endorsement, the DOE was prompted to undertake completed staff work for the COCs of DAMI and BERI. Approval of this request and the corresponding 5-year consolidated WPB of DAMI and BERI is therefore expected by the first quarter of 2022. Moreover, the endorsement pushed the immediate implementation of SEPC’s 5-year WPB in 2022, which coincides with the previous request for a two-year extension of SEPC’s WPB implementation. As at March 1, 2022, SEPC is coordinating with the officials of the barangays and municipalities of Lake Sebu to discuss the upcoming activities, such as trainings/seminars for officials and residents of the community, as part of the implementation of the said 5-year WPB.

Based on management’s assessment, there are no indicators that the carrying amount of the mining rights exceeds its recoverable amount as at December 31, 2021 and 2020.

15. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

	Note	**2021**	2020
Goodwill	*4*	**P69,953,222**	P69,953,222
Mining rights	*4, 14*	**1,719,726**	1,719,726
Power concession assets - net	*4, 6*	**1,119,978**	1,056,817
Computer software and licenses - net	*4*	**150,220**	128,432
		P72,943,146	P72,858,197

Impairment of Goodwill from Masinloc Group

Goodwill arising from the acquisition of Masinloc Group in 2018, amounting to P69,944,356 which accounts for almost 100% of the total goodwill in the consolidated statements of financial position as at December 31, 2021 and 2020, is allocated to the cash generating unit of the Masinloc Group.

The recoverable amount of goodwill has been determined based on the value in use using discounted cash flows and was based on the following key assumptions:

- Cash flows were projected based on experience and actual operating results and cover forecast until 2026 in 2021 and 2025 in 2020 based on long range plans approved by management. Management believes that the forecast was justifiable due to long-term contracts with major customers. Cash flows beyond the forecasted period are extrapolated using a constant growth rate determined per cash-generating unit.

- A discount rate of 9.0% in 2021 and 2020 was applied based on the weighted-average cost of capital, which reflects the management's estimate of the risk specific to the cash-generating unit.

- Terminal growth rate of 5.0% and 4.0% in 2021 and 2020, respectively, was applied as the Group is in the process of increasing its capacity and upgrading its facilities and hence foresees growth in cash flows generated perpetually. This growth rate is consistent with the long-term average growth rate for the industry.

The values assigned to the key assumptions represent the management's assessment of future trends in the industry and are based on internal sources (historical data).

For purposes of discount rate sensitivity, discount rate scenarios of 8.5% and 9.5% in 2021 were applied on the discounted cash flows analysis. Management believes that any reasonably possible change in the discount rate on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

Based on management's assessment, goodwill is not impaired since the recoverable amount of the related net assets for which the goodwill was attributed still exceeds its carrying amount as at December 31, 2021 and 2020.

Computer Software and Licenses
The movements in computer software and licenses are as follows:

	Note	**2021**	2020
Cost			
Balance at beginning of year		**P403,903**	P353,586
Additions		**57,772**	35,410
Reclassifications	*12*	**-**	21,049
Cumulative translation adjustments		**6,657**	(6,142)
Balance at end of year		**468,332**	403,903
Accumulated Amortization			
Balance at beginning of year		**275,471**	265,048
Amortization	*25*	**32,315**	12,377
Cumulative translation adjustments		**10,326**	(1,954)
Balance at end of year	*4*	**318,112**	275,471
		P150,220	P128,432

16. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	**2021**	2020
Advances to suppliers and contractors		**P20,452,013**	P8,819,078
Restricted cash - net of current portion	*30, 31*	**1,879,789**	3,916,087
Amounts owed by related parties	*20*	**1,101,147**	139,304
Noncurrent receivables	*30, 31*	**412,557**	369,350
Deferred input VAT - net of current portion		**233,458**	409,194
Derivative assets designated as cash flow hedge	*30, 31*	**42,173**	18,863
Others		**165,903**	61,752
		P24,287,040	P13,733,628

Advances to suppliers and contractors include advance payments to contractors for the construction of the Group's power plant and BESS projects (Note 12).

Restricted cash mainly comprises of: (a) SCPC's cash flow waterfall accounts, amounting to P1,144,950 and P1,144,350 as at December 31, 2021 and 2020, respectively (Notes 10 and 19); (b) MPPCL's cash flow waterfall accounts and environmental guarantee fund, amounting to P56,150 and P2,132,527 as at December 31, 2021 and 2020, respectively; (c) the amount received from IEMOP amounting to P491,242 as at December 31, 2021 and 2020, representing the proceeds of sale on WESM for a specific period in 2016, for the electricity generated from the excess capacity of the Sual Power Plant, which SMEC consigned with the RTC of Pasig City (Note 33); and (d) APEC's reinvestment fund for sustainable capital expenditures and contributions collected from customers for bill deposits which are refundable amounting to P187,412 and P147,933 as at December 31, 2021 and 2020, respectively.

Amounts owed by a related party pertains to the loans granted by SPGC to OEDC and PVEI to AHC. SPGC's loan to OEDC is collectible in equal monthly payments of principal and interest, initially pegged at 4.73% and subject to change every 6 months. The equal monthly payments of OEDC shall be made on the first day of each month commencing in January 2017 until December 2024. PVEI's loans to AHC are collectible on January 5, 2032 including principal and interest which shall accrue with respect to the outstanding amount at the rates ranging from 4.60% to 6.125% per annum (Note 20).

As at December 31, 2021 and 2020, the deferred input VAT mainly pertains to the input VAT relating to the construction of power plants and BESS projects of the Group.

Others mainly pertain to retention asset and costs incurred in relation to long-term customer contracts.

The methods and assumptions used to estimate the fair values of restricted cash, noncurrent receivables and derivative assets are discussed in Note 31.

17. Loans Payable

Loans payable amounting to P1,529,970 and P1,680,805 as at December 31, 2021 and 2020, respectively, mainly represents the unsecured short-term US dollar-denominated amounts obtained by MPPCL from a local bank. Interest rates applied was 3.75% in 2021 and ranged from 3.75% to 4.00% in 2020 (Notes 30 and 31).

Interest expense on loans payable amounted to P62,964, P79,211 and P180,975 in 2021, 2020 and 2019, respectively.

On April 29, 2019, the Parent Company fully paid its US$120,000 short-term loan using a portion of the proceeds from its P30,000,000 fixed-rate bonds issuance (Note 19).

18. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**2021**	2020
Trade	*6*	**P15,357,138**	P13,081,116
Non-trade	*6*	**30,834,754**	18,108,889
Output VAT		**7,508,289**	6,633,894
Accrued interest	*6, 17, 19*	**1,226,302**	1,267,229
Amounts owed to related parties	*20*	**732,736**	794,298
Withholding and other accrued taxes		**370,176**	354,937
Premium on option liabilities	*30, 31*	**25,831**	29,559
Derivative liabilities not designated as cash flow hedge	*30, 31*	**-**	9,590
	30, 31	**P56,055,226**	P40,279,512

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, concession payables and other payables to the Government excluding output VAT and withholding taxes.

Output VAT consists of current and deferred output VAT payable. Deferred output VAT represents the VAT on sale of power which will be remitted to the Government only upon collection from the customers (Note 8).

The methods and assumptions used to estimate the fair values of financial liabilities are discussed in Note 31.

19. Long-term Debt

Long-term debt consists of:

	Note	**2021**	2020
Bonds			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.8350%, 7.1783% and 7.6000% maturing in 2022, 2024 and 2026, respectively (a)		**P29,857,106**	P29,759,411
Fixed interest rate of 6.7500% maturing in 2023 (b)		**14,929,804**	14,890,505
Fixed interest rate of 5.3750%, 6.2500% and 6.6250% maturing in 2022, 2024 and 2027, respectively (c)		**19,915,621**	19,879,190
Fixed interest rate of 4.3458%, 4.7575% and 5.1792% maturing in 2021, 2023 and 2026, respectively (d)		**8,807,704**	14,940,675
		73,510,235	79,469,781
Term Loans			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.9265%, with maturities up to 2024 (e)		**14,341,187**	14,468,244
Fixed interest rate of 5.0000%, with maturities up to 2025 (f)		**4,925,442**	-
Foreign currency-denominated:			
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, maturing in 2021 and 2023 (g)		**25,336,985**	33,305,884
Floating interest rate based on LIBOR plus margin, maturing in 2026 (h)		**14,948,743**	-
Floating interest rate based on LIBOR plus margin, maturing in 2023 (i)		**2,504,152**	-
Subsidiaries			
Peso-denominated:			
Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (j)		**37,626,133**	39,842,816
Fixed interest rate of 7.7521% and 6.5077% with maturities up to 2030 (k)		**17,154,198**	18,412,313
Foreign currency-denominated			
Fixed interest rate of 4.7776% and 5.5959%, with maturities up to 2023 and 2030, respectively (l) (m)		**24,487,442**	25,596,620
Floating interest rate based on LIBOR plus margin, with maturities up to 2023 and 2030 (l) (m)		**8,086,926**	8,457,124
		149,411,208	140,083,001
	30, 31	**222,921,443**	219,552,782
Less current maturities		**30,185,418**	22,721,660
		P192,736,025	P196,831,122

a. The amount represents the first tranche of the Parent Company's P60,000,000 fixed rate bonds shelf registration. The first tranche, with an aggregate principal amount of P30,000,000, was issued and listed on the Philippine Dealing and Exchange Corp. (PDEx) for trading on April 24, 2019 at the issue price of 100% of face value.

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

	Term	Interest Rate Per Annum
Series H Bonds	3 years, due 2022	6.8350%
Series I Bonds	5 years, due 2024	7.1783%
Series J Bonds	7 years, due 2026	7.6000%

   Interest on the Bonds shall be payable quarterly in arrears every April 24, July 24, October 24 and January 24 of each year starting July 24, 2019, as the first interest payment date.

   The proceeds were used by the Parent Company for partial refinancing of existing loan obligations and/or re-denomination of US dollar-denominated obligations (remaining US$150,000 term loan, used for Masinloc acquisition, and US$120,000 short-term loan), investments in power-related assets and for payment of transaction-related fees, costs and expenses.

   Unamortized debt issue costs amounted to P142,894 and P240,589 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P334,932 and P334,723 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P2,135,156 in 2021 and 2020 and P1,470,885 in 2019.

b. The amount represents the second tranche of the Parent Company's P35,000,000 fixed rate bonds shelf registration (the "Series G" Bonds). The Series G Bonds, with an aggregate principal amount of P15,000,000, were issued and listed on the PDEx for trading on August 17, 2018 at the issue price of 100% of face value with a 5-year term, due 2023, and interest rate of 6.75%.

   Interest on the Series G Bonds shall be payable quarterly in arrears every February 17, May 17, August 17 and November 17 of each year starting November 17, 2018, as the first interest payment date.

   The proceeds were used by the Parent Company to refinance its outstanding shareholder advances, to partially refinance the US$500,000, 5-year term loan obtained in March 2018 and for payment of transaction-related expenses .

   Unamortized debt issue costs amounted to P70,196 and P109,495 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P101,262 and P101,261 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P1,012,500 in 2021, 2020 and 2019.

c. The amount represents the first tranche of the Parent Company's P35,000,000 fixed rate bonds shelf registration. The first tranche, with an aggregate principal amount of P20,000,000, was issued and listed on the PDEx for trading on December 22, 2017 at the issue price of 100% of face value.

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

	Term	**Interest Rate Per Annum**
Series D Bonds	5 years, due 2022	5.3750%
Series E Bonds	7 years, due 2024	6.2500%
Series F Bonds	10 years, due 2027	6.6250%

   Interest on the Bonds shall be payable quarterly in arrears every March 22, June 22, September 22 and December 22 of each year starting March 22, 2018 as the first interest payment date.

   Proceeds from the issuance were used by the Parent Company to refinance its short-term loans obtained from local banks.

   Unamortized debt issue costs amounted to P84,379 and P120,810 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P23,950 and P23,945 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P1,176,795 in 2021, 2020 and 2019.

d. The amount represents the Parent Company's fixed rate bonds issued with an aggregate principal amount of P15,000,000. The Bonds were issued and listed on the PDEx on July 11, 2016 at the issue price of 100% of face value in three series with terms and interest rates as follows:

	Term	**Interest Rate Per Annum**
Series A Bonds	5 years, due 2021	4.3458%
Series B Bonds	7 years, due 2023	4.7575%
Series C Bonds	10 years, due 2026	5.1792%

   Interest is payable quarterly in arrears every January 11, April 11, July 11 and October 11 of each year starting October 11, 2016, as the first interest payment date.

   The net proceeds were used on July 25, 2016 to refinance the US$300,000 short-term loan provided by a local bank of which the proceeds were used for the redemption of the US$300,000 bond in January 2016.

   On July 12, 2021, the Parent Company redeemed the Series A Bonds, amounting to P6,153,250, upon its maturity pursuant to the terms and conditions of the bonds.

   Unamortized debt issue costs amounted to P39,046 and P59,325 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P88,548 and P138,236 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P581,331 in 2021 and P708,349 in 2020 and 2019.

e. The amount represents the remaining balance of the P15,000,000, fixed rate 7-year Term Loan Facility availed by the Parent Company on April 26, 2017 from a local bank. Interest is payable quarterly in arrears on the last day of the agreed interest period. Principal repayment shall be in 14 semi-annual installments starting at the end of the first year from drawdown date. The proceeds were used for debt refinancing.

   Unamortized debt issue costs amounted to P58,813 and P81,756 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P179,202 and P181,069 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P1,017,257, P1,030,620 and P1,038,326 in 2021, 2020 and 2019, respectively.

f. The amount represents the P5,000,000, fixed rate 4-year Term Loan Facility drawn by the Parent Company on May 28, 2021 from a local bank. Interest is payable quarterly in arrears and principal repayment is in semi-annual installments up to May 2025. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs and accrued interest amounted to P49,558 and P23,522, respectively, as at December 31, 2021. Interest expense amounted to P158,504 in 2021.

g. The amount represents the balance of the US$700,000 floating interest term loan availed by the Parent Company from a syndicate of foreign banks on March 16, 2018. The US$700,000 is divided into Facility A Loan amounting to US$200,000 maturing on March 12, 2021 and Facility B Loan amounting to US$500,000 maturing on March 13, 2023. The proceeds were used to partially finance the acquisition of the Masinloc Group.

   On March 12, 2021, the Parent Company fully paid the Facility A Loan using the proceeds from its US$200,000 term loan availed on the same date.

   Unamortized debt issue costs amounted to P162,515 and P310,216 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P1,982 and P2,571 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P428,485, P757,196 and P1,463,614 in 2021, 2020 and 2019, respectively.

h. The amount represents the balance of the US$200,000 5-year term loan drawn by the Parent Company on March 12, 2021 from a US$200,000 Facility Agreement with a syndicate of foreign banks executed on March 9, 2021. The loan is subject to floating interest rate based on LIBOR plus margin and will mature in March 2026. The funds were used as repayment of Facility A Loan that matured on March 12, 2021.

   On June 7, 2021, the Parent Company availed an additional US$100,000 term loan from its Syndication Agreement executed on May 21, 2021. The Syndication Agreement amended the Facility Agreement dated March 9, 2021, increasing the loan facility from US$200,000 to US$300,000. As at December 31, 2021, the total amount drawn is US$300,000. The proceeds were used mainly for the redemption of Series A Bonds in July 2021.

   Unamortized debt issue costs and accrued interest amounted to P350,957 and P16,386, respectively, as at December 31, 2021. Interest expense amounted to P300,158 in 2021.

i. The amount represents the US$50,000 3-year term loan drawn by the Parent Company on April 12, 2021, from a facility agreement with a foreign bank executed on October 12, 2020. The loan is subject to floating interest rate based on LIBOR plus margin and will mature in October 2023.

   The funds will be used for the payment of capital expenditures in connection with the Ilijan Natural Gas-fired Power Plant (including expansion projects related thereto); funding of liquid natural gas import, storage and distribution facilities; pre-operating and operating working capital requirements for BESS projects, and transaction-related fees, costs and expenses of the facility.

   Unamortized debt issue costs and accrued interest amounted to P45,798 and P1,405, respectively, as at December 31, 2021. Interest expense amounted to P35,788 in 2021.

j. The amount represents the remaining balance of the P42,000,000 and P2,000,000 drawn by SCPC on June 28, 2017 and January 31, 2018, respectively, from the P44,000,000, 12-year Omnibus Loan and Security Agreement (OLSA) with a syndicate of local banks dated June 22, 2017. The proceeds were used mainly by SCPC for the following purposes:

   i. the settlement of the US$360,000 short-term loan availed on May 8, 2017 from a local bank;

   ii. the funding of the acquisition from LETI of the Phase II of Limay Greenfield Power Plant which was then under construction;

   iii. the repayment of advances from the Parent Company; and

   iv. the payment of transaction-related fees and expenses.

   Unamortized debt issue costs amounted to P468,867 and P547,184 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P17,453 and P18,499 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P2,592,403, P2,723,450 and P2,786,827 in 2021, 2020 and 2019, respectively (inclusive of P437,109 capitalized in CPIP in 2019).

k. The amount represents the remaining balance of the P20,322,000 and P978,000 drawn by SMCPC in tranches on August 17, 2018 and July 31, 2019, respectively, from the P21,300,000, 12-year OLSA with a syndicate of local banks, signed on August 9, 2018. The loan is payable in 47 quarterly installments up to August 2030. The proceeds were used mainly by SMCPC for the following purposes:

   i. the repayment in full of the P5,930,000 short-term loan used to fund the design, construction and operation of the Davao Greenfield Power Plant;

   ii. the partial financing of the remaining works for the Davao Greenfield Power Plant;

   iii. the repayment of advances from the Parent Company; and

   iv. the payment of transaction-related fees and expenses.

   The loan includes amount payable to Bank of Commerce (BOC), an associate of entities under common control, amounting to P2,615,936 and P2,810,624 as at December 31, 2021 and 2020, respectively (Note 20).

Unamortized debt issue costs amounted to P258,126 and P295,903 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P139,198 and P149,557 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P1,409,378, P1,514,689 and P1,574,840 (inclusive of P18,480, P18,515, and P28,198 capitalized in CPIP) in 2021, 2020 and 2019, respectively.

l. The amount represents the US$172,100 total outstanding loan drawn in tranches by MPPCL from its Omnibus Refinancing Agreement (ORA), dated December 28, 2012, with local banks, which refinanced its debt obligations previously obtained to partially finance the acquisition, operation, maintenance and repair of the power plant facilities purchased from PSALM by MPPCL on August 22, 2007. The loan is divided into fixed interest tranche and floating interest tranche based on a 6-month LIBOR plus margin with maturities up to January 23, 2023.

   Unamortized debt issue costs pertaining to fixed and floating interest tranches amounted to P1,884 and P628, and P6,584 and P2,195 as at December 31, 2021 and 2020, respectively. Accrued interest pertaining to fixed and floating interest tranches amounted to P54,163 and P11,337 and P64,249 and P13,448 as at December 31, 2021 and 2020, respectively. Interest expense on fixed and floating interest tranches amounted to P394,435 and P81,577 (inclusive of P13,279 and P2,745 capitalized in CPIP, respectively), P485,318 and P118,051 (inclusive of P282,882 and P68,809 capitalized in CPIP, respectively), and P590,810 and P181,198 (inclusive of P336,666 and P103,253 capitalized in CPIP, respectively) in 2021, 2020 and 2019, respectively.

m. The amount represents the US$473,130 total outstanding loan drawn in tranches by MPPCL from its Omnibus Expansion Financing Agreement (OEFA) dated December 1, 2015, with local banks, to finance the construction of the additional 335 MW (gross) coal-fired plant within MPPCL existing facilities. The loan is divided into fixed interest tranche and floating interest tranche based on a 6-month LIBOR plus margin with maturities up to December 15, 2030.

   Unamortized debt issue costs pertaining to fixed and floating interest tranches amounted to P247,688 and P81,517, and P271,492 and P89,352, as at December 31, 2021 and 2020, respectively. Accrued interest pertaining to fixed and floating interest tranches amounted to P174,961 and P30,870 and P174,113 and P30,720 as at December 31, 2021 and 2020, respectively. Interest expense on fixed and floating interest tranches amounted to P1,143,037 and P201,674 (inclusive of P38,455 and P6,785 capitalized in CPIP, respectively), P1,188,888 and P231,214 (inclusive of P914,351 and P177,874 capitalized in CPIP, respectively), and P1,111,141 and P299,158 (all capitalized in CPIP) in 2021, 2020 and 2019, respectively.

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

The fair value of the Bonds amounting to P78,768,298 and P89,459,884 as at December 31, 2021 and 2020, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 31).

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

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

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

As at December 31, 2021 and 2020, 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:

	2021	2020
Balance at beginning of year	**P2,134,901**	P2,757,848
Additions	**527,832**	1,200
Currency translation adjustments	**20,879**	(21,537)
Capitalized amount	**(1,981)**	(46,816)
Amortization	**(618,765)**	(555,794)
Balance at end of year	**P2,062,866**	P2,134,901

Repayment Schedule

The annual maturities of long-term debt are as follows:

	Gross Amount				
Year	**US Dollar**	**Peso Equivalent of US Dollar**	**Peso**	**Debt Issue Costs**	**Net**
2022	US$52,058	P2,654,880	P27,779,564	P249,026	P30,185,418
2023	729,052	37,180,948	23,342,184	487,341	60,035,791
2024	31,920	1,627,888	34,309,804	267,910	35,669,782
2025	33,390	1,702,857	9,504,744	145,226	11,062,375
2026	334,913	17,080,203	16,589,154	568,166	33,101,191
2027 and thereafter	313,897	16,008,459	37,203,624	345,197	52,866,886
	US$1,495,230	**P76,255,235**	**P148,729,074**	**P2,062,866**	**P222,921,443**

Contractual terms of the Group's interest bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 30.

20. Related Party Disclosures

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

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

The following are the transactions with related parties and the outstanding balances as at December 31:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
SMC	*23, 25*	**2021**	**P399,320**	**P721,640**	**P92,027**	**P18,228**	On demand or 30 days;	Unsecured;
		2020	368,242	697,679	62,319	57,437	non-interest bearing	no impairment
	10	**2021**	**-**	**-**	**12,551**	**-**	1 year;	Unsecured;
		2020	-	-	-	-	non-interest bearing	no impairment
Entities under Common Control	*6, 8, 9, 18, 23, 24, 25*	**2021**	**3,908,994**	**2,124,649**	**1,028,637**	**4,945,538**	On demand or 30 days;	Unsecured;
		2020	2,871,919	1,489,646	711,975	4,430,474	non-interest bearing	no impairment
		2021	**-**	**-**	**-**	**492**	More than 1 year;	Unsecured
		2020	-	-	-	492	non-interest bearing	
Associate	*8, 11, 18, 23*	**2021**	**1,999,770**	**10,954**	**1,238,266**	**29,570**	On demand or 30 days;	Unsecured;
		2020	1,226,847	-	495,809	29,367	non-interest bearing	no impairment
	8, 16	**2021**	**9,408**	**-**	**139,775**	**-**	9 years;	Unsecured;
		2020	12,259	-	181,833	-	interest bearing	no impairment
Joint Venture	*8, 26*	**2021**	**29,732**	**1,299,496**	**3,985**	**155,292**	30 days;	Unsecured;
		2020	29,796	940,531	19,688	428,490	non-interest bearing	no impairment
	8, 11	**2021**	**5,138**	**-**	**143,665**	**-**	92 days;	Unsecured;
		2020	5,165	-	130,434	-	interest bearing	no impairment
	11, 16	**2021**	**18,840**	**-**	**1,026,815**	**-**	10.5 years	Unsecured;
		2020	-	-	-	-	interest bearing	No impairment
Associate and Joint Venture of Entities under Common Control	*6, 8, 23*	**2021**	**54,913**	**-**	**8,116**	**1,155**	30 days;	Unsecured;
		2020	567,658	-	6,705	1,155	non-interest bearing	no impairment
	19	**2021**	**-**	**211,738**	**-**	**2,615,936**	12 years;	Secured
		2020	-	227,559	-	2,810,624	interest bearing	
Others	*6, 8, 18, 23*	**2021**	**2,488,888**	**-**	**574,430**	**51,604**	On demand or 30 days;	Unsecured;
		2020	1,502,801	-	368,104	51,457	non-interest bearing	no impairment
		2021	**P8,915,003**	**P4,368,477**	**P4,268,267**	**P7,817,815**		
		2020	P6,584,687	P3,355,415	P1,976,867	P7,809,496		

a. Amounts owed by related parties consist of trade and other receivables, derivative assets and security deposits (Notes 8, 10 and 16).

b. Amounts owed to related parties consist of trade and non-trade payables, management fees, purchases of fuel, reimbursement of expenses, rent, insurance, services rendered, customers' deposits and subscriptions payable to OEDC (Notes 11 and 18).

c. Amounts owed by an associate mainly consist of interest bearing loan granted to OEDC included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the consolidated statements of financial position (Notes 8 and 16).

d. Amounts owed by a joint venture consists of interest bearing loans granted and management fees charged to AHC by PVEI included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the consolidated statements of financial position (Notes 8, 11, 16 and 26).

e. Amounts owed to an associate and joint venture of entities under common control pertains to an interest-bearing long-term loan of SMCPC to BOC, included as part of "Long-term debt" account in the consolidated statements of financial position (Note 19). The loan is secured by certain property, plant and equipment as at December 31, 2021 and 2020 (Note 12).

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

	Note	**2021**	2020	2019
Short-term employee benefits		**P134,074**	P127,224	P113,813
Retirement cost	*21*	**15,520**	7,715	4,171
		P149,594	P134,939	P117,984

21. Retirement Plans

The Parent Company and SMEC have unfunded, noncontributory, defined benefit retirement plans covering all of their permanent employees. Retirement benefits expense pertains to accrual of expected retirement benefits of active employees in accordance with RA No. 7641, *The Philippine Retirement Law*. Retirement benefits expense and liability are determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2021. Valuations are obtained on a periodic basis.

The following table shows the reconciliation of the net defined benefit retirement obligation and its component:

	2021	2020
Balance at beginning of year	**P147,729**	P139,512
Recognized in Profit or Loss		
Current service cost	**18,048**	17,799
Interest expense	**5,708**	7,296
	23,756	25,095
Recognized in Other Comprehensive Income		
Remeasurements:		
Actuarial (gains) losses arising from:		
Changes in demographic assumptions	**7,338**	(8,064)
Experience adjustments	**(4,248)**	(1,005)
Changes in financial assumptions	**(14,907)**	4,201
	(11,817)	(4,868)
Others		
Benefits paid	**(2,080)**	(12,010)
Balance at end of year	**P157,588**	P147,729

Defined benefit retirement obligation included as part of "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P157,588 and P147,729 as at December 31, 2021 and 2020, respectively.

Retirement costs recognized in the consolidated statements of income by the Parent Company amounted to P23,385, P24,506 and P16,563 in 2021, 2020 and 2019, respectively (Notes 25).

Retirement costs (benefits) recognized in the consolidated statements of income by the subsidiaries amounted to P371, P589 and (P153,051) in 2021, 2020 and 2019, respectively (Notes 24 and 25).

The equity reserve for retirement plan, which includes the accumulated net actuarial gains and losses recognized in other comprehensive income, net of tax, of the Group and an associate, amounted to P46,195 and P59,057 as at December 31, 2021 and 2020, respectively.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2021	2020
Discount rate	**4.78% - 5.09%**	3.14% - 3.88%
Salary increase rate	**4.00%**	4.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of the defined benefit retirement obligation ranges from 5 to 8.7 years and 7 to 8 years as at December 31, 2021 and 2020, respectively.

Sensitivity Analysis
As at December 31, 2021 and 2020, the reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit retirement obligation by the amounts shown below:

	Defined Benefit Retirement Obligation			
	2021		2020	
	1% Increase	**1% Decrease**	1% Increase	1% Decrease
Discount rate	**(P10,421)**	**P12,072**	(P10,823)	P12,708
Salary increase rate	**12,083**	**(10,617)**	12,559	(10,907)

Risks and Management of Risks
The defined benefit retirement obligation exposes the Group to actuarial risks, such as longevity risk and interest rate risk.

The defined benefit retirement obligation is calculated using a discount rate set with reference to government bond yields as such is exposed to market factors including inflation. Higher inflation will lead to higher liability. Also, the defined benefit retirement obligations are to provide benefits for the life of members, so increase in life expectancy will result in an increase in the plan's liability. These risks are managed with the objective of reducing the impact of these risks to the cash flows of the Group.

The Group does not have a formal retirement plan and therefore has no plan assets to match against the liability under the defined benefit retirement obligation. Also, benefit claims under the defined benefit retirement obligation are paid directly by the Group as they become due.

22. Equity

Capital Stock
As at December 31, 2021 and 2020, the Parent Company's authorized capital stock is P2,000,000, divided into 2,000,000,000 common shares with par value of P1.00 per share.

Capital stock consists of subscribed capital stock amounting to P1,250,004, net of subscription receivable amounting to P187,500, as at December 31, 2021 and 2020.

The number of shares subscribed is 1,250,004,000 common shares as at December 31, 2021 and 2020.

Equity Reserves
In September 2010, the Parent Company acquired the remaining 40% non-controlling ownership interest of SMC in SMEC and SPDC. The difference between the price paid and carrying amount of net assets transferred was recognized in equity.

In January 2019, the Parent Company subscribed to the remaining unissued common shares of MPGC, thereby increasing its equity ownership from 49% to 73.58%. In September 2019 and December 2021, the Parent Company's equity ownership was further increased to 89.54% and 91.98%, respectively, as a result of additional subscriptions to the increase in the authorized capital stock of MPGC (Note 11). The difference between the price paid and carrying amount of net assets transferred was recognized in equity.

Retained Earnings
The Parent Company's retained earnings available for dividend declaration, calculated based on the regulatory requirements of the Philippine SEC, amounted to P3,681,838 and P2,781,869 as at December 31, 2021 and 2020, respectively. The difference between the consolidated retained earnings and the Parent Company's retained earnings available for dividend declaration primarily consist of undistributed earnings of subsidiaries and equity method investees. Stand-alone earnings of the subsidiaries and share in net earnings of equity method investees are not available for dividend declaration by the Parent Company until declared by the subsidiaries and equity investees as dividends.

There were no cash dividend declarations to stockholders in 2021, 2020 and 2019.

Parent Company
There were no appropriations of retained earnings of the Parent Company in 2021, 2020 and 2019.

SMEC, SPPC and SPDC
On December 18, 2019, the BOD of SPDC approved the appropriation of retained earnings amounting to P733,400 for the fixed monthly PSALM payments, pursuant to its IPPA Agreement. On December 20, 2021, the BOD of SPDC approved the appropriation of retained earnings amounting to P1,140,000 for the same purpose.

In 2019, the total appropriations utilized and reversed by SMEC, SPPC and SPDC amounted to P6,149,300, P9,158,600 and P759,000, respectively.

In 2020, the total appropriations utilized by SPPC and SPDC amounted to P2,990,300 and P1,000,000, respectively.

In 2021, the total appropriations utilized by SPPC amounted to P3,514,050.

Total combined appropriated retained earnings of SMEC, SPPC and SPDC amounted to P7,710,700 and P10,084,750 as at December 31, 2021 and 2020, respectively.

<u>USCS</u>
The Parent Company issued and listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") the following USCS at an issue price of 100%:

Date of Issuance	Distribution Payment Date	Initial Rate of Distribution	Step-Up Date	Amount of USCS Issued	Amount in Philippine Peso
August 26, 2015	August 26 and February 26 of each year	6.75% per annum	February 26, 2021	US$300,000	P13,823,499
May 7, 2014	May 7 and November 7 of each year	7.5% per annum	November 7, 2019	300,000	13,110,066
				US$600,000	**P26,933,565**

Amount in Philippine Peso pertains to proceeds net of directly attributable transaction costs.

The holders of the USCS 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 USCS have no fixed redemption date and are redeemable in whole, but not in part, at the Parent Company's option on step-up date, or any distribution payment date thereafter or upon the occurrence of certain other events at the principal amounts of the USCS plus any accrued, unpaid or deferred distribution.

The proceeds were used by the Parent Company to finance investments in power-related assets and other general corporate purposes.

On November 7, 2019, the Parent Company completed the redemption of the US$300,000 USCS issued on May 7, 2014 (the "First Securities"), equivalent to P15,183,000 on redemption date, pursuant to the terms and conditions of the First Securities. The redemption was made after the issuance of a notice to the holders of the First Securities, dated September 27, 2019. The redemption price of the First Securities 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 First Securities amounted to P2,072,934 and was recognized as part of the "Equity reserves" account in the consolidated statements of financial position.

The First Securities was redeemed using in part the proceeds of the US$500,000 SPCS issued on April 25, 2019.

On February 26, 2021, the Parent Company completed the redemption of the US$300,000 USCS issued on August 26, 2015 (the "Second Securities"), equivalent to P14,581,500 on redemption date, pursuant to the terms and conditions of the Second Securities. The redemption was made after the issuance of a notice to the holders of the Second Securities, dated January 25, 2021. The redemption price of the Second Securities that was paid includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The difference between the price paid and the net carrying value of the Second Securities amounted to P758,001 and was recognized as part of the "Equity reserves" account in the consolidated statements of financial position.

The Second Securities was redeemed using in part the proceeds of the US$350,000 SPCS issued on December 15, 2020.

<u>Distributions to USCS Holders</u>
Details of distributions paid to USCS holders are as follows:

	2021	2020	2019
February	**P656,168**	P735,220	P757,133
May	**-**	-	837,321
August	**-**	711,498	758,435
November	**-**	-	830,478
	P656,168	P1,446,718	P3,183,367

<u>RPS</u>
On March 16, 2018, the Parent Company issued the RPS at an issue price of 100% amounting to US$650,000 (equivalent to P32,751,570, net of issuance costs) in favor of SMC, the Security Holder.

The RPS are direct, unconditional, unsecured and subordinated capital securities with no fixed redemption date. The Security Holder shall have the right to receive distribution at the rate of 6.25% per annum, payable quarterly in arrears every March 16, June 16, September 16 and December 16 of each year commencing on June 16, 2018. The Parent Company has a right to defer this distribution under certain conditions.

The proceeds were used to partially finance the acquisition of the Masinloc Group by the Parent Company.

<u>Distribution to RPS Holder</u>
Details of distributions paid to RPS holder are as follows:

	2021	2020	2019
March	**P492,375**	P513,703	P530,512
June	**487,886**	510,961	527,363
September	**506,797**	499,586	525,992
December	**509,437**	491,563	512,891
	P1,996,495	P2,015,813	P2,096,758

On March 1, 2022, the Parent Company's BOD approved the payment of distributions amounting to US$10,156 to the RPS holder on March 16, 2022.

SPCS

The Parent Company issued and listed on the SGX-ST the following SPCS:

Date of Issuance	Distribution Payment Date	Initial Rate of Distribution	Step-Up Date	Issue Price	Amount of SPCS Issued	Amount in Philippine Peso
September 15, 2021	June 9 and December 9 of each year	5.45% per annum	December 9, 2026	100.125%	US$150,000	P7,367,825
June 9, 2021	June 9 and December 9 of each year	5.45% per annum	December 9, 2026	100.000%	600,000	28,199,807
December 15, 2020	April 21 and October 21 of each year	7.00% per annum	October 21, 2025	102.457%	350,000	17,000,077
October 21, 2020	April 21 and October 21 of each year	7.00% per annum	October 21, 2025	100.000%	400,000	19,141,493
January 21, 2020	January 21 and July 21 of each year	5.70% per annum	January 21, 2026	100.000%	600,000	30,170,603
November 5, 2019	May 5 and November 5 of each year	5.95% per annum	May 5, 2025	100.000%	500,000	24,836,690
July 3, 2019	April 25 and October 25 of each year	6.50% per annum	April 25, 2024	102.052%	300,000	15,440,347
April 25, 2019	April 25 and October 25 of each year	6.50% per annum	April 25, 2024	100.000%	500,000	25,610,522
					US$3,400,000	P167,767,364

Amount in Philippine Peso pertains to proceeds, net of directly attributable transaction costs amounting to P2,565,380.

The US$300,000 SPCS issued in July 2019 were issued at an issue price of 102.052% plus an amount corresponding to accrued distributions from (and including) April 25, 2019 to (but excluding) July 3, 2019. The US$300,000 SPCS are consolidated into and form a single series with the US$500,000 SPCS issued in April 2019, bringing the total securities to US$800,000. The US$300,000 SPCS are identical in all respects with the US$500,000 SPCS, other than with respect to the date of issuance and issue price.

The US$350,000 SPCS issued in December 2020 were issued at an issue price of 102.457% plus an amount corresponding to accrued distributions from (and including) October 21, 2020 to (but excluding) December 15, 2020. The US$350,000 SPCS are consolidated into and form a single series with the US$400,000 SPCS issued in October 2020, bringing the total securities to US$750,000. The US$350,000 SPCS are identical in all respects with the US$400,000 SPCS, other than with respect to the date of issuance and issue price.

The US$150,000 SPCS issued in September 2021 were issued at an issue price of 100.125% plus an amount corresponding to accrued distributions from (and including) June 9, 2021 to (but excluding) September 15, 2021. The US$150,000 SPCS are consolidated into and form a single series with the US$600,000 SPCS issued in June 2021, bringing the total securities to US$750,000. The US$150,000 SPCS are identical in all respects with the US$600,000 SPCS, other than with respect to the date of issuance and issue price.

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

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

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

The net proceeds from the issuance of SPCS in 2019 were used for the redemption of the First Securities, repayment of indebtedness, capital expenditures and investments in power-related assets, the development of the BESS projects and general corporate purposes. The net proceeds of the SPCS issued in 2020 were used for the funding requirements of the development and completion of the BESS projects, capital expenditures and investments in liquefied natural gas facilities and related assets, refinancing or redemption of existing or expiring commitments whether debt or perpetual securities and general corporate purposes.

The net proceeds from the issuance of SPCS in June and September 2021 shall be used primarily for investments in the 1,313.1 MW Batangas Combined Cycle Power Plant and related assets or for general corporate purposes.

Distributions to SPCS Holders

Details of distributions paid to SPCS holders are as follows:

	2021	2020	2019
January	**P1,095,768**	P -	P -
April	**3,190,832**	1,882,400	-
May	**952,753**	1,080,562	-
July	**1,147,753**	1,226,070	-
October	**3,538,231**	1,801,429	1,732,869
November	**1,002,972**	1,027,544	-
December	**1,262,901**	-	-
	P12,191,210	P7,018,005	P1,732,869

On January 21, 2022, the Parent Company paid distributions to holders of the US$600,000 SPCS issued in January 2020, amounting to US$17,100.

On March 1, 2022, the Parent Company's BOD approved the payment of distributions amounting to (i) US$26,250 plus applicable taxes on April 21, 2022 to the US$750,000 SPCS holders, (ii) US$26,000 plus applicable taxes on April 25, 2022 to the US$800,000 SPCS holders, and (iii) US$14,875 plus applicable taxes on May 5, 2022 to the US$500,000 SPCS holders.

23. Revenues

Revenues consist of:

	Note	**2021**	2020	2019
Sale of power:				
Power generation and trading	*6, 20*	**P110,294,417**	P95,034,262	P111,950,126
Retail and other power-related services	*6, 20*	**23,236,333**	19,859,669	23,095,136
Other services		**179,421**	134,720	14,817
	5	**P133,710,171**	P115,028,651	P135,060,079

Revenues from other services mainly pertain to operations and maintenance services provided by a subsidiary to an entity under common control (Note 20).

24. Cost of Power Sold

Cost of power sold consists of:

	Note	**2021**	2020	2019
Coal, fuel oil and other consumables	*9, 20*	**P39,108,912**	P23,954,749	P31,362,501
Power purchases	*6*	**25,304,405**	12,918,282	21,434,786
Energy fees	*6*	**17,762,434**	20,365,268	26,417,124
Depreciation and amortization	*6, 12, 13, 15*	**10,794,984**	10,130,354	9,651,522
Plant operations and maintenance, and other fees	*20, 21*	**3,937,710**	4,526,895	2,892,267
	5	**P96,908,445**	P71,895,548	P91,758,200

25. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	Note	**2021**	2020	2019
Taxes and licenses		**P1,194,088**	P1,244,914	P1,239,190
Salaries, wages and benefits	*20, 21*	**857,508**	824,428	1,148,933
Management fees	*20*	**689,458**	696,023	780,902
Depreciation and amortization	*5, 12, 13, 15*	**579,216**	435,819	266,134
Corporate special program		**429,973**	254,721	376,454
Rent	*4, 6, 20*	**367,110**	327,192	323,373
Outside services		**245,486**	535,906	1,191,920
Professional fees		**180,261**	245,675	131,296
Advertising and promotions		**169,587**	151,793	150,300
Supplies		**165,212**	190,352	109,951
Donations		**162,046**	597,390	486,702
Repairs and maintenance		**57,121**	104,656	424,624
Travel and transportation		**52,733**	106,501	234,156
Insurance		**6,524**	12,036	12,842
Impairment losses on trade receivables (reversals) - net	*4, 8*	**(343,502)**	305,829	257,879
Miscellaneous		**102,450**	177,002	213,538
	5	**P4,915,271**	P6,210,237	P7,348,194

Donations represent contributions to registered donee institutions for their programs on COVID-19 response initiatives, education, environment and disaster-related projects. Corporate special program pertains to the Group's corporate social responsibility projects.

26. Other Income (Charges)

Other income (charges) consists of:

	Note	**2021**	2020	2019
PSALM monthly fees reduction	*6*	**P4,747,104**	P2,581,351	P1,170,542
Marked-to-market gains (losses) on derivatives - net		**278,397**	(232,534)	(264,824)
Construction revenue	*4, 6*	**127,274**	211,396	206,397
Management and shared service income	*20*	**86,082**	32,332	30,281
Reversal of impairment losses on other receivables	*8*	**22,925**	137,551	-
Settlement from third party contractors		**-**	3,825,537	-
Construction cost	*4, 6*	**(127,274)**	(211,396)	(206,397)
Foreign exchange gains (losses) - net	*30*	**(1,495,366)**	1,369,721	2,839,579
Miscellaneous income - net	*4, 6, 12, 20*	**122,337**	208,551	423,677
		P3,761,479	P7,922,509	P4,199,255

In 2020, the Group received a settlement from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts.

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

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

Miscellaneous income mostly pertains to power bill surcharge, terminal fee, rent income, and impairment losses on property, plant and equipment.

27. Income Taxes

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

	Note	**2021**	2020	2019
Current	*28*	**P1,130,275**	P2,220,270	P2,256,733
Deferred		**3,921,236**	5,703,182	5,006,383
Adjustments due to Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act		**(3,151,344)**	-	-
		P1,900,167	P7,923,452	P7,263,116

The movements of deferred tax assets and liabilities are as follows:

2021	**Balance at January 1**	**Adjustments Due to CREATE**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Others**	**Balance at December 31**
Allowance for impairment losses on trade receivables	**P671,329**	**(P101,098)**	**(P44,516)**	**P -**	**P -**	**P525,715**
Defined benefit retirement obligation	**63,526**	**(215)**	**85**	**-**	**-**	**63,396**
Difference of amortization of borrowing costs over payment and others	**305,522**	**(78,087)**	**246,218**	**-**	**34,795**	**508,448**
Difference of depreciation and other related expenses over monthly lease payments	**(18,850,195)**	**3,141,052**	**(4,123,023)**	**-**	**-**	**(19,832,166)**
Equity reserve for retirement plan	**(424)**	**59**	**-**	**(252)**	**-**	**(617)**
	(P17,810,242)	**P2,961,711**	**(P3,921,236)**	**(P252)**	**P34,795**	**(P18,735,224)**

2020	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Balance at December 31
Allowance for impairment losses on trade receivables	P499,456	P171,873	P -	P -	P671,329
Defined benefit retirement obligation	63,349	177	-	-	63,526
Difference of amortization of borrowing costs over payment and others	68,076	275,079	-	(37,633)	305,522
Difference of depreciation and other related expenses over monthly lease payments	(12,699,884)	(6,150,311)	-	-	(18,850,195)
Equity reserve for retirement plan	99	-	(523)	-	(424)
	(P12,068,904)	(P5,703,182)	(P523)	(P37,633)	(P17,810,242)

The deferred taxes are reported in the consolidated statements of financial position as follows:

	2021	2020
Deferred tax assets	**P1,447,415**	P1,645,882
Deferred tax liabilities	**(20,182,639)**	(19,456,124)
	(P18,735,224)	(P17,810,242)

Deferred tax asset on NOLCO and MCIT of the Group amounting to P4,880,442 and P7,611,358 as at December 31, 2021 and 2020, respectively, has not been recognized because it is not probable that future taxable income will be available against which the Group can utilize the benefits therefrom.

As at December 31, 2021, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	**Carryforward Benefits Up To**	**NOLCO**	**MCIT**
2021	December 31, 2026/2024	P11,141,915	P15,101
2020	December 31, 2025/2023	7,263,808	68,342
2019	December 31, 2022	10,734,628	27,989
		P29,140,351	P111,432

On September 30, 2020, the BIR issued Revenue Regulation No. 25-2020 to implement Section 4 (bbbb) of the RA No. 11494, otherwise known as the Bayanihan to Recover as One Act, relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next 5 consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next 5 consecutive taxable years following the year such loss was incurred.

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2021	2020	2019
Statutory income tax rate	**25.00%**	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Unrecognized deferred tax assets	**15.28%**	8.34%	10.92%
Availment of optional standard deduction and others	**(29.65%)**	(8.77%)	(7.34%)
Effective income tax rate	**10.63%**	29.57%	33.58%

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5% to 10% point cut in the regular corporate income tax rate and 1% point cut in the minimum corporate income tax rate starting July 1, 2020.

The impact on the December 31, 2020 consolidated financial statements of the Group were recognized as at and for the year ended December 31, 2021 as follows:

	Increase (Decrease)
ASSETS	
Prepaid expenses and other current assets	**P189,276**
Investments and advances - net	**1,545**
Deferred tax assets	**(282,395)**
	(P91,574)
LIABILITIES AND EQUITY	
Income tax payable	**(P416)**
Deferred tax liabilities	**(3,244,106)**
Equity reserves	**59**
Retained earnings	**3,150,471**
Non-controlling interests	**2,418**
	(P91,574)
Equity in net losses of an associate and joint ventures	**(P1,545)**
Provision for income tax:	
Current	**(189,693)**
Deferred	**(2,961,651)**
	(3,151,344)
	(P3,152,889)
Net income attributable to:	
Equity holders of the Parent Company	**P3,150,471**
Non-controlling interests	**2,418**
	P3,152,889

28. Registrations and License

Registrations with the Board of Investments (BOI)

i. In 2013, SMCPC and SCPC were granted incentives by the BOI on a pioneer status for 6 years subject to the representations and commitments set forth in the application for registration, the provisions of Omnibus Investments Code of 1987, (Executive Order (EO) No. 226), the rules and regulations of the BOI and the terms and conditions prescribed. On October 5, 2016, BOI granted SCPC's request to move the start of its commercial operation and Income Tax Holiday (ITH) reckoning date from February 2016 to September 2017 or when the first kilowatt-hour (kWh) of energy was transmitted after commissioning or testing, or 1 month from the date of such commissioning or testing, whichever comes earlier as certified by the NGCP. Subsequently, on December 21, 2016, BOI granted a similar request of SMCPC to move the start of its commercial operation and ITH reckoning date from December 2015 to July 2016, or the actual date of commercial operations subject to compliance with the specific terms and conditions, due to delay in the implementation of the project for reasons beyond its control. SMCPC's request on the further extension of the ITH reckoning date from July 2016 to September 2017 was likewise approved by the BOI on December 5, 2018. The ITH period for Unit 1 and Unit 2 of SCPC commenced on May 26, 2017. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of their respective BOI registrations.

ii. On September 20, 2016, LETI was registered with the BOI under EO No. 226 as expanding operator of 2 x 150 MW CFB Coal-fired Power Plant (Phase II Limay Greenfield Power Plant) on a non-pioneer status. The BOI categorized LETI as an "Expansion" based on the 2014 to 2016 IPP's Specific Guidelines for "Energy" in relation to SCPC's 2 x 150 MW Coal-fired Power Plant (Phase I Limay Greenfield Power Plant). As a registered entity, LETI is entitled to certain incentives that include, among others, an ITH for 3 years from January 2018 or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of LETI's BOI registrations.

    In June 2017, the BOI approved the transfer of ownership and registration of Phase II Limay Greenfield Power Plant from LETI to SCPC. On July 13, 2018, BOI granted the request of SCPC to move the start of its commercial operation and ITH reckoning date from January 2018 to March 2018 or actual start of commercial operations, whichever is earlier. The ITH period for Unit 3 and Unit 4 commenced on March 26, 2018 and expired in 2021.

    On August 26, 2015, February 11, 2016 and October 26, 2016, the BOI issued a Certificate of Authority (COA) to SMCPC, SCPC and LETI, respectively, subject to provisions and implementing rules and regulations of EO No. 70, entitled "Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories Imported by BOI Registered New and Expanding Enterprises." The COA shall be valid for 1 year from the date of issuance. All capital equipment, spare parts and accessories imported by SMCPC and SCPC for the construction of the power plants were ordered, delivered and completed within the validity period of their respective COAs.

On July 10, 2017, the BOI issued a new COA to SCPC, as the new owner of the Phase II Limay Greenfield Power Plant, subject to provisions and implementing rules and regulations of EO No. 22 (which replaced EO No. 70), also entitled "Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories Imported by BOI Registered New and Expanding Enterprises". The COA shall be valid for 1 year from the date of issuance. All capital equipment, spare parts and accessories imported by SCPC for the construction of the Phase II of the power plant were ordered, delivered and completed within the validity period of the COA.

iii. SMEC, SPDC and SPPC are registered with the BOI as administrator of their respective power plants on a pioneer status with non-pioneer incentives and were granted ITH for 4 years without extension beginning August 1, 2010 up to July 31, 2014, subject to compliance with certain requirements under their registrations. The ITH incentive availed was limited only to the sale of power generated from the power plants. Upon expiration of the ITH in 2014, SMEC, SPDC and SPPC are now subject to the regular income tax rate. Accordingly, applications for deregistration have been filed by SMEC, SPDC and SPPC and the same were approved by the BOI on its letter dated February 22, 2022.

iv. On August 21, 2007, SEPC was registered with the BOI under EO No. 226, as New Domestic Producer of Coal on a Non-pioneer status.

v. On October 12, 2012, MPPCL received the BOI approval for the application as expanding operator of 600 MW Coal-Fired Thermal Power Plant. As a registered entity, MPPCL is entitled to ITH for 3 years from June 2017 or actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions set forth in the BOI registration. On May 27, 2014, the BOI approved MPPCL's request to move the start of its commercial operation and the reckoning date of the ITH entitlement from June 2017 to December 2018. On June 17, 2015, the BOI subsequently granted MPPCL's requests to downgrade the registered capacity from 600 MW to 300 MW.

On December 21, 2015, MPPCL received the BOI approval for the application as new operator of 10 MW BESS Project on a pioneer status. The BESS Facility provides 10 MW of interconnected capacity and enhances the reliability of the Luzon grid using the *Advancion* energy storage solution. As a registered entity, MPPCL is entitled to incentives that include, among others, an ITH for 6 years from December 2018 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions of MPPCL's BOI registration. The ITH period for the 10 MW BESS of MPPCL commenced on December 1, 2018. On October 1, 2020, MPPCL likewise received the BOI approval on the additional 20MW BESS Phase 2 Project of MPPCL.

On February 23, 2021, MPPCL received the BOI approval for the applications as new operator of 315MW Super Critical Pulverized Coal Thermal Power Plant Unit 4, and as new operator of 315MW Super Critical Pulverized Coal Thermal Power Plant Unit 5. Each registered activity is entitled to a 4-year ITH reckoned from the start of commercial operations in September 2024 and November 2024, respectively.

vi. On August 24, 2016, SMCGP Philippines Energy received the BOI approval for the application as new operator of 2 x 20 MW Kabankalan *Advancion* Energy Storage Array on a pioneer status. SMCGP Philippines Energy, a registered entity, is entitled to incentives that include, among others, an ITH for 6 years from July 2019 to December 2024 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration). On November 27, 2019, SMCGP Philippines Energy filed a request with the BOI to move the reckoning date of the ITH entitlement from July 2019 to July 2021. Due to the delays brought about by the pandemic, a subsequent request was filed to move the reckoning date to January 2022. On December 17, 2021, the BOI granted the request of SMCGP Philippines Energy Storage for the movement of Start of Commercial Operations and ITH reckoning to January 2022. The incentives shall be limited to the specific terms and conditions of SMCGP Philippines Energy's BOI registration.

vii. On November 29, 2019, the BOI has approved the application of UPSI as new operator of BESS Component of Integrated Renewable Power Facility ("R-Hub") covering various sites across the Philippines. The BOI has also approved UPSI's subsequent applications covering additional sites. Each registered site was granted with certain incentives including ITH, among others.

viii. On February 23, 2021, EERI received the BOI approval for the applications as new operator of 850MW Batangas Combined Cycle Power Plant Phase 1, and 850MW Batangas Combined Cycle Power Plant Phase 2 located in Brgy. Dela Paz Proper, Batangas City, Batangas. Each registered activity is entitled to a 4-year ITH reckoned from the start of commercial operation in April 2023 and October 2026, respectively.

Registration with the AFAB

On April 24, 2019, MPGC was registered with the AFAB, subject to annual renewal, as engaged in business of producing and generating electricity, and processing fuels alternative for power generation, among others, at the Freeport Area of Bataan (FAB). As a FAB enterprise, MPGC will operate a 4 x 150 MW power plant located in Mariveles, Bataan. FAB granted MPGC certain incentives that include, among others, an ITH for 4 years for the original project effective on the committed date or the actual date of start of commercial operations, whichever is earlier. On December 13, 2021, MPGC has been granted a renewed certificate of registration with AFAB valid until December 31, 2022.

License Granted by the ERC

On August 4, 2008, August 22, 2011 and August 24, 2016, MPPCL, SMELC and SCPC, respectively, were granted a RES License by the ERC pursuant to Section 29 of the EPIRA, which requires all suppliers of electricity to the contestable market to secure a license from the ERC. The term of the RES License is for a period of 5 years from the time it was granted and renewable thereafter.

On August 19, 2016, the ERC approved the renewal of SMELC's RES License for another 5 years from August 22, 2016 up to August 21, 2021. On August 18, 2021, the ERC has granted the extension of the validity of the RES License for 15 days from August 21, 2021 until September 5, 2021 to allow SMELC to complete transfer of its remaining contestable customer to SCPC.

On September 30, 2021, the ERC has extended the validity of SCPC's and MPPCL's RES License for 6 months or until March 29, 2022, pending final evaluation of its RES license renewal application.

29. Basic and Diluted Earnings Per Share (EPS)

Basic and diluted EPS is computed as follows:

	2021	2020	2019
Net income attributable to equity holders of the Parent Company	**P16,058,084**	P18,840,154	P14,370,482
Distributions for the year to:			
USCS holders	**(218,723)**	(1,419,650)	(2,887,771)
RPS holder	**(2,000,759)**	(2,011,484)	(2,094,049)
SPCS holders	**(12,737,330)**	(8,156,397)	(2,875,170)
Net income attributable to common shareholders of the Parent Company (a)	**1,101,272**	7,252,623	6,513,492
Weighted average number of common shares outstanding (in thousands) (b)	**1,250,004**	1,250,004	1,250,004
Basic/Diluted Earnings Per Share (a/b)	**P0.88**	P5.80	P5.21

As at December 31, 2021, 2020 and 2019, the Parent Company has no dilutive debt or equity instruments.

30. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

The outstanding derivative instruments of the Group, such as swaps and forwards, are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency and commodity price risks arising from the operating and financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

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

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

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

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

Liquidity Risk

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

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

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

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

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

**Excluding statutory receivables and payables*

December 31, 2020	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	P110,717,686	P110,717,686	P110,717,686	P -	P -	P -
Trade and other receivables - net*	36,119,436	36,119,436	36,119,436	-	-	-
Investment in debt instruments	694	694	694	-	-	-
Derivative assets designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	18,889	18,889	26	-	18,863	-
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	550,287	572,925	51,055	119,682	102,937	299,251
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	4,790,792	4,790,792	874,705	2,623,779	15	1,292,293
Financial Liabilities						
Loans payable	1,680,805	1,681,505	1,681,505	-	-	-
Accounts payable and accrued expenses*	33,248,504	33,248,504	33,248,504	-	-	-
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	9,590	9,590	9,590	-	-	-
Long-term debt - net (including current maturities)	219,552,782	275,299,674	34,832,158	40,877,956	117,246,982	82,342,578
Lease liabilities (including current portion)	99,511,094	117,537,163	28,943,836	24,541,301	42,148,882	21,903,144
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	2,237,416	2,251,813	41,553	224,283	1,659,305	326,672

**Excluding statutory receivables and payables*

<u>Credit Risk</u>

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

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

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

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

Financial information on the Group's maximum exposure to credit risk as at December 31, without considering the effects of other risk mitigation techniques, is presented below:

	Note	**2021**	2020
Cash and cash equivalents (excluding cash on hand)	*7*	**P67,688,162**	P110,715,432
Trade and other receivables - net*	*8*	**47,223,910**	36,119,436
Investment in debt instruments	*10*	**-**	694
Derivative assets not designated as cash flow hedge	*10*	**111,932**	-
Derivative asset designated as cash flow hedge	*16*	**42,173**	18,889
Noncurrent receivables	*8, 16*	**1,560,209**	550,287
Restricted cash	*10, 16*	**4,430,396**	4,790,792
		P121,056,782	P152,195,530

**Excluding statutory receivables*

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

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

	Financial Assets at Amortized Cost				
December 31, 2020	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P110,715,432	P -	P -	P -	P110,715,432
Trade and other receivables	-	36,119,436	3,034,110	-	39,153,546
Investment in debt instruments	694	-	-	-	694
Derivative assets designated as cash flow hedge	-	-	-	18,889	18,889
Noncurrent receivables	-	550,287	-	-	550,287
Restricted cash	4,790,792	-	-	-	4,790,792
	P115,506,918	P36,669,723	P3,034,110	P18,889	P155,229,640

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

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

	December 31, 2021				December 31, 2020			
	Trade	**Non-trade**	**Amounts Owed by Related Parties**	**Total**	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	**P17,990,189**	**P1,074,987**	**P1,885,024**	**P20,950,200**	P10,403,116	P1,417,383	P868,223	P12,688,722
Past due:								
1 - 30 days	**4,601,818**	**185,891**	**500,031**	**5,287,740**	4,625,818	29,645	302,178	4,957,641
31 - 60 days	**1,748,212**	**215,610**	**40,776**	**2,004,598**	1,232,496	50,065	75,759	1,358,320
61 - 90 days	**1,504,672**	**14,848**	**31,752**	**1,551,272**	625,699	64,070	3,262	693,031
Over 90 days	**11,251,529**	**8,230,403**	**620,250**	**20,102,182**	11,280,534	7,628,991	546,307	19,455,832
	P37,096,420	**P9,721,739**	**P3,077,833**	**P49,895,992**	P28,167,663	P9,190,154	P1,795,729	P39,153,546

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

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

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

The Group has significant concentration of credit risk. Sale of power to Meralco accounts for 40%, 44% and 46% of the Group's total revenues in 2021, 2020 and 2019, respectively.

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

<u>Interest Rate Risk</u>

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

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

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

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

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

Interest Rate Risk Table

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

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

December 31, 2020	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P9,894,142	P27,729,564	P23,292,184	P34,259,804	P4,679,744	P53,792,778	P153,648,216
Interest rate	4.3458% to 7.7521%	5.3750% to 7.7521%	4.7575% to 7.7521%	6.2500% to 7.7521%	6.2836% to 7.7521%	5.1792% to 7.7521%	
Foreign currency-denominated (expressed in Philippine peso)	2,581,188	1,878,227	6,452,466	1,153,320	1,206,434	12,603,060	25,874,695
Interest rate	4.7776% to 5.5959%	4.7776% to 5.5959%	4.7776% to 5.5959%	5.5959%	5.5959%	5.5959%	
Floating Rate							
Foreign currency-denominated (expressed in Philippine peso)	10,460,899	621,730	26,157,672	379,574	397,054	4,147,843	42,164,772
Interest rate	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	
	P22,936,229	P30,229,521	P55,902,322	P35,792,698	P6,283,232	P70,543,681	P221,687,683

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 P515,182, P421,648 and P447,638 in 2021, 2020 and 2019, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

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

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

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

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

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

- changes in the timing of the hedged transactions.

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

		December 31, 2021		December 31, 2020	
	Note	**US Dollar**	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	*7*	**US$582,496**	**P29,706,729**	US$1,789,182	P85,921,896
Trade and other receivables	*8*	**236,449**	**12,058,685**	153,745	7,383,312
Investment in debt instruments	*10*	**-**	**-**	15	694
Noncurrent receivables	*16*	**-**	**-**	1,460	70,099
		818,945	**41,765,414**	1,944,402	93,376,001
Liabilities					
Loans payable	*17*	**30,000**	**1,529,970**	35,000	1,680,805
Accounts payable and accrued expenses	*18*	**590,308**	**30,105,121**	455,003	21,850,624
Long-term debt (including current maturities)	*19*	**1,495,230**	**76,255,235**	1,416,810	68,039,467
Lease liabilities (including current portion)	*6*	**762,458**	**38,884,578**	1,040,248	49,955,816
Other noncurrent liabilities		**67,749**	**3,455,137**	45,234	2,172,269
		2,945,745	**150,230,041**	2,992,295	143,698,981
Net Foreign Currency-denominated Monetary Liabilities		**US$2,126,800**	**P108,464,627**	US$1,047,893	P50,322,980

The Group reported net gains (losses) on foreign exchange amounting to (P1,495,366), P1,369,721 and P2,839,579 in 2021, 2020 and 2019, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 26).

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

	US Dollar to Philippine Peso
December 31, 2021	**50.999**
December 31, 2020	48.023
December 31, 2019	50.635

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

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2020	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P1,660,108)	(P1,290,128)	P1,660,108	P1,290,128
Trade and other receivables	(64,128)	(134,377)	64,128	134,377
Investment in debt instruments	-	(15)	-	15
Noncurrent receivables	-	(1,460)	-	1,460
	(1,724,236)	(1,425,980)	1,724,236	1,425,980
Loans payable	-	35,000	-	(35,000)
Accounts payable and accrued expenses	320,284	358,918	(320,284)	(358,918)
Long-term debt (including current maturities)	700,000	1,206,810	(700,000)	(1,206,810)
Lease liabilities (including current portion)	1,027,978	731,854	(1,027,978)	(731,854)
Other noncurrent liabilities	33,738	35,113	(33,738)	(35,113)
	2,082,000	2,367,695	(2,082,000)	(2,367,695)
	P357,764	P941,715	(P357,764)	(P941,715)

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

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

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

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

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

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

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, distribution payment, pay-off existing debts, return capital to shareholders or issue new shares, subject to compliance with certain covenants of its long-term debts, SPCS, RPS and USCS (Notes 19 and 22).

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

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

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

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

31. Financial Assets and Financial Liabilities

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

	December 31, 2021		December 31, 2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P67,690,151**	**P67,690,151**	P110,717,686	P110,717,686
Trade and other receivables - net*	**47,223,910**	**47,223,910**	36,119,436	36,119,436
Investment in debt instruments (included under "Prepaid expenses and other current assets" account)	**-**	**-**	694	694
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**111,932**	**111,932**	-	-
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**42,173**	**42,173**	18,889	18,889
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**1,560,209**	**1,560,209**	550,287	550,287
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**4,430,396**	**4,430,396**	4,790,792	4,790,792
	P121,058,771	**P121,058,771**	P152,197,784	P152,197,784
Financial Liabilities				
Loans payable	**P1,529,970**	**P1,529,970**	P1,680,805	P1,680,805
Accounts payable and accrued expenses*	**48,147,723**	**48,147,723**	33,248,504	33,248,504
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	**-**	**-**	9,590	9,590
Long-term debt - net (including current maturities)	**222,921,443**	**242,668,663**	219,552,782	253,364,991
Lease liabilities (including current portion)	**78,213,359**	**78,213,359**	99,511,094	99,511,094
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	**4,146,692**	**4,146,692**	2,237,416	2,237,416
	P354,959,187	**P374,706,407**	P356,240,191	P390,052,400

**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 0.99% to 4.74% and 0.95% to 2.98% as at December 31, 2021 and 2020, respectively. Discount rates used for foreign currency-denominated loans range from 0.25% to 1.50% and 0.13% to 0.94% as at December 31, 2021 and 2020, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

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

Derivative Financial Instruments

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

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

Derivative Instruments Accounted for as Cash Flow Hedges

Call Spread Swaps

As at December 31, 2021 and 2020, the Group has outstanding call spread swaps designated as cash flow hedges with an aggregate notional amount of US$60,000 and US$100,000, respectively, and with an average strike rate range of P52.95 to P56.15. The call spread swaps are designated to hedge foreign currency exposure on US dollar-denominated loans maturing in March 2023 and 2021. As at December 31, 2021, the positive fair value of the call spread swaps, included under "Other noncurrent assets" account amounted to P42,173 (Note 16). As at December 31, 2020, the positive fair value of the call spread swaps, included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts amounted to P26 and P18,863, respectively (Notes 10 and 16).

The table below provides a reconciliation of the components of equity and other comprehensive income items, net of tax, resulting from cash flow hedge accounting as at December 31:

	2021	2020
Balance at beginning of year	**(P47,153)**	(P39,910)
Changes in fair value of derivatives	**23,285**	(56,630)
Amount reclassified to profit or loss due to interest expense and other financing charges	**32,677**	49,387
Balance at end of year	**P8,809**	(P47,153)

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized in the consolidated statements of income for the years ended December 31, 2021 and 2020.

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$50,000 and US$45,000 as at December 31, 2021 and 2020, respectively. The positive (negative) fair value of these currency forwards amounted to P49,775 and (P9,590) as at December 31, 2021 and 2020, respectively (Notes 10 and 18).

Commodity Swaps

The Group has outstanding fixed swap agreements covering the coal requirements of a subsidiary with various maturities in 2022. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding notional quantity covered by the commodity swaps is 96,000 metric tons as at December 31, 2021. The positive fair value of these commodity swaps amounted to P62,157 as at December 31, 2021.

As at December 31, 2020, the Group has no outstanding commodity swaps on the purchase of coal.

The Group recognized marked-to-market gains (losses) from freestanding derivatives amounting to P278,397, (P232,534) and (P264,824) in 2021, 2020 and 2019, respectively (Note 26).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	2021	2020
Balance at beginning of year	**P9,299**	P57,558
Net change in fair value of derivatives:		
Not designated as accounting hedge	**278,397**	(232,534)
Designated as accounting hedge	**23,285**	(56,630)
	310,981	(231,606)
Less fair value of settled instruments	**156,876**	(240,905)
Balance at end of year	**P154,105**	P9,299

32. Supplemental Cash Flows Information

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

	Loans Payable	**Long-term Debt**	**Lease Liabilities**	**USCS**	**SPCS**	**Total**
Balance as at January 1, 2021	**P1,680,805**	**P219,552,782**	**P99,511,094**	**P13,823,499**	**P132,199,732**	**P466,767,912**
Changes from Financing Activities						
Proceeds from borrowings	**29,077,530**	**21,885,000**	**-**	**-**	**-**	**50,962,530**
Proceeds from issuance of SPCS	**-**	**-**	**-**	**-**	**35,567,632**	**35,567,632**
Payments of borrowings	**(29,332,530)**	**(23,136,723)**	**-**	**-**	**-**	**(52,469,253)**
Payments of lease liabilities	**-**	**-**	**(24,464,357)**	**-**	**-**	**(24,464,357)**
Redemption of USCS	**-**	**-**	**-**	**(14,581,500)**	**-**	**(14,581,500)**
Total Changes from Financing Activities	**(255,000)**	**(1,251,723)**	**(24,464,357)**	**(14,581,500)**	**35,567,632**	**(4,984,948)**
Effect of Changes in Foreign Exchange Rates	**104,165**	**4,527,470**	**2,603,667**	**-**	**-**	**7,235,302**
Other Changes	**-**	**92,914**	**562,955**	**758,001**	**-**	**1,413,870**
Balance as at December 31, 2021	**P1,529,970**	**P222,921,443**	**P78,213,359**	**P -**	**P167,767,364**	**P470,432,136**

	Loans Payable	Long-term Debt	Lease Liabilities	SPCS	Total
Balance as at January 1, 2020	P2,278,575	P226,799,041	P124,202,679	P65,885,565	P419,165,860
Changes from Financing Activities					
Proceeds from borrowings	5,728,725	2,179,240	-	-	7,907,965
Proceeds from issuance of SPCS	-	-	-	66,314,167	66,314,167
Payments of borrowings	(6,227,025)	(6,261,421)	-	-	(12,488,446)
Payments of lease liabilities	-	-	(22,629,718)	-	(22,629,718)
Total Changes from Financing Activities	(498,300)	(4,082,181)	(22,629,718)	66,314,167	39,103,968
Effect of Changes in Foreign Exchange Rates	(99,470)	(3,765,488)	(2,946,482)	-	(6,811,440)
Other Changes	-	601,410	884,615	-	1,486,025
Balance as at December 31, 2020	P1,680,805	P219,552,782	P99,511,094	P132,199,732	P452,944,413

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

33. Other Matters

a. EPIRA

The EPIRA sets forth the following: (i) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (ii) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (iii) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which the Group was selected winning bidder of the IPPA Agreements (Note 6).

The EPIRA requires generation and DU companies to undergo public offering within 5 years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed with the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning more than 30% of the installed generating capacity of a grid and/or 25% of the national installed generating capacity. The Group is in compliance with the restrictions as at December 31, 2021 and 2020.

b. Contingencies

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

i. *Temporary Restraining Order (TRO) Issued to Meralco*

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

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

On February 18, 2014, the SC extended the TRO issued on December 23, 2013 for another 60 days or until April 22, 2014 and granted additional TROs enjoining 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. To date, the Petition is pending resolution with the SC.

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/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 Order"). On March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the order within which to comply with the settlement of their respective adjusted WESM bills in accordance with the March 3, 2014 Order. The period to comply with the settlement of the adjusted WESM bills was further extended by the ERC in a subsequent order dated May 9, 2014. Based on these orders, SMEC, SPPC and SPDC recognized a reduction in the sale of power while SMELC and MPPCL recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment, the settlement of which have been covered by a 24-month Special Payment Arrangement with PEMC which was already completed on May 25, 2016.

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

On June 26, 2014, SMEC, SPPC and SPDC filed before the Court of Appeals ("CA") a Petition for Review under Rule 43 of the Revised Rules of Court assailing the ERC orders dated March 3, 2014, March 27, 2014, and May 9, 2014 ("the 2014 ERC Orders"). On the other hand, MPPCL filed its Petition for Review with the CA on December 12, 2014.

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

Motions for Reconsideration of the November 7, 2017 Decision and Motions for Intervention and Motions to Admit Motions for Reconsideration were filed by various intervenors.

In a resolution dated March 22, 2018 (the "March 22, 2018 Resolution"), the CA denied the aforesaid motions. In June 2018, the intervenors filed their respective motions for reconsideration of the said resolution of the CA dated March 22, 2018. On June 27, 2018, MPPCL filed a Consolidated Comment to the various Motions for Reconsideration while SMEC, SPPC and SPDC filed their Consolidated Opposition to said Motions for Reconsideration on July 27, 2018.

On March 29, 2019, the CA issued an Omnibus Resolution affirming the November 7, 2017 Decision and the March 22, 2018 Resolution.

The intervenors thereafter filed petitions for certiorari before the SC, First Division. Each were denied by the SC through its resolutions dated September 11, 2019 and October 1, 2019 generally on the same ground that the petitioners each failed to sufficiently show that the CA committed any reversible error in promulgating its resolution dated March 22, 2018 denying petitioners' motions to intervene and the subsequent Omnibus Resolution dated March 29, 2019 denying the petitioners' motions for reconsideration of the denial of their respective motions to intervene.

MPPCL filed on January 22, 2020, while SMEC, SPPC and SPDC filed on January 30, 2020, their respective Comments on the Petition for Review filed by the ERC with the SC. In its petition, the ERC appealed the November 7, 2017 Decision and Omnibus Resolution dated March 29, 2019, which nullified and set aside the 2014 ERC Orders, which declared the WESM prices for November and December 2013 void.

PEMC also filed a Motion to Admit Comment and Comment on the ERC's Petition for Review both dated March 12, 2020.

In a Resolution dated February 10, 2020, the SC directed the respondents to file their respective Comments on the Petition for Review filed by Meralco ("Meralco Petition"). SMEC, SPPC and SPDC, received, through counsel, a copy of the Resolution on June 25, 2020. SMEC, SPPC and SPDC filed on July 15, 2020, while MPPCL filed on July 16, 2020, their Comments on the Meralco Petition, all within the period of extension granted by the SC.

On July 9, 2020, AP Renewables Inc. ("APRI") filed a Motion to Consolidate praying for the SC to direct the consolidation of the foregoing case with ERC v. SMEC, et. al. (SC-G.R. Nos. 246621-30, First Division). The ERC, through the Office of the Solicitor General, filed a Manifestation and Motion dated September 15, 2020, agreeing with APRI but deferring to the judgment of the SC on the matter.

On July 21, 2020, Meralco filed a Motion for Leave to File and Admit the Attached Manifestation with Manifestation, both of even date, (collectively, "Meralco Manifestation"), praying that the SC apply the ruling in the case of PSALM v. PEMC (G.R. No. 190199, March 11, 2020) in resolving the instant case. The SC has not yet issued an order to respondents to comment on said Meralco Manifestation.

On September 22, 2020, SMEC, SPPC and SPDC filed motions to admit their Comment on the Meralco Manifestation.

Entries of judgment have been issued by the SC certifying that the resolutions denying the Petitions for Review on Certiorari filed by various intervenors against SMEC, SPPC, SPDC and MPPCL, among others, have become final and executory.

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 Meralco Petition to the third division of the SC handling the petition by the ERC.

The ERC has also filed its Consolidated Reply to the comments on its petition dated November 18, 2020. To date, the case remains pending with the SC.

Upon finality of the decision, a claim for refund may be made by the relevant subsidiaries with PEMC for an amount up to P2,321,785, plus interest.

iii. *Generation Payments to PSALM*

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

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

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

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

On September 28, 2015, the RTC issued an order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending.

On October 19, 2015, the RTC also issued an order granting the Motion for Intervention and Motion to Admit Complaint-in-intervention by Meralco.

In an order dated June 27, 2016 (the "June 27, 2016 RTC Order"), the RTC denied PSALM's: (1) Motion for Reconsideration of the order dated September 28, 2015, which issued a writ of preliminary injunction enjoining PSALM from further proceeding with the termination of the Illijan IPPA Agreement while the case is pending; (2) Motion for Reconsideration of the order dated October 19, 2015, which allowed Meralco to intervene in the case; and (3) Motion to Dismiss. In response to the June 27, 2016 RTC Order, PSALM filed a petition for certiorari with the CA seeking to annul the same. PSALM also prayed for the issuance of a TRO and/or writ of preliminary injunction "against public respondent RTC and its assailed orders". The CA, however, denied the petition filed by PSALM in its decision dated December 19, 2017 ("CA Decision"). In the CA Decision, the CA upheld the lower court's issuance of a writ of preliminary injunction against PSALM prohibiting the termination of the Ilijan IPPA Agreement while the case in the lower court is pending.

PSALM filed its Motion for Reconsideration dated January 19, 2018 to the CA Decision. In a Resolution dated July 12, 2018 (the "2018 CA Resolution"), the CA denied PSALM's Motion for Reconsideration of the CA Decision.

On September 4, 2018, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction before the SC praying for the reversal and nullification of the CA Decision and the 2018 CA Resolution. Said petition was denied by the SC in its resolution dated March 4, 2019 (the "March 4, 2019 SC Resolution") due to lack of payment of the required fees and for PSALM's failure to sufficiently show that the CA committed any reversible error in the challenged decision and resolution as to warrant the exercise of the CA's discretionary appellate jurisdiction. The motion for reconsideration filed by PSALM pursuant to the March 4, 2019 SC Resolution was denied by the SC in a resolution dated August 5, 2019 which became final and executory through an Entry of Judgement issued by the SC 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 in the instant case. The case was then re-raffled to another RTC judge in Mandaluyong City.

SPPC filed a Request for 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. PSALM then filed a Motion for Reconsideration of the said order. On December 14, 2018, SPPC filed its opposition to the Motion for Reconsideration. In an order dated April 29, 2019, the RTC denied the Motion for Reconsideration filed by PSALM on the basis that it found no strong and compelling reason to modify, much less reverse, its order dated September 24, 2018 which denied the Motion to Hear Affirmative Defenses filed by PSALM.

On July 23, 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 September 24, 2018 and April 29, 2019 orders of the RTC. Although, the CA dismissed the Petition for Certiorari filed by PSALM in a Resolution dated August 23, 2019 (the "2019 CA Resolution"), the CA subsequently granted the Motion for Reconsideration filed by PSALM in response to the 2019 CA Resolution. In a Resolution dated February 24, 2020, the CA required PSALM to revise its petition and send the revised copies to SPPC and Meralco.

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 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 filed several pleadings: (1) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (b) Motion for Reconsideration of the RTC's Order of February 14, 2020, which did not allow PSALM to present witnesses in support of its Motion to Dissolve the Writ of Preliminary Injunction and directed the parties to submit pleadings and documents in support of their respective positions; and (3) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction. On July 6, 2020, SPPC filed an Opposition to the Motion for Reconsideration filed by PSALM on the RTC's Order of February 14, 2020.

PSALM also filed a Reply to SPPC's Opposition to the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction. In August 2020, PSALM also filed a Reply to the Supplemental Opposition to the Motion Ad Cautelam to Dissolve the Writ of Preliminary Injunction. On September 14, 2020, SPPC filed a Motion to Admit Consolidated Rejoinder and Consolidated Rejoinder. The Consolidated Rejoinder addresses both PSALM's Reply to the Opposition to the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction and its Reply to SPPC's Supplemental Opposition to the same motion.

In September 2020, PSALM filed an Urgent Ex Parte Motion for Early Resolution of its Motion for Leave to File the Amended Answer Ad Cautelam.

In an Order dated November 17, 2020, the RTC considered as submitted for resolution, PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction.

In an Order dated November 27, 2020, the RTC denied PSALM's Motion for Leave to File Amended Answer Ad Cautelam. On January 29, 2021, PSALM filed a Motion for Reconsideration. SPPC filed an Opposition and PSALM filed a Reply.

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. PSALM has filed an Opposition to the motion.

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

The mediation scheduled on April 19, 2021, was not held because the SC directed the closure of courts and related offices, including the Philippine Mediation Center, for the duration of the enhanced community quarantine ("ECQ") and modified enhanced community quarantine ("MECQ").

In an Order dated May 18, 2021, the RTC recalled 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. The pre-trial was however cancelled and no new schedule was provided by the RTC. SPPC filed a motion to postpone the pre-trial on the ground that it still has a pending Motion for Reconsideration of the order denying its Motion for Summary Judgement. PSALM filed a Motion for Leave to File a Supplemental Pre-trial Brief, purportedly for purposes of complying with Section 6, Rule 18 of the Amended Rules of Civil Procedure.

On June 21, 2021, SPPC received PSALM's Opposition to its Motion for Reconsideration of the Order denying the Motion for Summary Judgment. On June 25, 2021, SPPC filed a Motion for Leave to File Reply and Reply to PSALM's Opposition. On July 19, 2021, PSALM moved for reconsideration of the court's postponement of the pre-trial and filed a Rejoinder to SPPC's Reply.

The RTC suspended pre-trial proceedings until after its resolution of SPPC's Motion for Reconsideration of the denial of the Motion for Summary Judgment.

In June 2021, PSALM also filed a petition for certiorari under Rule 65 of the rules of Court to annul the trial court's Order of November 27, 2020, which denied PSALM's Motion for Leave to File Amended Answer, and the 23 March 2021 RTC Order, which denied PSALM's Motion for Reconsideration of the Order of denial. The petition has been docketed as CA-G.R. SP NO. 169443.

On August 5, 2021, the CA issued a Resolution, directing SPPC to file a Comment on the petition in CA-G.R. SP NO. 169443 within 10 days, and PSALM to file a Reply within five days from its receipt of the Comment. Since the courts in the National Capital Region were physically closed until October 15, 2021 because of the quarantine, SPPC was only able to file the Comment by registered mail on October 6, 2021. PSALM filed its reply on October 29, 2021.

On September 13, 2021, the RTC denied SPPC's motion for partial reconsideration of the March 23, 2021 RTC Order and scheduled the pre-trail of the case on November 19, 2021.

The case underwent pre-trial on November 19, 2021 while the presentation of evidence is scheduled on January 28, February 18, and March 4 and March 25, 2022. The January 28, 2022 hearing by video conferencing was cancelled due to the physical closure of courts in the National Capital Region while the February 18, 2022 hearing, was cancelled upon the motion of the counsel for PSALM.

On December 7, 2021, the RTC denied the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction filed by PSALM. PSALM filed a Motion for Reconsideration to which SPPC has filed an Opposition.

Meanwhile, the proceedings before the RTC continues and by virtue of the Preliminary Injunction issued by the RTC, SPPC continues to be the IPP Administrator for the Ilijan Power Plant without restrictions or limitations on the ability of SPPC to supply power from the Ilijan Power Plant to Meralco under its PSA with the latter, or the ability of SPPC to take possession of the Ilijan Power Plant upon the expiry of the Ilijan IPPA Agreement in June 2022.

iv. *Criminal Cases*

SPPC

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

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

SMEC

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

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

On October 25, 2017, the DOJ issued a Resolution partially granting the Petition for Review by reversing the July 29, 2016 DOJ Resolution insofar as the conduct of the preliminary investigation. On November 17, 2017, SMEC filed a motion for partial reconsideration of said October 25, 2017 DOJ Resolution. Said motion is still pending to date.

v. *Civil Cases*

SMEC

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

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

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

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

On July 4, 2018, SMEC filed its Motion for Reconsideration ("MR") to the May 22, 2018 order which dismissed the consignation case. The MR was heard on July 13, 2018 where the parties were given time to file their responsive pleadings. PSALM filed its Comment dated July 26, 2018 to the MR and SMEC filed its Reply to PSALM's Comment on August 13, 2018. The motion has not yet been resolved as of date.

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

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

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

RTC 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. SMEC has already filed an Opposition to the Omnibus Motion.

Further related thereto, on December 1, 2016, SMEC received a copy of a Complaint filed by TPEC and TeaM Sual Corporation with the ERC against SMEC and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the abovementioned cases. SMEC filed a Motion to Dismiss and Motion to Suspend Proceeding of the instant case. The complaint is still pending with the ERC to date.

As at December 31, 2021 and 2020, the total amount consigned with the RTC Pasig is P491,242, included under "Other noncurrent assets", particularly "Restricted cash" account, in the consolidated statements of financial position (Note 16).

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

On January 21, 2022, the Parent Company availed US$200,000 from a 3-year term loan subject of a facility agreement executed with a foreign bank on September 8, 2021. Initial loan amount under the facility agreement of US$100,000, was increased to US$200,000 on December 16, 2021. The loan is subject to floating interest rate based on LIBOR plus margin and will mature in September 2024.

The funds will be used for the payment of capital expenditures in connection with the Ilijan Natural Gas-fired Power Plant (including expansion projects related thereto); funding of liquid natural gas import, storage and distribution facilities; other transaction related fees, costs and expenses on the facility.

d. <u>Commitments</u>

The outstanding purchase commitments of the Group amounted to P100,125,622 as at December 31, 2021.

Amount authorized but not yet disbursed for capital projects is approximately P214,795,314 as at December 31, 2021.

e. <u>Effects of COVID-19</u>

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. Countries have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

The Philippine government issued a series of directives and social distancing measures as part of its efforts to contain the outbreak in the Philippines. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and an ECQ was imposed on the island of Luzon, including Metro Manila. Initially, the ECQ was set to end by April 12, 2020 but was subsequently extended for two-week periods until May 15, 2020 (the period from March 16, 2020 through May 15, 2020, the "ECQ period"). Under the ECQ guidelines, restrictions on movement outside of the residence were set in place (ranging from stay-at-home orders to total lockdowns), mass transport facilities were suspended, schools were closed and alternative work arrangements were implemented. The COVID-19 pandemic affected most daily activities and forced many businesses to suspend operations or shut down for the duration of the ECQ.

Only essential businesses such as plants involved in manufacturing and processing basic food products, medicine, medical devices/equipment and essential products such as hygiene products, and delivery services transporting food, medicine and essential goods, as well as essential sectors such as hospitals, power and water utilities were allowed to operate, subject to certain conditions and limitations on operating capacity.

After the ECQ was lifted in certain areas, a MECQ, general community quarantine ("GCQ") or modified general community quarantine ("MGCQ") was implemented. On June 1, 2020, Metro Manila was placed under GCQ which allowed certain sectors, including agriculture, food manufacturing and all supply chains, packaging and raw materials, supermarkets and logistics, among others, to resume full operations. The graduated lockdown schemes from ECQ, MECQ, GCQ, and MGCQ impose varying degrees of restrictions on travel and business operations. The Philippine government continues to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. Following a surge of COVID-19 cases in Metro Manila and surrounding provinces, the region was again placed under ECQ from March 29, 2021 until April 11, 2021 and was eased to MECQ from April 12, 2021 until May 14, 2021. Thereafter, the Philippine government eased the community quarantine measures in Metro Manila and surrounding provinces to GCQ with heightened restrictions until June 15, 2021. Metro Manila was then placed under GCQ with some restrictions from June 16, 2021 to July 15, 2021, and thereafter to GCQ from July 16, 2021 until end of July 2021. Following the confirmation of the Department of Health on July 22, 2021 of the local transmission of the COVID-19 Delta variant, the Philippine government reimposed stricter quarantine restrictions in Metro Manila and other provinces, which are now under GCQ with heightened restrictions from July 23, 2021 to July 31, 2021. Under GCQ with heightened restrictions, only essential travel is allowed. Subsequently, and amid the threat of the more infectious COVID-19 Delta variant, Metro Manila was placed under ECQ from August 6, 2021 to August 20, 2021 which has been eased to MECQ starting August 21, 2021 until September 15, 2021. On August 26, 2021, the Philippines government announced that it will phase out the large-scale community quarantine measures and replace the same with granular lockdowns and implement an alert level system. As at report date, Metro Manila is under Alert Level 1.

The day-to-day operations of the Group, being primarily engaged in power generation, are not significantly affected by the ECQ or other graduated quarantine measures because the Philippine government considers power generation as an essential service and operations related thereto continue to be permitted. As a result, the Group's power generation activities and any repairs and preventive maintenance works remain generally unhampered. As a critical safety measure to prevent the spread of COVID-19 cases and ensure operational resiliency, power plant personnel stay in the plant premises and are provided with the necessary accommodations, including food and other essential supplies, during the community quarantine period. On the other hand, support functions have been placed under flexible work arrangements (i.e. work from home, skeletal work force). The foregoing measures allow the Group to operate its power plant portfolio continuously and at levels sufficient to meet its bilateral volume commitments to its customers notwithstanding economic and logistical challenges faced during the community quarantine period. As of report date, a substantial percentage of the Group's employees have been vaccinated as part of the SMC's "Ligtas Lahat" COVID-19 vaccination program with a plan to inoculate all employees and members of its extended workforce.

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

As part of the Philippine government's ECQ measures, the primary regulators in the local power industry - the ERC and the DOE, issued separate advisories allowing deferred payment, over four equal monthly installments, of power bills falling due within the ECQ period. Subsequently, in view of the enactment of the Bayanihan to Recover as One Act in September 2020, the primary regulators issued advisories directing the implementation of a minimum 30-day grace period and staggered payment without interests, penalties and other charges to all payments falling due within the period of community quarantine. In 2021, there were a few DUs that entered into a payment arrangement scheme with the Group that will assist them in implementing DOE advisories in support to their member consumers during certain community quarantine periods. Nevertheless, with the consolidated unrestricted cash and cash equivalents of P67,690,151 as at December 31, 2021, the Group has sufficient funds to continue settling its obligations as they fall due even without the benefit of a corresponding deferral as may be allowed by the regulators, while accommodating the deferred payment schemes availed of by its customers. As at report date, the power bills covered by the deferred payment schemes have been substantially collected.

The Group continues to review and implement the necessary changes to its operations and business processes as well as its capital expenditure plans in view of the global and local economic factors as a result of the COVID-19 pandemic. The Group places equal importance to maintaining and, in certain aspects, even improving its financial position and financial performance despite the pandemic.

KPMG

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
SMC Global Power Holdings Corp.
5th Floor, C5 Office Building Complex
#100 E. Rodriguez Jr. Ave., C5 Road
Bo. Ugong, Pasig City 1604, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SMC Global Power Holdings Corp. and Subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated March 4, 2022.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J
- Reconciliation of Retained Earnings Available for Dividend Declaration

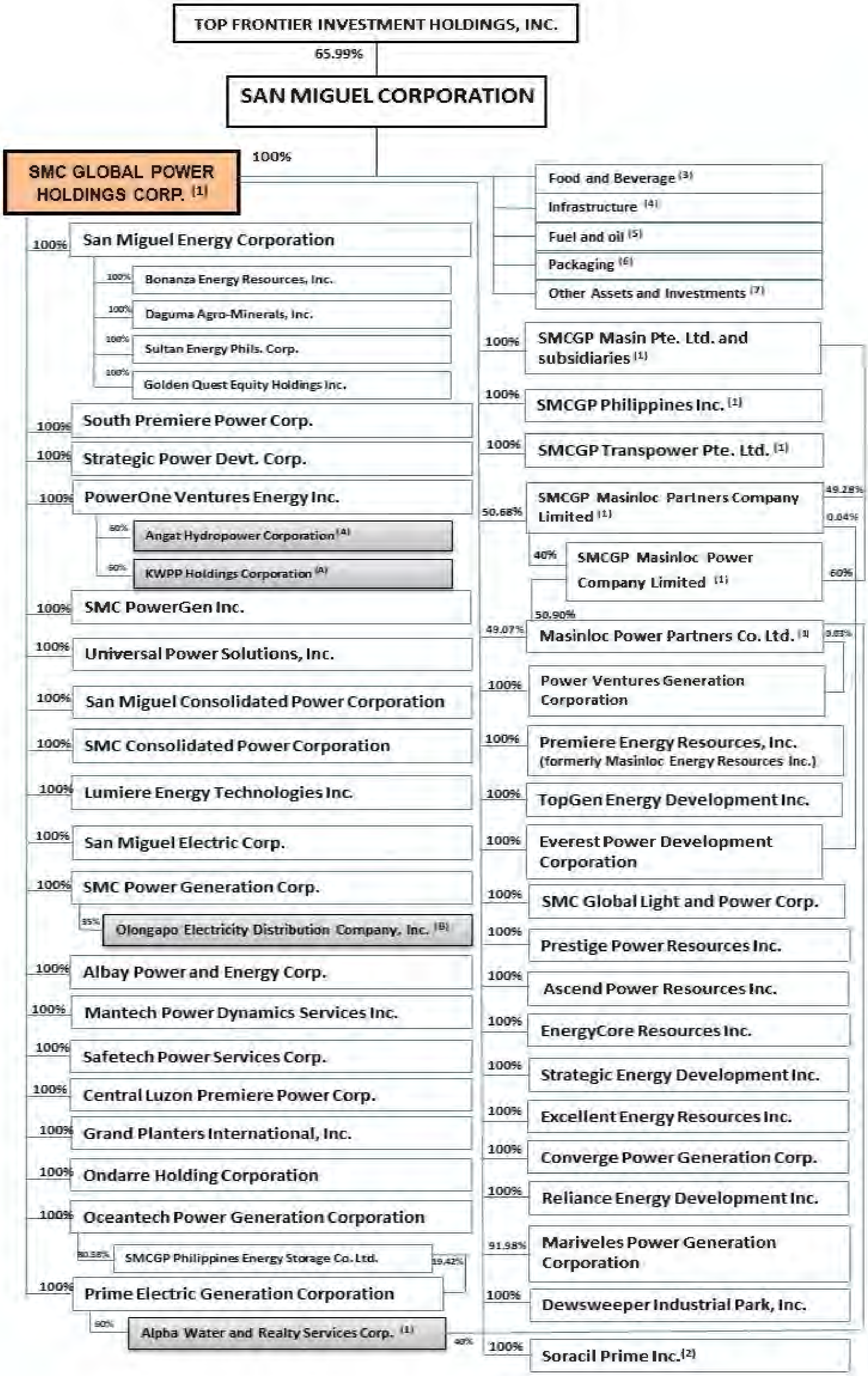
These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements. Such information have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8854088
Issued January 3, 2022 at Makati City

March 4, 2022
Makati City, Metro Manila

SMC GLOBAL POWER HOLDINGS CORP.
GROUP STRUCTURE *
As of December 31, 2021



(1) Acquired in 2018; SMCGP Masin Pte. Ltd. owns 49.28% partnership interest in SMCGP Masinloc Partners Company Limited ("MAPACO") which was transferred to SMC Global Power Holdings Corp. ("SMC Global Power") pursuant to a Deed of Assignment dated June 8, 2021. Based on this, the partnership interest of SMC Global Power was increased from 50.68% to 99.96% partnership interest in MAPACO while Everest Power Development Corporation owns the remaining 0.04% partnership interest in MAPACO. MAPACO owns 40% partnership interest of SMCGP Masinloc Power Company Limited ("MAPOCO"). The 60% partnership interest of SMCGP Masin Pte. Ltd. in MAPOCO was transferred to SMC Global Power pursuant to a Deed of Assignment dated June 8, 2021. However, the amendment of the Amended Articles of Partnership of MAPACO and MAPOCO will be filed with the Philippine Securities and Exchange Commission (SEC) after the withdrawal of the license to operate of MAPL with the Philippine SEC. MAPACO owns 50.90% partnership interest in Masinloc Power Partners Co. Ltd. (MPPCL) while Power Ventures Generation Corporation owns 0.03% partnership interest and SMC Global Power owns 49.07% partnership interest in MPPCL. Strategic Holdings B.V. and Transpower Holdings B.V., previously owned by SMCGP Masin Pte. Ltd. and SMCGP Masinloc Power Company Limited, respectively, were liquidated in April 2020 while SMCGP Masin Pte. Ltd. is still in the process of liquidation as of December 31, 2021.

(2) Acquired in 2021.

(3) Food and Beverage business includes San Miguel Food and Beverage, Inc. (formerly San Miguel Pure Foods Company Inc.) and subsidiaries, which consist of:

a. San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia (formerly PT San Miguel Pure Foods Indonesia) and San Miguel Foods International, Limited (formerly San Miguel Pure Foods International, Limited) and subsidiary, San Miguel Foods Investment (BVI) Limited (formerly San Miguel Pure Foods Investment (BVI) Limited) and subsidiary, San Miguel Pure Foods (VN) Co., Ltd.;

b. Ginebra San Miguel Inc. subsidiaries including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International, Ltd., GSM International Holdings Limited, Global Beverage Holdings Limited and Siam Holdings Limited.; and

c. San Miguel Brewery Inc. subsidiaries including Iconic Beverages, Inc. and Brewery Properties Inc. and subsidiary and San Miguel Brewing International Ltd. and subsidiaries including, San Miguel Brewery Hong Kong Limited and subsidiaries, PT. Delta Djakarta Tbk. and subsidiary, San Miguel (Baoding) Brewery Company Limited, San Miguel Brewery Vietnam Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited. San Miguel (Baoding) Brewery Co. Ltd. is in the process of liquidation as at December 31, 2021.

(4) Infrastructure business include San Miguel Holdings Corp. and subsidiaries, SMC NAIAX Corporation (formerly Vertex Tollways Devt. Inc.), Trans Aire Development Holdings Corp., SMC TPLEX Holdings Company Inc. (formerly Rapid Thoroughfares Inc.), SMC TPLEX Corporation (formerly Private Infra Dev Corporation), Universal LRT Corporation (BVI) Limited, Sleep International (Netherlands) Cooperatief U.A., Wiselink Investment Holdings, Inc., Cypress Tree Capital Investments, Inc. and subsidiaries, San Miguel Aerocity Inc., Luzon Clean Water Development Corporation, Atlantic Aurum Investments B.V. subsidiaries including SMC Tollways Corporation (formerly Atlantic Aurum Investments Philippines Corporation) and subsidiaries including Stage 3 Connector Tollways Holding Corporation and subsidiary, SMC Skyway Stage 3 Corporation (formerly Citra Central Expressway Corp.), and SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation) and subsidiary, Skyway O&M Corp., SMC SLEX Holdings Company Inc. (formerly MTD Manila Expressways Inc.) and subsidiaries, Alloy Manila Toll Expressways Inc., Manila Toll Expressway Systems Inc. and SMC SLEX Inc. (formerly South Luzon Tollway Corporation).

(5) Fuel and Oil business include SEA Refinery Corporation and subsidiary, Petron Corporation and subsidiaries including Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Petron Singapore Trading Pte., Ltd., Petron Global Limited, Petron Oil & Gas International Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited and subsidiaries.

(6) Packaging business include San Miguel Yamamura Packaging Corporation and subsidiaries, San Miguel Yamamura Packaging International Limited and subsidiaries, and Mindanao Corrugated Fibreboard, Inc.

(7) Other Assets and Investments include San Miguel Properties, Inc and subsidiaries., Bank of Commerce[(B)] , SMC Shipping and Lighterage Corporation and subsidiaries, San Miguel Equity Investments Inc. and subsidiaries including Northern Cement Corporation and First Stronghold Cement Industries Inc., SMC Asia Car Distributors Corp. and subsidiaries, San Miguel International Limited and subsidiaries, SMC Stock Transfer Service Corporation, ArchEn Technologies Inc., SMITS, Inc. and subsidiaries, San Miguel Integrated Logistics Services, Inc. and subsidiary, Anchor Insurance Brokerage Corporation, Davana Heights Development Corporation and subsidiaries, SMC Equivest Corporation and Petrogen Insurance Corporation.

***** The group structure includes the ultimate parent company, Top Frontier Investment Holdings, Inc., the intermediate parent company, San Miguel Corporation and its major subsidiaries, associates and joint ventures, and SMC Global Power Holdings Corp. and subsidiaries.

Note: [(A)] Joint Venture
[(B)] Associate

SMC GLOBAL POWER HOLDINGS CORP.
#100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City, Metro Manila
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
(Amounts in Thousand Pesos)

		(Figures based on functional currency audited financial statement as of and for the year ended December 31, 2021)
Unappropriated Retained Earnings, beginning		**P8,750,712**
Adjustments in previous year's reconciliation		**(5,968,843)**
Unappropriated retained earnings, as adjusted, beginning		**2,781,869**
Net income based on the face of Audited Financial Statements	P16,892,298	
Non-actual gains arising from		
Unrealized foreign exchange and others, net of tax	(340,680)	
Fair value adjustment on currency forwards	(49,775)	
Sub-total	16,501,843	**16,501,843**
Net income actual/realized		**19,283,712**
Redemption of securities		**(758,001)**
Distributions paid during the year		**(14,843,873)**
Unappropriated retained earnings, as adjusted, ending		**P3,681,838**

ANNEX "B-2"

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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
SMC Global Power Holdings Corp.
5th Floor, C5 Office Building Complex
#100 E. Rodriguez Jr. Ave., C5 Road
Bo. Ugong, Pasig City 1604, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SMC Global Power Holdings Corp. and Subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 4, 2022.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
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  covering the audit of 2019 to 2023 financial statements
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March 4, 2022
Makati City, Metro Manila

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

LIQUIDITY RATIO

Current Ratio = **Current Assets** / **Current Liabilities**

	Conventional		Adjusted [1]	
(in Millions P)	**December 2021**	December 2020	**December 2021**	December 2020
(A) Current Assets	**156,470**	177,378	**156,470**	177,378
(B) Current Liabilities	**109,472**	88,699	**87,876**	64,761
Current Ratio (A)/(B)	**1.43**	2.00	**1.78**	2.74

[1] Current portion of lease liabilities, in relation to the IPPA Agreements with PSALM, are excluded from the total current liabilities as these current obligations on lease are pass-through charges billable to customers. As at December 31, 2021 and 2020, current portion of lease liabilities to PSALM amounted to P21,596 million and P23,938 million, respectively.

SOLVENCY RATIO

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

Per relevant Loan Covenants of SMC Global Power

(in Millions P)	**December 2021**	December 2020
(A) Net Debt [2]	**184,001**	159,851
(B) Total Equity [3]	**247,603**	225,110
Net Debt-to-Equity Ratio (A)/(B)	**0.74**	0.71

**All items 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**

	Conventional		Adjusted [4]	
(in Millions P)	**December 2021**	December 2020	**December 2021**	December 2020
(A) Total Assets	**635,724**	610,016	**483,896**	453,002
(B) Total Equity	**251,729**	226,304	**251,729**	226,304
Asset-to-Equity Ratio (A)/(B)	**2.53**	2.70	**1.92**	2.00

[4] Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at December 31, 2021 and 2020, the net carrying amount of the IPPA power plant assets amounted to P151,828 and 157,014, respectively.

PROFITABILITY RATIO

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

(in Millions P)	**December 2021**	December 2020
(A) Net Income	**15,978**	18,874
(B) Total Equity	**251,729**	226,304
Return on Equity (A)/(B)	**6.3%**	8.3%

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

Per relevant Loan Covenants of SMC Global Power

(in Millions P)	**December 2021**	December 2020
(A) EBITDA (5)	**33,542**	41,451
(B) Interest Expense (6)	**13,405**	13,554
Interest Coverage Ratio (A)/(B)	**2.50**	3.06

(5) Full year consolidated EBITDA (gross of PSALM payments and excluding amounts attributable to ring-fenced subsidiaries).

(6) Full year consolidated interest expense (excluding amounts attributable to ring-fenced subsidiaries).

OPERATING EFFICIENCY

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

	Years Ended December 31	
(in GWh)	**2021**	2020
(A) Current Period Offtake Volume	**27,221**	26,291
(B) Prior Period Offtake Volume	**26,291**	28,112
Volume Growth (Decline) [(A)/(B) – 1]	**3.5%**	(6.5%)

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

(in Millions P)	**Years Ended December 31** **2021**	2020
(A) Current Period Revenues	**133,710**	115,029
(B) Prior Period Revenues	**115,029**	135,060
Revenue Growth (Decline) [(A)/(B) – 1]	**16.2%**	(14.8%)

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

(in Millions P)	**Years Ended December 31** **2021**	2020
(A) Income from Operations	**31,886**	36,923
(B) Revenues	**133,710**	115,029
Operating Margin (A)/(B)	**23.8%**	32.1%

ANNEX "C"

BOARD OF DIRECTORS ATTENDANCE SUMMARY

Directors' Name	June 1, 2021 ASM	June 1, 2021 Org. Meeting	June 18, 2021 Special Board Meeting	August 2, 2021 Regular Board Meeting	August 2, 2021 AROC Meeting	August 2, 2021 CG Meeting	Sept. 8, 2021 Special Board Meeting	Nov. 8, 2021 Regular Board Meeting	Nov. 8,2021 AROC Meeting	Nov. 8,2021 CG Meeting	March 1, 2022 Regular Board Meeting	March 1, 2022 AROC Meeting	March 1, 2022 CG Meeting	March 1, 2022 RPT Meeting	May 2, 2022 Regular Board Meeting	May 2, 2022 AROC Meeting	May 2, 2022 CG Meeting
Ramon S. Ang	✓	✓	✓	✓	N/A	N/A	✓	✓	N/A	N/A	✓	N/A	N/A	N/A	✓	N/A	N/A
Ferdinand K. Constantino	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
John Paul L. Ang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Aurora T. Calderon	✓	✓	✓	✓	✓	N/A	✓	✓	✓	N/A	✓	✓	N/A	✓	✓	✓	N/A
Virgilio S. Jacinto	✓	✓	✓	✓	N/A	✓	✓	✓	N/A	✓	✓	N/A	✓	N/A	✓	N/A	✓
Jack G. Arroyo, Jr.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Consuelo M. Ynares-Santiago	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Josefina Guevara-Salonga	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

LEGEND:

ASM- Annual Stockholders' Meeting

Org. Meeting - Organizational Meeting of the Board of Directors

AROC Meeting - Audit & Risk Oversight Committee Meeting

CG Meeting - Corporate Governance Committee Meeting

RPT Meeting – Related Party Transactions Committee Meeting

ANNEX "D"

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

	Note	**2022 (Unaudited)**	2021 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*7, 20, 21*	**P59,023,294**	P67,690,151
Trade and other receivables - net	*8, 13, 20, 21*	**57,874,472**	47,272,302
Inventories		**9,678,764**	10,017,822
Prepaid expenses and other current assets	*20, 21*	**31,069,784**	31,489,892
Total Current Assets		**157,646,314**	156,470,167
Noncurrent Assets			
Investments and advances - net		**10,945,153**	10,838,846
Property, plant and equipment - net	*9*	**221,075,040**	211,858,532
Right-of-use assets - net	*6*	**156,728,230**	157,159,661
Deferred exploration and development costs		**722,321**	719,393
Goodwill and other intangible assets - net		**73,779,606**	72,943,146
Deferred tax assets	*18*	**1,578,117**	1,447,415
Other noncurrent assets	*20, 21*	**23,814,995**	24,287,040
Total Noncurrent Assets		**488,643,462**	479,254,033
		P646,289,776	P635,724,200
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*10, 20, 21*	**P776,100**	P1,529,970
Accounts payable and accrued expenses	*11, 12, 13, 20, 21*	**60,220,958**	56,055,226
Lease liabilities - current portion	*6, 20, 21*	**19,809,006**	21,677,035
Income tax payable		**24,596**	24,754
Current maturities of long-term debt - net of debt issue costs	*12, 20, 21*	**63,733,615**	30,185,418
Total Current Liabilities		**144,564,275**	109,472,403
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*12, 20, 21*	**169,597,311**	192,736,025
Deferred tax liabilities	*18*	**21,560,254**	20,182,639
Lease liabilities - net of current portion	*6, 20, 21*	**53,400,355**	56,536,324
Other noncurrent liabilities	*20, 21*	**5,214,277**	5,068,211
Total Noncurrent Liabilities		**249,772,197**	274,523,199
Total Liabilities		**394,336,472**	383,995,602

Forward

	Note	2022 (Unaudited)	2021 (Audited)
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**P1,062,504**	P1,062,504
Additional paid-in capital		**2,490,000**	2,490,000
Senior perpetual capital securities		**167,767,364**	167,767,364
Redeemable perpetual securities		**32,751,570**	32,751,570
Equity reserves		**(1,519,191)**	(1,536,280)
Retained earnings		**48,426,235**	48,247,948
		250,978,482	250,783,106
Non-controlling Interests		**974,822**	945,492
Total Equity		**251,953,304**	251,728,598
		P646,289,776	P635,724,200

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021
(In Thousands, Except Per Share Data)

	Note	**2022 (Unaudited)**	2021 (Unaudited)
REVENUES	*5, 13, 15*	**P43,036,057**	P27,365,880
COST OF POWER SOLD	*13, 16*	**35,807,064**	17,730,296
GROSS PROFIT		**7,228,993**	9,635,584
SELLING AND ADMINISTRATIVE EXPENSES	*8, 9*	**1,158,134**	1,212,425
INCOME FROM OPERATIONS		**6,070,859**	8,423,159
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*6, 10, 12*	**(4,092,076)**	(4,595,202)
INTEREST INCOME	*7*	**216,824**	124,709
EQUITY IN NET EARNINGS OF AN ASSOCIATE AND JOINT VENTURES		**60,373**	36,736
OTHER INCOME - Net	*17*	**1,084,997**	2,083,265
INCOME BEFORE INCOME TAX		**3,340,977**	6,072,667
INCOME TAX EXPENSE (BENEFIT)	*18*	**1,413,326**	(1,704,100)
NET INCOME		**P1,927,651**	P7,776,767
Attributable to:			
Equity holders of the Parent Company		**P1,895,982**	P7,786,903
Non-controlling interests		**31,669**	(10,136)
		P1,927,651	P7,776,767
Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company			
Basic/diluted	*19*	**(P1.79)**	P3.17

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021
(In Thousands)

	Note	**2022 (Unaudited)**	2021 (Unaudited)
NET INCOME		**P1,927,651**	P7,776,767
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be reclassified to profit or loss			
Equity reserve for retirement plan		**-**	(59)
Items that may be reclassified to profit or loss			
Gain on exchange differences on translation of foreign operations		**5,566**	354,947
Net gain on cash flow hedges	*21*	**11,523**	20,082
		17,089	375,029
OTHER COMPREHENSIVE INCOME - Net of tax		**17,089**	374,970
TOTAL COMPREHENSIVE INCOME - Net of tax		**P1,944,740**	P8,151,737
Attributable to:			
Equity holders of the Parent Company		**P1,913,071**	P8,161,873
Non-controlling interests		**31,669**	(10,136)
		P1,944,740	P8,151,737

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

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PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021
(In Thousands)

		Equity Attributable to Equity Holders of the Parent Company												
							Equity Reserves							
	Note	Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Undated Subordinated Capital Securities	Redeemable Perpetual Securities	Equity Reserves	Translation Reserves	Reserve for Retirement Plan	Hedging Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2022 (Audited)		**P1,062,504**	**P2,490,000**	**P167,767,364**	**P -**	**P32,751,570**	**(P2,379,442)**	**P880,548**	**(P46,195)**	**P8,809**	**P48,247,948**	**P250,783,106**	**P945,492**	**P251,728,598**
Net income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,895,982**	**1,895,982**	**31,669**	**1,927,651**
Other comprehensive income - net of tax		**-**	**-**	**-**	**-**	**-**	**-**	**5,566**	**-**	**11,523**	**-**	**17,089**	**-**	**17,089**
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**5,566**	**-**	**11,523**	**1,895,982**	**1,913,071**	**31,669**	**1,944,740**
Stock issuance cost		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(26,838)**	**(26,838)**	**(2,339)**	**(29,177)**
Distributions:														
Redeemable perpetual securities	*14*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(520,305)**	**(520,305)**	**-**	**(520,305)**
Senior perpetual capital securities	*14*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,170,552)**	**(1,170,552)**	**-**	**(1,170,552)**
Transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,717,695)**	**(1,717,695)**	**(2,339)**	**(1,720,034)**
As at March 31, 2022 (Unaudited)		**P1,062,504**	**P2,490,000**	**P167,767,364**	**P -**	**P32,751,570**	**(P2,379,442)**	**P886,114**	**(P46,195)**	**P20,332**	**P48,426,235**	**P250,978,482**	**P974,822**	**P251,953,304**
As at January 1, 2021, (Audited)		P1,062,504	P2,490,000	P132,199,732	P13,823,499	P32,751,570	(P1,621,661)	(P2,500,221)	(P59,057)	(P47,153)	P47,178,853	P225,278,066	P1,025,955	P226,304,021
Net income (loss)		-	-	-	-	-	-	-	-	-	7,786,903	7,786,903	(10,136)	7,776,767
Other comprehensive income (loss) - net of tax		-	-	-	-	-	-	354,947	(59)	20,082	-	374,970	-	374,970
Total comprehensive income (loss)		-	-	-	-	-	-	354,947	(59)	20,082	7,786,903	8,161,873	(10,136)	8,151,737
Redemption of undated subordinated capital securities	*14, 22*	-	-	-	(13,823,499)	-	(758,001)	-	-	-	-	(14,581,500)	-	(14,581,500)
Distributions:														
Senior perpetual capital securities	*14*	-	-	-	-	-	-	-	-	-	(1,174,037)	(1,174,037)	-	(1,174,037)
Undated subordinated capital securities	*14*	-	-	-	-	-	-	-	-	-	(703,037)	(703,037)	-	(703,037)
Redeemable perpetual securities	*14*	-	-	-	-	-	-	-	-	-	(492,375)	(492,375)	-	(492,375)
Transactions with owners		-	-	-	(13,823,499)	-	(758,001)	-	-	-	(2,369,449)	(16,950,949)	-	(16,950,949)
As at March 31, 2021 (Unaudited)		P1,062,504	P2,490,000	P132,199,732	P -	P32,751,570	(P2,379,662)	(P2,145,274)	(P59,116)	(P27,071)	P52,596,307	P216,488,990	P1,015,819	P217,504,809

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021
(In Thousands)

	Note	**2022 (Unaudited)**	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P3,340,977**	P6,072,667
Adjustments for:			
Interest expense and other financing charges	*6, 12*	**4,092,076**	4,595,202
Depreciation and amortization	*9, 16*	**2,940,135**	2,777,198
Unrealized foreign exchange losses - net		**397,285**	467,933
Impairment loss on trade receivables	*8*	**14,871**	-
Retirement cost		**12,519**	11,729
Reversal of allowance on other receivables	*8, 17*	**(11,462)**	(99,089)
Equity in net earnings of an associate and joint ventures - net		**(60,373)**	(36,736)
Interest income	*7*	**(216,824)**	(124,709)
Unrealized marked-to-market gain on derivatives	*21*	**(699,655)**	(48,377)
Operating income before working capital changes		**9,809,549**	13,615,818
Decrease (increase) in:			
Trade and other receivables - net		**(11,139,044)**	2,337,695
Inventories		**339,058**	169,024
Prepaid expenses and other current assets		**506,628**	(1,407,068)
Increase in:			
Accounts payable and accrued expenses		**5,267,671**	1,274,966
Other noncurrent liabilities and others		**196,663**	380,630
Cash generated from operations		**4,980,525**	16,371,065
Interest income received		**197,473**	131,690
Income taxes paid		**(68,484)**	(130,540)
Interest expense and other financing charges paid		**(3,900,690)**	(4,463,035)
Net cash flows provided by operating activities		**1,208,824**	11,909,180
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to deferred exploration and development costs		**(2,819)**	(657)
Additions to intangible assets		**(34,386)**	(7,927)
Additions to investments and advances		**(45,934)**	(8,432)
Decrease (increase) in other noncurrent assets		**(75,908)**	100,915
Advances paid to suppliers and contractors		**(2,856,366)**	(77,232)
Additions to property, plant and equipment	*9*	**(7,604,345)**	(5,404,954)
Net cash flows used in investing activities		**(10,619,758)**	(5,398,287)

Forward

	Note	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	*12, 22*	**P10,274,000**	P9,691,000
Proceeds from short-term borrowings	*10, 22*	**782,100**	1,682,800
Distributions paid to undated subordinated capital securities holders	*14*	**-**	(703,037)
Redemption of undated subordinated capital securities	*14, 22*	**-**	(14,581,500)
Payments of stock issuance costs		**(29,177)**	-
Distributions paid to redeemable perpetual securities holder	*14*	**(520,305)**	(492,375)
Payments of long-term debts	*12, 22*	**(926,686)**	(10,559,973)
Distributions paid to senior perpetual capital securities holders	*14*	**(1,170,552)**	(1,174,037)
Payments of short-term borrowings	*10, 22*	**(1,564,200)**	(1,682,800)
Payments of lease liabilities	*6, 22*	**(6,503,642)**	(5,817,250)
Net cash flows provided by (used in) financing activities		**341,538**	(23,637,172)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**402,539**	336,296
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(8,666,857)**	(16,789,983)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**67,690,151**	110,717,686
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*7*	**P59,023,294**	P93,927,703

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)
SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data and Number of Shares)

1. Reporting Entity

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.

On December 22, 2021, the Philippine SEC approved the change of the Parent Company's principal office from 155 EDSA, Brgy. Wack-Wack, Mandaluyong City, Metro Manila to 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila.

The accompanying interim 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.

2. Basis of Preparation

Statement of Compliance

The accompanying interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (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, 2021. 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 interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on May 2, 2022.

Basis of Measurement

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

Items	Measurement Basis
Financial assets at fair value through profit or loss (FVPL)	Fair value
Defined benefit retirement liability	Present value of the defined benefit retirement obligation

Functional and Presentation Currency

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

Basis of Consolidation

The interim consolidated financial statements include the financial statements of the Parent Company and its subsidiaries. The major subsidiaries include the following:

	Percentage of Ownership	
	March 31, 2022	December 31, 2021
Power Generation		
San Miguel Energy Corporation (SMEC)	**100**	100
South Premiere Power Corp. (SPPC)	**100**	100
Strategic Power Devt. Co. (SPDC)	**100**	100
SMC PowerGen Inc.	**100**	100
SMC Consolidated Power Corporation (SCPC) *(a)*	**100**	100
San Miguel Consolidated Power Corporation (SMCPC) *(b)*	**100**	100
Central Luzon Premiere Power Corp.	**100**	100
Lumiere Energy Technologies Inc.	**100**	100
PowerOne Ventures Energy Inc. (PVEI) *(c)*	**100**	100
Prime Electric Generation Corporation (PEGC)	**100**	100
Oceantech Power Generation Corporation (OPGC)	**100**	100
Masinloc Power Partners Co. Ltd. (MPPCL) *(d)*	**100**	100
SMCGP Philippines Energy Storage Co. Ltd. (SMCGP Philippines Energy) *(e)*	**100**	100
Premiere Energy Resources, Inc. (formerly Masinloc Energy Resources Inc. [MERI]) *(f)*	**100**	100
Power Ventures Generation Corporation	**100**	100
TopGen Energy Development Inc.	**100**	100
Universal Power Solutions, Inc. (UPSI)	**100**	100
Mariveles Power Generation Corporation (MPGC) *(g)*	**92**	92
Everest Power Development Corporation	**100**	100
SMC Global Light and Power Corp.	**100**	100
Prestige Power Resources Inc.	**100**	100
Reliance Energy Development Inc.	**100**	100
Ascend Power Resources Inc.	**100**	100
Converge Power Generation Corp.	**100**	100
EnergyCore Resources Inc.	**100**	100
Strategic Energy Development Inc.	**100**	100
Excellent Energy Resources Inc. (EERI)	**100**	100

Forward

	Percentage of Ownership	
	March 31, 2022	December 31, 2021
Retail and Other Power-related Services		
San Miguel Electric Corp. (SMELC)	**100**	100
Albay Power and Energy Corp.	**100**	100
SMC Power Generation Corp. (SPGC) [(h)]	**100**	100
Coal Mining		
Daguma Agro-Minerals, Inc. [(i)]	**100**	100
Sultan Energy Phils. Corp. [(i)]	**100**	100
Bonanza Energy Resources, Inc. [(i)]	**100**	100
Others		
Mantech Power Dynamics Services Inc.	**100**	100
Safetech Power Services Corp.	**100**	100
Ondarre Holding Corporation	**100**	100
Grand Planters International, Inc.	**100**	100
Golden Quest Equity Holdings Inc. [(i)]	**100**	100
SMCGP Transpower Pte. Ltd.	**100**	100
SMCGP Philippines Inc.	**100**	100
Dewsweeper Industrial Park, Inc.	**100**	100
Soracil Prime Inc. [(j)]	**100**	100

(a) Owner of the 4 x 150 megawatts (MW) Circulating Fluidized Bed (CFB) coal-fired power plant in Limay, Bataan (Phase I and II Limay Greenfield Power Plant).

(b) Owner of the 2 x 150 MW CFB coal-fired power plant in Malita, Davao (Davao Greenfield Power Plant).

(c) PVEI owns 60% of the outstanding capital stock of Angat Hydropower Corporation (AHC) and KWPP Holdings Corporation as joint ventures.

(d) Co-owned by the Parent Company (with its wholly-owned subsidiaries SMCGP Masin Pte. Ltd., SMCGP Masinloc Partners Company Limited, and SMCGP Masinloc Power Company Limited, and owner of the Masinloc Power Plant (Notes 9).

(e) Indirectly owned by the Parent Company, through its wholly-owned subsidiaries PEGC and OPGC, and owner of the battery energy storage system (BESS) facility in Kabankalan, Negros Occidental.

(f) On November 22, 2021, MERI changed its name to Premiere Energy Resources, Inc.

(g) The Parent Company subscribed to additional unissued common shares of MPGC in December 2021, thereby increasing its ownership interest from 89.54% to 91.98%. Non-controlling interests represent the 7.71% and 0.31% held by Meralco PowerGen Corporation and by Zygnet Prime Holdings, Inc., respectively. It has not yet started commercial operations as at March 31, 2022.

(h) SPGC owns 35% of the outstanding capital stock of Olongapo Electricity Distribution Company, Inc., (OEDC) as an associate.

(i) Indirectly owned by the Parent Company through SMEC and has not yet started commercial operations as at March 31, 2022.

(j) Acquired on March 15, 2021.

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in MPGC as at March 31, 2022 and December 31, 2021.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statements of income; and (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. Summary of Significant Accounting and Financial Reporting Policies

Except as described below, the accounting policies applied by the Group in these interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2021. 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, 2022.

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

Amended Standards Adopted in 2022

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

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

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

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

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

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

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

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

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

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

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

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

Except as otherwise indicated, the adoption of the amended standards did not have a material effect on the interim consolidated financial statements.

Amended Standards Not Yet Adopted

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

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

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

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

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

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

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

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures.

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

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes accounting estimates.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

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

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

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

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

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

Financial Instruments

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

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

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

Financial Assets

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

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

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

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

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

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

- how employees of the business are compensated; and

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

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

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

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

- prepayment and extension features; and

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

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

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

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

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

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

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

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

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value (Notes 7, 20 and 21).

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

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

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

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

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

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

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

The Group's derivative assets that are designated as cash flow hedge are classified under this category (Notes 20 and 21).

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

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

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

The Group's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 20 and 21).

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

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

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

The Group's derivative liabilities that are not classified as cash flow hedge are classified under this category (Notes 20 and 21).

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

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

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category (Notes 6, 10, 11, 12, 20 and 21).

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

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

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

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

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

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

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

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

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

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

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

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income.

Classification of Financial Instruments between Liability and Equity
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

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

4. Use of Judgments, Estimates and Assumptions

In preparing these interim consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. Actual results may differ from these estimates.
The significant judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied in the consolidated financial statements as at and for the year ended December 31, 2021.

5. Segment Information

Operating Segments

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

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

Segment Assets and Liabilities

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

Inter-segment Transactions

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

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

Major Customers

The Group sells, retails and distributes power, through power supply agreements, retail supply contracts, concession agreement and other power-related service agreements, either directly to customers (other generators, distribution utilities, electric cooperatives and industrial customers) or through the Philippine Wholesale Electricity Spot Market (WESM). Sale of power to Manila Electric Company (Meralco) amounting to P16,944,085 and P11,098,320 for the periods ended March 31, 2022 and 2021, respectively, represents more than 10% of the Group's total revenues.

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

<u>Operating Segments</u>

Financial information about reportable segments follows:

	For the Periods Ended March 31											
	Power Generation		Retail and Other Power-related Services		Coal Mining		Others		Eliminations		Consolidated	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Revenues												
External	P36,177,404	P22,622,658	P6,816,504	P4,710,518	P -	P -	P42,149	P32,704	P -	P -	P43,036,057	P27,365,880
Inter-segment	3,837,368	5,126,382	2,025	3,975	-	-	281,263	203,136	(4,120,656)	(5,333,493)	-	-
	40,014,772	27,749,040	6,818,529	4,714,493	-	-	323,412	235,840	(4,120,656)	(5,333,493)	43,036,057	27,365,880
Costs and Expenses												
Cost of power sold	32,688,746	19,304,553	6,923,566	3,540,855	-	-	189,060	155,017	(3,994,308)	(5,270,129)	35,807,064	17,730,296
Selling and administrative expenses	929,262	1,049,786	209,146	208,277	1,951	1,934	424,728	313,283	(406,953)	(360,855)	1,158,134	1,212,425
	33,618,008	20,354,339	7,132,712	3,749,132	1,951	1,934	613,788	468,300	(4,401,261)	(5,630,984)	36,965,198	18,942,721
Segment Result	P6,396,764	P7,394,701	(P314,183)	P965,361	(P1,951)	(P1,934)	(P290,376)	(P232,460)	P280,605	P297,491	6,070,859	8,423,159
Interest expense and other financing charges											(4,092,076)	(4,595,202)
Interest income											216,824	124,709
Equity in net earnings of an associate and joint ventures – net											60,373	36,736
Other income – net											1,084,997	2,083,265
Income tax benefit (expense)											(1,413,326)	1,704,100
Consolidated Net Income											P1,927,651	P7,776,767

	As at and For the Periods Ended											
	Power Generation		Retail and Other Power-related Services		Coal Mining		Others		Eliminations		Consolidated	
	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2022 (Unaudited))	December 31, 2021 (Audited)	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Other Information												
Segment assets	P517,272,971	P496,862,462	P12,115,820	P13,927,745	P739,543	P736,789	P102,317,882	P110,153,274	(P72,459,316)	(P71,185,477)	P559,986,900	P550,494,793
Investments and advances – net	9,497,024	9,368,275	215,269	231,597	-	-	301,049,155	295,842,856	(299,816,295)	(294,603,882)	10,945,153	10,838,846
Goodwill and other intangible assets – net											73,779,606	72,943,146
Deferred tax assets											1,578,117	1,447,415
Consolidated Total Assets											P646,289,776	P635,724,200
Segment liabilities	P244,158,103	P238,452,748	P8,476,086	P8,126,374	P847,213	P842,509	P6,049,065	P5,490,372	(P120,109,771)	(P112,045,237)	P139,420,696	P140,866,766
Long-term debt – net											233,330,926	222,921,443
Income tax payable											24,596	24,754
Deferred tax liabilities											21,560,254	20,182,639
Consolidated Total Liabilities											P394,336,472	P383,995,602
Capital expenditures	P7,612,067	P39,274,510	P -	P -	P -	P -	P45,195	P420,597	(P52,917)	(P100,510)	P7,604,345	P39,594,597
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	2,422,281	9,541,894	474,265	1,699,272	-	-	50,912	165,396	(7,323)	(32,362)	2,940,135	11,374,200
Noncash items other than depreciation and amortization	107,067	3,609,404	95,722	(233,052)	(2)	(8)	150,053	(1,924,582)	-	-	352,840	1,451,762

**Noncash items other than depreciation and amortization include unrealized foreign exchange losses, retirement cost, equity in net earnings 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 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
SMEC	Sual Coal – Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
SPDC	San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province
SPPC	Ilijan Natural Gas – Fired Combined Cycle Power Plant (Ilijan Power Plant)	Ilijan, Batangas Province

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

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

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

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

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

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

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

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

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

Relative to the IPPA Agreements, SMEC, SPDC and SPPC have to pay PSALM monthly payments for 15 years until October 1, 2024, 18 years until April 26, 2028 and 12 years until June 26, 2022, respectively. Energy fees amounted to P5,621,171 and P4,794,620 for the periods ended March 31, 2022 and 2021, respectively (Note 16). SMEC and SPDC renewed their performance bonds amounting to US$58,187 and US$20,305, which will expire on November 3, 2022 and January 25, 2023, respectively.

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

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

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

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreement and recognized as part of “Interest expense and other financing charges” account in the interim consolidated statements of income. Interest expense amounted to P974,654 and P1,294,880 for the periods ended March 31, 2022 and 2021, respectively.

SMEC, SPDC and SPPC’s power plants under lease arrangement, presented under “Right-of-use assets – net” account in the consolidated statements of financial position, amounted to P150,531,280 and P151,827,880 as at March 31, 2022 and December 31, 2021, respectively.

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

The total cash outflows amounted to P7,444,710 and P7,140,783 for the periods ended March 31, 2022 and 2021, respectively.

Maturity analysis of lease payments as at March 31, 2022 and December 31, 2021 are disclosed in Note 20.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
Cash in banks and on hand		**P17,113,750**	P18,485,740
Short-term investments		**41,909,544**	49,204,411
	20, 21	**P59,023,294**	P67,690,151

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates. Interest income from cash and cash equivalents amounted to P200,312 and P120,779 for the periods ended March 31, 2022 and 2021, respectively.

8. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
Trade		**P48,483,748**	P37,096,420
Non-trade		**8,865,178**	9,723,627
Amounts owed by related parties	*13*	**3,206,367**	3,124,337
		60,555,293	49,944,384
Less allowance for impairment losses		**2,680,821**	2,672,082
	20, 21	**P57,874,472**	P47,272,302

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

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

	Note	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
Balance at beginning of period		**P2,672,082**	P3,034,110
Impairment losses during the period		**14,871**	44,006
Cumulative translation adjustment		**5,330**	4,399
Reversal during the period	*17*	**(11,462)**	(410,433)
Balance at end of period		**P2,680,821**	P2,672,082

Impairment losses recognized in the interim consolidated statements of income under "Selling and administrative expenses" account amounted to P14,871 and nil for the periods ended March 31, 2022 and 2021, respectively. Certain trade and other receivables were collected and the related allowance for impairment losses recognized in prior years were reversed accordingly.

9. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2022 and December 31, 2021

	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	Capital Projects in Progress (CPIP)	Total
Cost						
January 1, 2021 (Audited)	P128,513,724	P13,159,019	P4,777,476	P3,861,451	P34,270,780	P184,582,450
Additions	527,220	342,780	339,283	4,803	38,380,511	39,594,597
Acquisition of a subsidiary	-	781,995	-	-	-	781,995
Reclassifications	2,619,673	(70,095)	641,642	5,102	(309,903)	2,886,419
Currency translation adjustments	4,287,195	31,999	199,017	186,554	151,201	4,855,966
December 31, 2021 (Audited)	135,947,812	14,245,698	5,957,418	4,057,910	72,492,589	232,701,427
Additions	154,715	4,120	23,065	-	7,422,445	7,604,345
Reclassifications	560,361	-	78,772	92,435	2,475,695	3,207,263
Currency translation adjustments	-	29	214	-	-	243
March 31, 2022 (Unaudited)	**136,662,888**	**14,249,847**	**6,059,469**	**4,150,345**	**82,390,729**	**243,513,278**
Accumulated Depreciation and Amortization						
January 1, 2021 (Audited)	11,678,212	444,324	720,724	191,642	-	13,034,902
Depreciation and amortization	5,248,687	196,429	401,056	114,162	-	5,960,334
Reclassifications	-	-	48,326	-	-	48,326
Currency translation adjustments	1,561,861	1,464	43,991	17,043	-	1,624,359
December 31, 2021 (Audited)	18,488,760	642,217	1,214,097	322,847	-	20,667,921
Depreciation and amortization	1,399,011	54,142	97,696	30,716	-	1,581,565
Reclassifications	-	-	13,544	-	-	13,544
Currency translation adjustments	-	21	213	-	-	234
March 31, 2022 (Unaudited)	**19,887,771**	**696,380**	**1,325,550**	**353,563**	**-**	**22,263,264**
Accumulated Impairment Losses						
January 1, 2021 (Audited)	-	-	132,111	-	-	132,111
Impairment	-	-	34,991	-	-	34,991
Currency translation adjustments	-	-	7,872	-	-	7,872
December 31, 2021 (Audited) and March 31, 2022 (Unaudited)	**-**	**-**	**174,974**	**-**	**-**	**174,974**
Carrying Amount						
December 31, 2021 (Audited)	P117,459,052	P13,603,481	P4,568,347	P3,735,063	P72,492,589	P211,858,532
March 31, 2022 (Unaudited)	**P116,775,117**	**P13,553,467**	**P4,558,945**	**P3,796,782**	**P82,390,729**	**P221,075,040**

March 31, 2021

	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	CPIP	Total
Cost						
January 1, 2021 (Audited)	P128,513,724	P13,159,019	P4,777,476	P3,861,451	P34,270,780	P184,582,450
Additions	63,703	48,360	26,090	-	5,266,801	5,404,954
Acquisition of a subsidiary	-	779,505	-	-	-	779,505
Reclassifications	44,369	704	77,281	3,124	36,127	161,605
Currency translation adjustments	729,127	5,434	36,841	31,704	14,457	817,563
March 31, 2021 (Unaudited)	129,350,923	13,993,022	4,917,688	3,896,279	39,588,165	191,746,077
Accumulated Depreciation and Amortization						
January 1, 2021 (Audited)	11,678,212	444,324	720,724	191,642	-	13,034,902
Depreciation and amortization	1,293,853	45,930	68,177	29,274	-	1,437,234
Reclassifications	-	-	11,035	-	-	11,035
Currency translation adjustments	225,037	72	7,862	1,734	-	234,705
March 31, 2021 (Unaudited)	13,197,102	490,326	807,798	222,650	-	14,717,876
Accumulated Impairment Losses						
January 1, 2021 (Audited)	-	-	132,111	-	-	132,111
Currency translation adjustments	-	-	1,395	-	-	1,395
March 31, 2021 (Unaudited)	-	-	133,506	-	-	133,506
Carrying Amount						
March 31, 2021 (Unaudited)	P116,153,821	P13,502,696	P3,976,384	P3,673,629	P39,588,165	P176,894,695

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

b. CPIP pertains to the following:

   i. Projects of MPPCL for the construction of the Masinloc Power Plant Unit 4, 20 MW BESS, Unit 1 turbine retrofit, and other related facilities.

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

   iii. Projects of UPSI for the construction of BESS facilities and gas turbine generators situated in various locations in the Philippines.

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

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

   v. Initial expenditures of EERI related to the development of its combined cycle power plant in Batangas.

   vi. Various construction works relating to the respective power plant facilities of SCPC and SMCPC.

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

		March 31	
	Note	**2022 (Unaudited)**	2021 (Unaudited)
Cost of power sold	*16*	**P1,458,865**	P1,350,553
Selling and administrative expenses		**122,700**	86,681
		P1,581,565	P1,437,234

Total depreciation and amortization recognized in the interim consolidated statements of income include amortization of capitalized interest and decommissioning and dismantling costs amounting to P64,151 and P61,848 for the periods ended March 31, 2022 and 2021, respectively. No impairment loss was recognized for periods ended March 31, 2022 and 2021.

The Group has borrowing costs amounting to P368,499 and P1,059,256, which were capitalized for the period ended March 31, 2022 and for the year ended December 31, 2021, respectively. The capitalization rate used to determine the amount of interest eligible for capitalization was 7.47% as at March 31, 2022 and December 31, 2021. The unamortized capitalized borrowing costs amounted to P8,247,976 and P7,943,628 as at March 31, 2022 and December 31, 2021, respectively (Note 12).

Reclassifications also include application of advances to contractors against progress billings for capital projects in progress.

As at March 31, 2022 and December 31, 2021, certain property, plant and equipment amounting to P125,767,726 and P127,318,347, respectively, are pledged as security for syndicated project finance loans (Note 12).

Certain fully depreciated property, plant and equipment with aggregate costs amounting to P4,571,397 and P4,460,275 as at March 31, 2022 and December 31, 2021, respectively, are still being used in the Group's operations.

10. Loans Payable

Loans payable amounting to P776,100 and P1,529,970 as at March 31, 2022 and December 31, 2021, respectively, mainly represents the unsecured short-term US dollar-denominated loan obtained from a local bank. Interest rate is 3.75% as at March 31, 2022 and December 31, 2021.

Interest expense on loans payable amounted to P13,302 and P15,846 for the periods ended March 31, 2022 and 2021, respectively.

On March 17, 2022, MPPCL paid US$15,000 (equivalent to P782,100) as partial settlement of its short-term loan.

On April 8, 2022, the Parent Company availed a P10,000,000 fixed rate short-term loan from a local bank. Interest is payable quarterly and principal repayment shall be made upon maturity in April 2023. The proceeds shall be used to partially refinance the Parent Company's maturing debt obligations and for other general corporate purposes.

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
Trade		**P17,888,328**	P15,357,138
Non-trade		**30,250,588**	30,834,754
Output VAT		**9,165,470**	7,508,289
Accrued interest	*6, 10, 12*	**1,596,253**	1,226,302
Amounts owed to related parties	*13*	**924,597**	732,736
Withholding and other accrued taxes		**360,013**	370,176
Premium on option liabilities	*20, 21*	**25,859**	25,831
Derivative liabilities not designated as cash flow hedge	*20, 21*	**9,850**	-
		P60,220,958	P56,055,226

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, concession payables and other payables to the Government excluding output VAT and withholding taxes.

Output VAT consists of current and deferred output VAT payable. Deferred output VAT represents the VAT on sale of power which will be remitted to the Government only upon collection from the customers.

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

12. Long-term Debt

Long-term debt consists of:

	Note	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
Bonds			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.8350%, 7.1783% and 7.6000% maturing in 2022, 2024 and 2026, respectively		**P29,882,336**	P29,857,106
Fixed interest rate of 6.7500% maturing in 2023		**14,939,929**	14,929,804
Fixed interest rate of 5.3750%, 6.2500% and 6.6250% maturing in 2022, 2024 and 2027, respectively		**19,924,945**	19,915,621
Fixed interest rate of 4.7575% and 5.1792% maturing in 2023 and 2026, respectively		**8,810,825**	8,807,704
		73,558,035	73,510,235
Term Loans			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.9265%, with maturities up to 2024		**14,347,060**	14,341,187
Fixed interest rate of 5.0000%, with maturities up to 2025		**4,928,792**	4,925,442
Foreign currency-denominated:			
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, maturing in 2023		**25,742,308**	25,336,985
Floating interest rate based on LIBOR plus margin, maturing in 2026		**15,190,340**	14,948,743
Floating interest rate based on LIBOR plus margin, maturing in 2023		**2,547,397**	2,504,152
Floating interest rate based on LIBOR plus margin, maturing in 2024 (a)		**10,069,149**	-
Subsidiaries			
Peso-denominated:			
Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (b)		**37,042,710**	37,626,133
Fixed interest rate of 7.7521% and 6.5077% with maturities up to 2030 (c)		**16,839,133**	17,154,198
Foreign currency-denominated:			
Fixed interest rate of 4.7776% and 5.5959%, with maturities up to 2023 and 2030, respectively		**24,857,033**	24,487,442
Floating interest rate based on LIBOR plus margin, with maturities up to 2023 and 2030		**8,208,969**	8,086,926
		159,772,891	149,411,208
	20, 21	**233,330,926**	222,921,443
Less current maturities		**63,733,615**	30,185,418
		P169,597,311	P192,736,025

a. The amount represents the US$200,000 3-year term loan drawn by the Parent Company on January 21, 2022, from a facility agreement with a foreign bank executed on September 8, 2021. The initial loan amount under the facility agreement was increased from US$100,000 to US$200,000 on December 16, 2021. The loan is subject to a floating interest rate based on LIBOR plus margin and will mature in September 2024.

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

b. On March 28, 2022, SCPC has partially paid a total of P602,500 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.

c. The loan includes amount payable to Bank of Commerce (BOC), an associate of entities under common control, amounting to P2,567,232 and P2,615,936 as at March 31, 2022 and December 31, 2021, respectively (Note 13).

   On February 17, 2022, SMCPC has partially paid a total of P324,186 of its P21,300,000, 12 year term loan, pursuant to the terms and conditions of its OLSA with a syndicate of local banks.

Unamortized debt issue costs amounted to P2,182,662 and P2,062,866 as at March 31, 2022 and December 31, 2021, respectively. Accrued interest amounted to P1,572,813 and P1,199,171 as at March 31, 2022 and December 31, 2021, respectively. Interest expense amounted to P3,144,235 and P3,095,062 (including P247,142 and P25,683, capitalized as part of CPIP, respectively) for the periods ended March 31, 2022 and 2021, respectively (Note 9).

On April 25, 2022, the Parent Company redeemed the Series H Bonds, amounting to P13,844,860 upon its maturity pursuant to the terms and conditions of the bonds.

On April 29, 2022, MPPCL made principal repayments of loans from its Omnibus Refinancing Agreement (ORA) and Omnibus Expansion Facility Agreement (OEFA) amounting to US$23,550 and US$13,755, 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 P77,309,221 and P78,768,298 as at March 31, 2022 and December 31, 2021, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 21).

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

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

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

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

The movements in debt issue costs are as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	**P2,062,866**	P2,134,901
Additions	**299,398**	527,832
Currency translation adjustments	**-**	20,879
Capitalized amount	**(49,812)**	(1,981)
Amortization	**(129,790)**	(618,765)
Balance at end of period	**P2,182,662**	P2,062,866

Repayment Schedule
The annual maturities of the long-term debts as at March 31, 2021 are as follows:

	Gross Amount				
Year	**US Dollar**	**Peso Equivalent of US Dollar**	**Peso**	**Debt Issue Costs**	**Net**
April 1, 2022 to March 31, 2023	US$700,608	P36,249,432	P27,837,064	P352,881	P63,733,615
April 1, 2023 to March 31, 2024	80,502	4,165,199	23,441,684	305,826	27,301,057
April 1, 2024 to March 31, 2025	231,920	11,999,541	34,367,304	529,048	45,837,797
April 1, 2025 to March 31, 2026	333,390	17,249,598	9,562,244	470,938	26,340,904
April 1, 2026 to March 31, 2027	34,913	1,806,373	16,676,987	209,414	18,273,946
April 1, 2027 and thereafter	313,897	16,241,057	35,917,105	314,555	51,843,607
	US$1,695,230	**P87,711,200**	**P147,802,388**	**P2,182,662**	**P233,330,926**

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.

13. 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 March 31, 2022 (Unaudited) and December 31, 2021 (Audited):

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
SMC	**2022**	**P108,358**	**P172,306**	**P92,985**	**P31,675**	On demand or 30 days;	Unsecured;
	2021	399,320	721,640	92,027	18,228	non-interest bearing	no impairment
	2022	**-**	**-**	**132,277**	**-**	1 year;	Unsecured;
	2021	-	-	12,551	-	non-interest bearing	no impairment
Entities under Common Control	**2022**	**1,285,199**	**783,883**	**1,258,815**	**6,107,422**	On demand or 30 days;	Unsecured;
	2021	3,908,994	2,124,649	1,028,637	4,945,538	non-interest bearing	no impairment
	2022	**-**	**-**	**-**	**492**	More than 1 year;	Unsecured
	2021	-	-	-	492	non-interest bearing	
Associates	**2022**	**183,480**	**3,860**	**1,066,636**	**29,490**	On demand or 30 days;	Unsecured;
	2021	1,999,770	10,954	1,238,266	29,570	non-interest bearing	no impairment
	2022	**1,829**	**-**	**129,158**	**-**	9 years;	Unsecured;
	2021	9,408	-	139,775	-	interest bearing	no impairment
Joint Venture	**2022**	**7,673**	**-**	**9,618**	**-**	30 days;	Unsecured;
	2021	29,732	1,299,496	3,985	155,292	non-interest bearing	no impairment
	2022	**1,319**	**-**	**147,041**	**-**	92 days;	Unsecured;
	2021	5,138	-	143,665	-	interest bearing	no impairment
	2022	**13,156**	**-**	**1,039,477**	**-**	10.5 years	Unsecured;
	2021	18,840	-	1,026,815	-	Interest bearing	no impairment
Associates and Joint Ventures	**2022**	**18,029**	**-**	**8,820**	**1,155**	30 days;	Unsecured;
of Entities under Common Control	2021	54,913	-	8,116	1,155	non-interest bearing	no impairment
	2022	**-**	**49,887**	**-**	**2,567,232**	12 years;	Secured
	2021	-	211,738	-	2,615,936	Interest bearing	
Others	**2022**	**873,417**	**-**	**742,294**	**51,604**	On demand or 30 days;	Unsecured;
	2021	2,488,888	-	574,430	51,604	non-interest bearing	no impairment
	2022	**P2,492,460**	**P1,009,936**	**P4,627,121**	**P8,789,070**		
	2021	P8,915,003	P4,368,477	P4,268,267	P7,817,815		

a. Amounts owed by related parties consist of trade and other receivables, derivative assets and security deposits (Note 8).

b. Amounts owed to related parties consist of trade and non-trade payables, management fees, purchases of fuel, reimbursement of expenses, rent, insurance, services rendered, customers' deposits and subscriptions payable to OEDC.

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

d. Amounts owed by a joint venture consists of interest bearing loans granted and management fees charged to AHC by PVEI included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the consolidated statements of financial position (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 SMCPC to BOC, included as part of ‘Long-term debt” account in the consolidated statements of financial position (Note 12). The loan is secured by certain property, plant and equipment as at March 31, 2022 and December 31, 2021 (Note 9).

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

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Short-term employee benefits	**P41,628**	P134,074
Retirement cost	**3,880**	15,520
	P45,508	P149,594

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

14. Distributions and Redemption of Capital Securities

Redemption of Undated Subordinated Capital Securities (USCS)
On February 26, 2021, the Parent Company completed the redemption of the US$300,000 USCS issued on August 26, 2015, equivalent to P14,581,500 on redemption date, pursuant to the terms and conditions of the securities. The redemption was made after the issuance of a notice to the holders dated January 25, 2021. The redemption price paid includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The difference between the price paid and cost of securities redeemed amounted to P758,001 and was recognized as part of the “Equity reserves” account in the consolidated statements of financial position.

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

In February 2021, the Parent Company paid distributions amounting to P703,037, respectively, to holders of the US$300,000 USCS issued in August 2015.

Distributions to Redeemable Perpetual Securities (RPS) Holder
In March 2022 and 2021, the Parent Company paid distributions amounting to P520,305 and P492,375, respectively, to the RPS Holder.

Distributions to SPCS Holders
On January 21, 2022 and 2021, the Parent Company paid distributions to holders of the US$600,000 SPCS issued in January 2020, amounting to P1,170,552 and P1,174,037, respectively.

In April 2022, the Company paid distributions to holders of the US$750,000 SPCS and US$800,000 SPCS amounting to US$26,250 and US$26,000, respectively.

15. Revenues

Revenues consist of:

	Note	March 31 2022 (Unaudited)	 2021 (Unaudited)
Sale of power:			
Power generation and trading		**P36,177,404**	P22,622,658
Retail and other power-related services		**6,816,504**	4,710,518
Other services		**42,149**	32,704
	5, 13	**P43,036,057**	P27,365,880

Revenues from other services mainly pertain to operations and maintenance services provided by a subsidiary to an entity under common control (Note 13).

16. Cost of Power Sold

Cost of power sold consist of:

	Note	March 31 2022 (Unaudited)	 2021 (Unaudited)
Coal, fuel oil and other consumables	*13*	**P19,137,422**	P5,327,348
Power purchases		**7,182,553**	3,948,480
Energy fees	*6*	**5,621,171**	4,794,620
Depreciation and amortization	*9*	**2,786,534**	2,676,802
Plant operations and maintenance, and other fees		**1,079,384**	983,046
	5	**P35,807,064**	P17,730,296

17. Other Income - net

Other income (charges) consist of:

	Note	March 31 2022 (Unaudited)	 2021 (Unaudited)
PSALM monthly fees reduction		**P668,084**	P2,156,428
Marked-to-market gain on derivatives	*21*	**609,842**	35,030
Management, shared services fees and others	*13*	**145,759**	32,775
Construction revenue		**34,386**	7,927
Reversal of allowance on other receivables	*8*	**11,462**	11,463
Construction cost		**(34,386)**	(7,927)
Foreign exchange losses - net	*20*	**(357,633)**	(161,301)
Miscellaneous income		**7,483**	8,870
		P1,084,997	P2,083,265

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

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

Miscellaneous income pertains mainly to rent income.

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

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

	March 31	
	2022	2021
	(Unaudited)	(Unaudited)
Current	**P166,684**	P453,694
Deferred	**1,246,642**	994,122
Adjustments due to CREATE Act	**-**	(3,151,916)
	P1,413,326	(P1,704,100)

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021 and took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021. One of the key provisions of the CREATE Act is an immediate 5% to 10% point cut in the regular corporate income tax rate (RCIT) and 1% point cut in the minimum corporate income tax (MCIT) rate starting July 1, 2020. Accordingly, current and deferred taxes for the periods ended March 31, 2022 and 2021 were computed and measured using the applicable income tax rate (i.e., 25% or 20% RCIT, 1% MCIT) for financial reporting purposes.

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

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

19. Basic and Diluted Earnings Per Share

Basic and diluted earnings per share is computed as follows:

	March 31	
	2022 (Unaudited)	2021 (Unaudited)
Net income attributable to equity holders of the Parent Company	**P1,895,982**	P7,786,903
Distributions for the period to:		
USCS holders	**-**	(234,346)
RPS holder	**(521,168)**	(492,460)
SPCS holders	**(3,608,639)**	(3,096,034)
Net income (loss) attributable to common shareholders of the Parent Company(a)	**(2,233,825)**	3,964,063
Weighted average number of common shares outstanding (in thousands) (b)	**1,250,004**	1,250,004
Basic/Diluted Earnings (Loss) Per Share (a/b)	**(P1.79)**	P3.17

As at March 31, 2022 and 2021, the Parent Company has no dilutive debt or equity instruments.

The P1.79 negative basic/diluted earnings per common share resulted primarily from the interest costs and other financing charges (including distributions to perpetual capital securities) for the Group's various bridge-type financing activities undertaken to expedite the ongoing construction of its several power plant expansion projects intended to significantly increase the capacities of and modernize the existing power generation portfolio of the Group. These expansion projects, including, among others, the 1,000 MW Battery Energy Storage facilities, 600 MW Mariveles CFB Coal-fired Power Plant, 2 x 350 MW Masinloc Power Generation Units 4 and 5, and the 1,313.1 MW Batangas Combined Cycle Gas Power Plant, are expected to go into commercial operations in the next 4 to 5 years. These projects are contracted or expected to be contracted to creditworthy offtakers such as Meralco and the National Grid Corporation of the Philippines, and should contribute significantly to the profitability of the Group following their commercial operations in the coming years.

20. Financial Risk and Capital Management Objectives and Policies

<u>Objectives and Policies</u>
The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

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

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

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

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

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

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

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

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

March 31, 2022 (Unaudited)	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P59,023,294**	**P59,023,294**	**P59,023,294**	**P -**	**P -**	**P -**
Trade and other receivables - net*	**57,441,479**	**57,441,479**	**57,441,479**	**-**	**-**	**-**
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**662,639**	**662,639**	**662,639**	**-**	**-**	**-**
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**46,866**	**46,866**	**46,866**	**-**	**-**	**-**
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**1,574,567**	**2,168,835**	**49,586**	**215,984**	**198,435**	**1,704,830**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**3,913,547**	**3,913,547**	**2,023,767**	**550,045**	**15**	**1,339,720**
Financial Liabilities						
Loans payable	**776,100**	**789,439**	**789,439**	**-**	**-**	**-**
Accounts payable and accrued expenses (including Premium on option liabilities - current)*	**50,682,373**	**50,687,190**	**50,687,190**	**-**	**-**	**-**
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	**9,850**	**9,850**	**9,850**	**-**	**-**	**-**
Long-term debt - net (including current maturities)	**233,330,926**	**278,174,903**	**75,368,952**	**36,577,368**	**106,804,511**	**59,424,072**
Lease liabilities (including current portion)	**73,209,361**	**87,447,519**	**23,208,692**	**20,828,885**	**26,067,552**	**17,342,390**
Other noncurrent liabilities (including current portion of Concession liability)	**4,243,535**	**4,248,683**	**8,400**	**343,714**	**3,515,934**	**380,635**

**Excluding statutory receivables and payables*

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

**Excluding statutory receivables and payables*

Credit Risk

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

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

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

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

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

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

	Note	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
Cash and cash equivalents (excluding cash on hand)	*7*	**P59,021,291**	P67,688,162
Trade and other receivables - net*	*8*	**57,441,479**	47,223,910
Derivative assets not designated as cash flow hedge		**662,639**	111,932
Derivative assets designated as cash flow hedge		**46,866**	42,173
Noncurrent receivables		**1,574,567**	1,560,209
Restricted cash		**3,913,547**	4,430,396
		P122,660,389	P121,056,782

**Excluding statutory receivables*

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

	Financial Assets at Amortized Cost					
March 31, 2022 (Unaudited)	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Financial Assets at FVOCI**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P59,021,291**	**P -**	**P -**	**P -**	**P -**	**P59,021,291**
Trade and other receivables	**-**	**57,441,479**	**2,680,821**	**-**	**-**	**60,122,300**
Derivative assets not designated as cash flow hedge	**-**	**-**	**-**	**662,639**	**-**	**662,639**
Derivative asset designated as cash flow hedge	**-**	**-**	**-**	**-**	**46,866**	**46,866**
Noncurrent receivables (including current portion)	**-**	**1,574,567**	**-**	**-**	**-**	**1,574,567**
Restricted cash	**3,913,547**	**-**	**-**	**-**	**-**	**3,913,547**
	P62,934,838	**P59,016,046**	**P2,680,821**	**P662,639**	**P46,866**	**P125,341,210**

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

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

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

	March 31, 2022 (Unaudited)				December 31, 2021 (Audited)			
	Trade	**Non-trade**	**Amounts Owed by Related Parties**	**Total**	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	**P25,691,981**	**P28,869**	**P1,988,813**	**P27,709,663**	P17,990,189	P1,074,987	P1,885,024	P20,950,200
Past due:								
1-30 days	**3,427,600**	**165,377**	**528,344**	**4,121,321**	4,601,818	185,891	500,031	5,287,740
31-60 days	**1,737,647**	**144,575**	**10,876**	**1,893,098**	1,748,212	215,610	40,776	2,004,598
61-90 days	**951,648**	**291,119**	**40,284**	**1,283,051**	1,504,672	14,848	31,752	1,551,272
Over 90 days	**16,287,637**	**8,232,944**	**594,586**	**25,115,167**	11,251,529	8,230,403	620,250	20,102,182
	P48,096,513	**P8,862,884**	**P3,162,903**	**P60,122,300**	P37,096,420	P9,721,739	P3,077,833	P49,895,992

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

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

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

The Group has significant concentration of credit risk. Sale of power to Meralco accounts for 39% and 41% of the Group's total revenues for the periods ended March 31, 2022 and 2021, respectively.

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

Interest Rate Risk

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

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

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

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

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

Interest Rate Risk Table

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

March 31, 2022 (Unaudited)	**< 1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso-denominated	**P27,837,064**	**P23,441,684**	**P34,367,304**	**P9,562,244**	**P16,676,987**	**P35,917,105**	**P147,802,388**
Interest rate	**5.0000% to 7.7521%**	**4.7575% to 7.7521%**	**5.0000% to 7.7521%**	**5.0000% to 7.7521%**	**5.1792% to 7.7521%**	**6.2836% to 7.7521%**	
Foreign currency-denominated (expressed in Philippine peso)	**7,788,086**	**1,187,407**	**1,242,588**	**1,299,812**	**1,359,080**	**12,219,462**	**25,096,435**
Interest rate	**4.7776% to 5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	
Floating Rate							
Foreign currency-denominated (expressed in Philippine peso)	**28,461,346**	**2,977,792**	**10,756,953**	**15,949,786**	**447,293**	**4,021,595**	**62,614,765**
Interest rate	**LIBOR + Margin**	**LIBOR + Margin**	**LIBOR + Margin**	**LIBOR + Margin**	**LIBOR + Margin**	**LIBOR + Margin**	
	P64,086,496	**P27,606,883**	**P46,366,845**	**P26,811,842**	**P18,483,360**	**P52,158,162**	**P235,513,588**

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

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P156,537 and P515,182 for the period ended March 31, 2022 and for the year ended December 31, 2021, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

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

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

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

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

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

- changes in the timing of the hedged transactions.

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

		March 31, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Note	**US Dollar**	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	*7*	**US$340,826**	**P17,634,325**	US$582,496	P29,706,729
Trade and other receivables	*8*	**77,999**	**4,035,660**	236,449	12,058,685
		418,825	**21,669,985**	818,945	41,765,414
Liabilities					
Loans payable	*10*	**15,000**	**776,100**	30,000	1,529,970
Accounts payable and accrued expenses	*11*	**151,779**	**7,853,020**	590,308	30,105,121
Long-term debt (including current maturities)	*12*	**1,695,230**	**87,711,200**	1,495,230	76,255,235
Lease liabilities (including current portion)	*6*	**694,117**	**35,913,636**	762,458	38,884,578
Other noncurrent liabilities		**-**	**-**	67,749	3,455,137
		2,556,126	**132,253,956**	2,945,745	150,230,041
Net Foreign Currency-denominated Monetary Liabilities		**US$2,137,301**	**P110,583,971**	US$2,126,800	P108,464,627

The Group reported net losses on foreign exchange amounting to P357,633 and P161,301 for the periods ended March 31, 2022 and 2021, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 17).

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
March 31, 2022	**P51.740**
December 31, 2021	50.999
March 31, 2021	48.530
December 31, 2020	48.023

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
March 31, 2022 (Unaudited)	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P332,491)**	**(P331,154)**	**P332,491**	**P331,154**
Trade and other receivables	**(77,051)**	**(60,774)**	**77,051**	**60,774**
	(409,542)	**(391,928)**	**409,542**	**391,928**
Loans payable	**15,000**	**11,775**	**(15,000)**	**(11,775)**
Accounts payable and accrued expenses	**148,986**	**118,121**	**(148,986)**	**(118,121)**
Long-term debt (including current maturities)	**1,695,230**	**1,523,423**	**(1,695,230)**	**(1,523,423)**
Lease liabilities (including current portion)	**694,117**	**520,544**	**(694,117)**	**(520,544)**
	2,553,333	**2,173,863**	**(2,553,333)**	**(2,173,863)**
	P2,143,791	**P1,781,935**	**(P2,143,791)**	**(P1,781,935)**

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

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

Commodity Price Risk

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

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

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

Other Market Price Risk

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

Capital Management

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

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

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

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

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

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

	March 31, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P59,023,294**	**P59,023,294**	P67,690,151	P67,690,151
Trade and other receivables - net*	**57,441,479**	**57,441,479**	47,223,910	47,223,910
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**662,639**	**662,639**	111,932	111,932
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**46,866**	**46,866**	42,173	42,173
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**1,574,567**	**1,574,567**	1,560,209	1,560,209
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**3,913,547**	**3,913,547**	4,430,396	4,430,396
	P122,662,392	**P122,662,392**	P121,058,771	P121,058,771
Financial Liabilities				
Loans payable	**P776,100**	**P776,100**	P1,529,970	P1,529,970
Accounts payable and accrued expenses*	**50,682,373**	**50,682,373**	48,147,723	48,147,723
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	**9,850**	**9,850**	-	-
Long-term debt - net (including current maturities)	**233,330,926**	**247,016,094**	222,921,443	242,668,663
Lease liabilities (including current portion)	**73,209,361**	**73,209,361**	78,213,359	78,213,359
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	**4,243,535**	**4,243,535**	4,146,692	4,146,692
	P362,252,145	**P375,937,313**	P354,959,187	P374,706,407

**Excluding statutory receivables and payables*

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

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

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

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

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

Long-term Debt and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine peso-denominated loans range from 1.13% to 5.74% and 0.99% to 4.74% as at March 31, 2022 and December 31, 2021, respectively. Discount rates used for foreign currency-denominated loans range from 0.45% to 2.45% and 0.25% to 1.50% as at March 31, 2022 and December 31, 2021, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

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

Derivative Financial Instruments

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

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

Derivative Instruments Accounted for as Cash Flow Hedges

Call Spread Swaps

As at March 31, 2022 and December 31, 2021, the Group has outstanding call spread swaps designated as cash flow hedges with an aggregate notional amount of US$60,000 and with an average strike rate range of P52.95 to P56.15. The call spread swaps are designated to hedge foreign currency exposure on US dollar-denominated loans maturing in March 2023. As at March 31, 2022, the positive fair value of the call spread swaps, included under "Prepaid expense and other current assets" account amounted to P46,866. As at December 31, 2021, the positive fair value of the call spread swaps, included under "Other noncurrent assets" account amounted to P42,173.

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

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	**P8,809**	(P47,153)
Changes in fair value of derivatives	**4,693**	23,285
Amount reclassified to profit or loss due to interest expense and other financing charges	**6,830**	32,677
Ending balance	**P20,332**	P8,809

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

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

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

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

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

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

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

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

Embedded Derivatives

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

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

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

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

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

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

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

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

Derivative Instruments 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$70,000 and US$50,000 as at March 31, 2022 and December 31, 2021, respectively. The positive (negative) fair value of these currency forwards amounted to (P9,850) and P49,775 as at March 31, 2022 and December 31, 2021, respectively.

Commodity Swaps

The Group has outstanding fixed swap agreements covering the coal requirements of a subsidiary with various maturities in 2022. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding notional quantity covered by the commodity swaps is 102,000 metric tons and 96,000 metric tons as at March 31, 2022 and December 31, 2021, respectively. The positive fair value of these commodity swaps amounted to P662,639 and P62,157 as at March 31, 2022 and December 31, 2021, respectively.

The Group recognized marked-to-market gains from freestanding derivatives amounting to P609,842 and P35,030 for the periods ended March 31, 2022 and 2021, respectively (Note 17).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	**P154,105**	P9,299
Net change in fair value of derivatives:		
Not designated as accounting hedge	**609,842**	278,397
Designated as accounting hedge	**4,693**	23,285
	768,640	310,981
Less fair value of settled instruments	**68,985**	156,876
Ending balance	**P699,655**	P154,105

Fair Value Measurements

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

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

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

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

22. Other Matters

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

i. Temporary Restraining Order ("TRO") Issued to Meralco
SMEC, SPPC, SPDC, MPPCL and other generation companies became parties to a Petition for Certiorari and Prohibition with prayer for TRO and/or Preliminary Injunction ("Petition") filed in the Supreme Court ("SC") by special interest groups which sought to stop the imposition of the increase in generation charge of Meralco for the November 2013 billing month. On December 23, 2013, the SC issued a TRO ordering Meralco not to collect, and the generators not to demand payment, for the increase in generation charge for the November 2013 billing month. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that

since the power supplied by generators is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. The TRO was originally for a period of 60 days.

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

On February 18, 2014, the SC extended the TRO issued on December 23, 2013 for another 60 days or until April 22, 2014 and granted additional TROs enjoining 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. To date, the Petition is pending resolution with the SC.

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

On March 3, 2014, the ERC, in the exercise of its police power, issued an order in Miscellaneous Case No. 2014-021, 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 Order"). On March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the order within which to comply with the settlement of their respective adjusted WESM bills in accordance with the March 3, 2014 Order. The period to comply with the settlement of the adjusted WESM bills was further extended by the ERC in a subsequent order dated May 9, 2014. Based on these orders, SMEC, SPPC and SPDC recognized a reduction in the sale of power while SMELC and MPPCL recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment, the settlement of which have been covered by a 24-month Special Payment Arrangement with PEMC which was already completed on May 25, 2016.

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

On June 26, 2014, SMEC, SPPC and SPDC filed before the Court of Appeals ("CA") a Petition for Review under Rule 43 of the Revised Rules of Court assailing the ERC orders dated March 3, 2014, March 27, 2014, and May 9, 2014 ("the 2014 ERC Orders"). On the other hand, MPPCL filed its Petition for Review with the CA on December 12, 2014.

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

Motions for Reconsideration of the November 7, 2017 Decision and Motions for Intervention and Motions to Admit Motions for Reconsideration were filed by various intervenors.

In a resolution dated March 22, 2018 (the “March 22, 2018 Resolution”), the CA denied the aforesaid motions. In June 2018, the intervenors filed their respective motions for reconsideration of the said resolution of the CA dated March 22, 2018. On June 27, 2018, MPPCL filed a Consolidated Comment to the various Motions for Reconsideration while SMEC, SPPC and SPDC filed their Consolidated Opposition to said Motions for Reconsideration on July 27, 2018.

On March 29, 2019, the CA issued an Omnibus Resolution affirming the November 7, 2017 Decision and the March 22, 2018 Resolution.

The intervenors thereafter filed petitions for certiorari before the SC, First Division. Each were denied by the SC through its resolutions dated September 11, 2019 and October 1, 2019 generally on the same ground that the petitioners each failed to sufficiently show that the CA committed any reversible error in promulgating its resolution dated March 22, 2018 denying petitioners’ motions to intervene and the subsequent Omnibus Resolution dated March 29, 2019 denying the petitioners’ motions for reconsideration of the denial of their respective motions to intervene.

MPPCL filed on January 22, 2020, while SMEC, SPPC and SPDC filed on January 30, 2020, their respective Comments on the Petition for Review filed by the ERC with the SC. In its petition, the ERC appealed the November 7, 2017 Decision and Omnibus Resolution dated March 29, 2019, which nullified and set aside the 2014 ERC Orders, which declared the WESM prices for November and December 2013 void.

PEMC also filed a Motion to Admit Comment and Comment on the ERC’s Petition for Review both dated March 12, 2020.

In a Resolution dated February 10, 2020, the SC directed the respondents to file their respective Comments on the Petition for Review filed by Meralco (“Meralco Petition”). SMEC, SPPC and SPDC, received, through counsel, a copy of the Resolution on June 25, 2020. SMEC, SPPC and SPDC filed on July 15, 2020, while MPPCL filed on July 16, 2020, their Comments on the Meralco Petition, all within the period of extension granted by the SC.

On July 9, 2020, AP Renewables Inc. (“APRI”) filed a Motion to Consolidate praying for the SC to direct the consolidation of the foregoing case with ERC v. SMEC, et. al. (SC-G.R. Nos. 246621-30, First Division). The ERC, through the Office of the Solicitor General, filed a Manifestation and Motion dated September 15, 2020, agreeing with APRI but deferring to the judgment of the SC on the matter.

On July 21, 2020, Meralco filed a Motion for Leave to File and Admit the Attached Manifestation with Manifestation, both of even date, (collectively, "Meralco Manifestation"), praying that the SC apply the ruling in the case of PSALM v. PEMC (G.R. No. 190199, March 11, 2020) in resolving the instant case. The SC has not yet issued an order to respondents to comment on said Meralco Manifestation.

On September 22, 2020, SMEC, SPPC and SPDC filed motions to admit their Comment on the Meralco Manifestation.

Entries of judgment have been issued by the SC certifying that the resolutions denying the Petitions for Review on Certiorari filed by various intervenors against SMEC, SPPC, SPDC and MPPCL, among others, have become final and executory.

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 Meralco Petition to the third division of the SC handling the petition by the ERC.

The ERC has also filed its Consolidated Reply to the comments on its petition dated November 18, 2020. To date, the case remains pending with the SC.

Upon finality of the decision, a claim for refund may be made by the relevant subsidiaries with PEMC for an amount up to P2,321,785, plus interest.

iii. Generation Payments to PSALM

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

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

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

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

On September 28, 2015, the RTC issued an order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending.

On October 19, 2015, the RTC also issued an order granting the Motion for Intervention and Motion to Admit Complaint-in-intervention by Meralco.

In an order dated June 27, 2016 (the "June 27, 2016 RTC Order"), the RTC denied PSALM's: (1) Motion for Reconsideration of the order dated September 28, 2015, which issued a writ of preliminary injunction enjoining PSALM from further proceeding with the termination of the Illijan IPPA Agreement while the case is pending; (2) Motion for Reconsideration of the order dated October 19, 2015, which allowed Meralco to intervene in the case; and (3) Motion to Dismiss. In response to the June 27, 2016 RTC Order, PSALM filed a petition for certiorari with the CA seeking to annul the same. PSALM also prayed for the issuance of a TRO and/or writ of preliminary injunction "against public respondent RTC and its assailed orders". The CA, however, denied the petition filed by PSALM in its decision dated December 19, 2017 ("CA Decision"). In the CA Decision, the CA upheld the lower court's issuance of a writ of preliminary injunction against PSALM prohibiting the termination of the Ilijan IPPA Agreement while the case in the lower court is pending.

PSALM filed its Motion for Reconsideration dated January 19, 2018 to the CA Decision. In a Resolution dated July 12, 2018 (the "2018 CA Resolution"), the CA denied PSALM's Motion for Reconsideration of the CA Decision.

On September 4, 2018, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction before the SC praying for the reversal and nullification of the CA Decision and the 2018 CA Resolution. Said petition was denied by the SC in its resolution dated March 4, 2019 (the "March 4, 2019 SC Resolution") due to lack of payment of the required fees and for PSALM's failure to sufficiently show that the CA committed any reversible error in the challenged decision and resolution as to warrant the exercise of the CA's discretionary appellate jurisdiction. The motion for reconsideration filed by PSALM pursuant to the March 4, 2019 SC Resolution was denied by the SC in a resolution dated August 5, 2019 which became final and executory through an Entry of Judgement issued by the SC 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 in the instant case. The case was then re-raffled to another RTC judge in Mandaluyong City.

SPPC filed a Request for 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. PSALM then filed a Motion for Reconsideration of the said order. On December 14, 2018, SPPC filed its opposition to the Motion for Reconsideration. In an order dated April 29, 2019, the RTC denied the Motion for Reconsideration filed by PSALM on the basis that it found no strong and compelling reason to modify, much less reverse, its order dated September 24, 2018 which denied the Motion to Hear Affirmative Defenses filed by PSALM.

On July 23, 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 September 24, 2018 and April 29, 2019 orders of the RTC. Although, the CA dismissed the Petition for Certiorari filed by PSALM in a Resolution dated August 23, 2019 (the "2019 CA Resolution"), the CA subsequently granted the Motion for Reconsideration filed by PSALM in response to the 2019 CA Resolution. In a Resolution dated February 24, 2020, the CA required PSALM to revise its petition and send the revised copies to SPPC and Meralco.

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 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 filed several pleadings: (1) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (b) Motion for Reconsideration of the RTC's Order of February 14, 2020, which did not allow PSALM to present witnesses in support of its Motion to Dissolve the Writ of Preliminary Injunction and directed the parties to submit pleadings and documents in support of their respective positions; and (3) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction. On July 6, 2020, SPPC filed an Opposition to the Motion for Reconsideration filed by PSALM on the RTC's Order of February 14, 2020.

PSALM also filed a Reply to SPPC's Opposition to the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction. In August 2020, PSALM also filed a Reply to the Supplemental Opposition to the Motion Ad Cautelam to Dissolve the Writ of Preliminary Injunction. On September 14, 2020, SPPC filed a Motion to Admit Consolidated Rejoinder and Consolidated Rejoinder. The Consolidated Rejoinder addresses both PSALM's Reply to the Opposition to the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction and its Reply to SPPC's Supplemental Opposition to the same motion.

In September 2020, PSALM filed an Urgent Ex Parte Motion for Early Resolution of its Motion for Leave to File the Amended Answer Ad Cautelam.

In an Order dated November 17, 2020, the RTC considered as submitted for resolution, PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction.

In an Order dated November 27, 2020, the RTC denied PSALM's Motion for Leave to File Amended Answer Ad Cautelam. On January 29, 2021, PSALM filed a Motion for Reconsideration. SPPC filed an Opposition and PSALM filed a Reply.

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. PSALM has filed an Opposition to the motion.

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

The mediation scheduled on April 19, 2021, was not held because the SC directed the closure of courts and related offices, including the Philippine Mediation Center, for the duration of the enhanced community quarantine ("ECQ") and modified enhanced community quarantine.

In an Order dated May 18, 2021, the RTC recalled 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. The pre-trial was however cancelled and no new schedule was provided by the RTC. SPPC filed a motion to postpone the pre-trial on the ground that it still has a pending Motion for Reconsideration of the order denying its Motion for Summary Judgement. PSALM filed a Motion for Leave to File a Supplemental Pre-trial Brief, purportedly for purposes of complying with Section 6, Rule 18 of the Amended Rules of Civil Procedure.

On June 21, 2021, SPPC received PSALM's Opposition to its Motion for Reconsideration of the Order denying the Motion for Summary Judgment. On June 25, 2021, SPPC filed a Motion for Leave to File Reply and Reply to PSALM's Opposition. On July 19, 2021, PSALM moved for reconsideration of the court's postponement of the pre-trial and filed a Rejoinder to SPPC's Reply.

The RTC suspended pre-trial proceedings until after its resolution of SPPC's Motion for Reconsideration of the denial of the Motion for Summary Judgment.

In June 2021, PSALM also filed a petition for certiorari under Rule 65 of the rules of Court to annul the trial court's Order of November 27, 2020, which denied PSALM's Motion for Leave to File Amended Answer, and the 23 March 2021 RTC Order, which denied PSALM's Motion for Reconsideration of the Order of denial. The petition has been docketed as CA-G.R. SP No. 169443.

On August 5, 2021, the CA issued a Resolution, directing SPPC to file a Comment on the petition in CA-G.R. SP No. 169443 within 10 days, and PSALM to file a Reply within five days from its receipt of the Comment. Since the courts in the National Capital Region were physically closed until October 15, 2021 because of the quarantine, SPPC was only able to file the Comment by registered mail on October 6, 2021. PSALM filed its reply on October 29, 2021.

On September 13, 2021, the RTC denied SPPC's motion for partial reconsideration of the March 23, 2021 RTC Order and scheduled the pre-trail of the case on November 19, 2021.

The case underwent pre-trial on November 19, 2021 while the presentation of evidence is scheduled on January 28, February 18, and March 4 and March 25, 2022. The January 28, 2022 hearing by video conferencing was cancelled due to the physical closure of courts in the National Capital Region while the February 18, 2022 hearing, was cancelled upon the motion of the counsel for PSALM.

On December 7, 2021, the RTC denied the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction filed by PSALM. PSALM filed a Motion for Reconsideration to which SPPC has filed an Opposition.

The presentation of evidence has not yet commenced because the parties had to finalize and submit their Joint Stipulation of Facts. The next hearing will be held on May 6, 2022.

Meanwhile, the proceedings before the RTC continues and by virtue of the Preliminary Injunction issued by the RTC, SPPC continues to be the IPP Administrator for the Ilijan Power Plant without restrictions or limitations on the ability of SPPC to supply power from the Ilijan Power Plant to Meralco under its PSA with the latter, or the ability of SPPC to take possession of the Ilijan Power Plant upon the expiry of the Ilijan IPPA Agreement in June 2022.

iv. *Criminal Cases*

SPPC

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

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

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 one of 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 one of the Respondents.

On March 21, 2022, SPPC filed a Motion for Reconsideration of the resolution dismissing the criminal complaint.

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

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

On October 25, 2017, the DOJ issued a Resolution partially granting the Petition for Review by reversing the July 29, 2016 DOJ Resolution insofar as the conduct of the preliminary investigation. On November 17, 2017, SMEC filed a motion for partial reconsideration of said October 25, 2017 DOJ Resolution. Said motion is still pending to date.

v. *Civil Cases*

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

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

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

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

On July 4, 2018, SMEC filed its Motion for Reconsideration (“MR”) to the May 22, 2018 order which dismissed the consignation case. The MR was heard on July 13, 2018 where the parties were given time to file their responsive pleadings. PSALM filed its Comment dated July 26, 2018 to the MR and SMEC filed its Reply to PSALM’s Comment on August 13, 2018. The motion has not yet been resolved as of date.

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

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

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

RTC 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. SMEC has already filed an Opposition to the Omnibus Motion.

Further related thereto, on December 1, 2016, SMEC received a copy of a Complaint filed by TPEC and TeaM Sual Corporation with the ERC against SMEC and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the abovementioned cases. SMEC filed a Motion to Dismiss and Motion to Suspend Proceeding of the instant case. The complaint is still pending with the ERC to date.

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

b. Event After the Reporting Date
On May 2, 2022, the Parent Company's BOD approved the payment of distributions amounting to (i) US$20,438 plus applicable taxes on June 9, 2022 to the US$750,000 SPCS holders, (ii) US$10,156 on June 16, 2022 to the US$650,000 RPS holder, and (iii) US$17,100 plus applicable taxes on July 21, 2022 to the US$600,000 SPCS holders.

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

	Loans Payable	Long-term Debt	Lease Liabilities	Total
Balance as at January 1, 2022 (Audited)	**P1,529,970**	**P222,921,443**	**P78,213,359**	**P302,664,772**
Changes from Financing Activities				
Proceeds from borrowings	**782,100**	**10,274,000**	**-**	**11,056,100**
Payments of borrowings	**(1,564,200)**	**(926,686)**	**-**	**(2,490,886)**
Payments of lease liabilities	**-**	**-**	**(6,503,642)**	**(6,503,642)**
Total Changes from Financing Activities	**(782,100)**	**9,347,314**	**(6,503,642)**	**2,061,572**
Effect of Changes in Foreign Exchange Rates	**28,230**	**1,181,965**	**529,422**	**1,739,617**
Other Changes	**-**	**(119,796)**	**970,222**	**850,426**
Balance as at March 31, 2022 (Unaudited)	**P776,100**	**P233,330,926**	**P73,209,361**	**P307,316,387**

	Loans Payable	Long-term Debt	Lease Liabilities	USCS	Total
Balance as at January 1, 2021 (Audited)	P1,680,805	P219,552,782	P99,511,094	P13,823,499	P334,568,180
Changes from Financing Activities					
Proceeds from borrowings	1,682,800	9,691,000	-	-	11,373,800
Payments of borrowings	(1,682,800)	(10,559,973)	-	-	(12,242,773)
Payments of lease liabilities	-	-	(5,817,250)	-	(5,817,250)
Redemption of USCS	-	-	-	(14,581,500)	(14,581,500)
Total Changes from Financing Activities	-	(868,973)	(5,817,250)	(14,581,500)	(21,267,723)
Effect of Changes in Foreign Exchange Rates	17,745	714,490	503,164	-	1,235,399
Other Changes	-	(128,067)	84,062	758,001	713,996
Balance as at March 31, 2021 (Unaudited)	P1,698,550	P219,270,232	P94,281,070	P -	P315,249,852

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

d. Commitments
The outstanding purchase commitments of the Group amounted to P90,116,874 and P100,125,622 as at March 31, 2022 and December 31, 2021, respectively. Amount authorized but not yet disbursed for capital projects is approximately P139,985,721 and P214,795,314 as at March 31, 2022 and December 31, 2021, respectively.

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

e. 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.

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

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

SMC GLOBAL POWER

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

INTRODUCTION

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of SMC Global Power Holdings Corp. ("SMC Global Power" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2021. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2021 and the financial performance and cash flows for the year ended December 31, 2021, and for all the other periods presented, have been made.

The financial information appearing in this report is presented in Philippine Peso, which is the functional currency of the Parent Company. All financial information are rounded off to the nearest million (P000,000), except when otherwise indicated.

I. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last three years are summarized in the following table:

	Years Ended December 31		
(In Millions)	**2021**	2020	2019
Revenues	**P133,710**	P115,029	P135,060
Cost of power sold	**(96,909)**	(71,896)	(91,758)
Selling and administrative expenses	**(4,915)**	(6,210)	(7,348)
Income from operations	**31,886**	36,923	35,954
Other income (charges):			
Interest expense and other financing charges - net	**(18,269)**	(18,583)	(19,721)
Interest income	**617**	1,007	1,586
Equity in net losses of an associate and joint ventures	**(117)**	(473)	(391)
Others	**3,761**	7,923	4,199
Income before income tax	**17,878**	26,797	21,627
Income tax expense	**(1,900)**	(7,923)	(7,263)
Net income	**15,978**	18,874	14,364

2021 vs. 2020

Revenues
The Group's consolidated revenues for year 2021 registered at P133,710 million, 16% or P18,681 million higher than last year's P115,029 million. Offtake volume of 27,221 gigawatt hours ("GWh") posted a 4% growth from last year primarily from higher spot market sales volume and improved customers' nominations with the easing of community quarantine restrictions. In addition, increase in revenues were driven by (i) higher average realization bilateral rates due to increase in fuel pass-on charges in accordance with fuel pricing provisions of its bilateral contracts and rate escalation feature on Manila Electric Company ("Meralco") contracts that mitigated the impact of higher fuel cost as a result of increasing NewC coal indices and natural gas price; (ii) higher spot prices during the year; and (iii) revenues from the full-year operations of Masinloc Power Partners Co. Ltd.'s ("MPPCL") Unit 3 Masinloc Power Plant which commenced commercial operations on September 26, 2020.

Cost of Power Sold
Cost of power sold likewise increased by 35% or P25,013 million, from P71,896 million in 2020 to P96,909 million in 2021. The increase was mainly attributable to the following: (i) higher power purchases from the spot market and external power generators on account of lack of peak capacity to serve the Group's bilateral volumes, offset by lower energy fees due to lower net generation of Sual and Ilijan. The Group experienced extended outages of the Sual Power Plant and capacity deration of the Ilijan Power Plant due to gas supply restrictions. Spot prices surged especially in May 2021 when the Group and the rest of the power industry experienced a very high system demand. High spot prices were also experienced during the last quarter of 2021. Other factors contributing to the increase in cost of power sold, are the following: (i) higher fuel costs as coal prices surged to unprecedented levels starting in the third quarter of 2021 after being relatively stable in previous years; (ii) higher average natural gas price for Ilijan; and (iii) higher cost incurred by MPPCL Unit 3 from its full-year operations in 2021. The impact of the increase in fuel costs was partially mitigated through either fuel pass-through and/or escalation feature on certain bilateral contracts of the Group.

Selling and Administrative Expenses
Selling and administrative expenses decreased by 21%, or P1,295 million, from P6,210 million in 2020 to P4,915 million in 2021. The decrease was mainly due to: (i) lower contracted services and travel-related expenses, including representation and entertainment expenses, of the Group during the year as a result of limited activities brought by community quarantine restrictions; (ii) contributions of P200 million for Corona Virus Disease 2019 ("COVID-19") community response initiatives incurred in 2020; and (iii) reversal of impairment losses on trade receivables due to improvement in collections from certain customers.

Income from Operations
As a result, consolidated income from operations of P31,886 million in 2021 declined by 14% from last year's P36,923 million.

Other Income (Charges)
Interest income decreased by 39%, or P390 million, from last year's P1,007 million to P617 million in 2021, due mainly to lower average interest rate and shorter placement periods as funds were utilized to defray capital expenditures for ongoing construction projects.

Equity in net losses of an associate and joint ventures registered at P117 million loss in 2021, down from the P473 million loss last year, mainly due to the share in lower net losses of Angat Hydropower Corporation ("AHC").

Other income decreased by 53%, or P4,162 million, from last year's P7,923 million to P3,761 million in 2021. This was mainly attributable to the recognition in 2020 of P3,826 million settlement received from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts, which was higher compared to the increase in income from reduction of Power Sector Assets and Liabilities Management Corporation ("PSALM") fixed fee charges amounting to P2,166 million for the outages of Sual Power Plant's Units 1 and 2 in 2021. Moreover, net foreign exchange differential, arising mainly from the Group's US dollar-denominated liabilities, made a complete turnaround from last year's P1,370 million gain to P1,495 million loss in 2021 as a result of the depreciation of the Philippine peso against the US dollar in 2021 by P2.976 (from P48.023 to P50.999) vs the appreciation of Philippine peso experienced in 2020 by P2.612 (from P50.635 to P48.023).

Income Tax Expense
Provision for income tax declined from P7,923 million for 2020 to P1,900 million for 2021. This resulted primarily from the adjustment made in 2021 for the impact of the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Law to the 2020 financials of the Group. The CREATE Law was approved by the President of the Philippines on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5% or 10% point cut in the corporate income tax starting July 1, 2020. With the application of the reduced income tax rate, the provision for deferred income tax arising from the Independent Power Producer Administrator ("IPPA") entities' lease liabilities declined. Moreover, the provision for current income tax recognized by South Premiere Power Corporation ("SPPC") and San Miguel Energy Corporation ("SMEC") also declined due to lower taxable income during the year.

Net Income
Consequently, the consolidated net income of the Group for the year decreased by 15% from P18,874 million in 2020 to P15,978 million in 2021.

<u>2020 vs. 2019</u>

Revenues
The Group's consolidated revenues for year 2020 registered at P115,029 million, 15% or P20,031 million lower than the P135,060 million posted in 2019 as offtake volume of 26,291 GWh posted a 7% decline from 2019 same period. This was primarily due to the: (i) deferral of the commencement of the supply to Meralco under the 290 megawatts ("MW") Mid-merit Power Supply Agreement ("PSA") of SPPC, where the provisional approval of the Energy Regulatory Commission ("ERC") was posted and distributed to the parties only on March 16, 2020, and the expiration of the 260 MW PSA with MPPCL; (ii) curtailed demand by industrial and contestable customers during the Philippine government-imposed Enhanced Community Quarantine ("ECQ") period, which gradually improved with the reopening of economic activities after the easing of ECQ restrictions, and compensated by improved utility demand as household consumptions increased; (iii) lower contract rates for the new Meralco baseload PSAs that took effect on December 26, 2019 compared to the power supply contracts that expired on December 25, 2019; and (iv) lower average spot prices for Luzon-based power plants offset by take-or-pay arrangements with the Group's other distribution utility customers.

Cost of Power Sold
Cost of power sold likewise decreased by 22% or P19,862 million, from P91,758 million in 2019 to P71,896 million in 2020. The decrease was mainly attributable to the following: (i) lower average cost of coal prices for Sual, Masinloc, Davao and Limay Greenfield Power Plants as coal indices continue to decline; (ii) lower average cost of spot purchases; (iii) lower energy fees due to lower net generation of the Sual, Ilijan and San Roque Power

Plants coupled with lower average natural gas prices for the Ilijan Power Plant; offset by (iv) higher costs incurred by SMC Consolidated Power Corporation ("SCPC") on account of the full-year operations of its 150 MW Unit 4-Limay Greenfield Power Plant which commenced commercial operations on July 26, 2019, and by MPPCL with the start of commercial operations of its 335 MW Unit 3-Masinloc Power Plant on September 26, 2020.

Selling and Administrative Expenses
Selling and administrative expenses decreased by 15% or P1,138 million, from P7,348 million in 2019 to P6,210 million in 2020. The decrease was mainly due to lower regular operating expenses incurred relating to contracted services, repairs and maintenance works, sales and marketing, fuel and oil, and travel due to quarantine restrictions during the COVID-19 pandemic. This was partly offset by: (i) contributions for COVID-19 community response initiatives; and (ii) higher depreciation recognized for Unit 4-Limay Greenfield Power Plant and Unit 3-Masinloc Power Plant which commenced commercial operations in July 2019 and September 2020, respectively.

Income from Operations
With lower fuel costs, spot purchases and operating expenses, and effective implementation of power dispatch strategies, consolidated income from operations ended 3% or P969 million higher from P35,954 million in 2019 to P36,923 million in 2020.

Other Income (Charges)
Interest income decreased by 37% or P579 million from P1,586 million in 2019 to P1,007 million in 2020 on account of lower average interest rate during the year and shorter placement periods as funds were utilized to defray capital expenditures for ongoing construction projects.

Interest expense and other financing charges decreased by 6% from P19,721 million for 2019 to P18,583 million in 2020. This was mainly due to: (i) lower interest expense recognized from the declining principal balance of the IPPA entities' lease liabilities; (ii) higher capitalized borrowing costs of MPPCL for its ongoing construction projects; (iii) net decrease in interest expense of SMC Global Power with the pre-termination of its US$150 million 5-year term loan, originally to mature in March 2023, and settlement of its US$120 million short-term loan in April 2019; and partially offset by (iv) higher interest expense of SCPC with the cessation of the capitalization of its borrowing costs since the start of commercial operations of its Unit 4-Limay Greenfield Power Plant in July 2019.

Equity in net losses of an associate and joint ventures registered at P473 million loss in 2020 due to the share in higher net losses of AHC.

Other income increased by 89% or P3,724 million from P4,199 million for 2019 to P7,923 million in 2020 due to (i) the recognition of P3,826 million in settlement received from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts; (ii) higher income recognized from the reduction in PSALM fixed fees charges by P1,411 million due to longer forced outages of Units 1 and 2 of Sual Power Plant in 2020 versus 2019; and partly offset by (iii) lower net foreign exchange gain by P1,470 million recognized on the Group's US dollar-denominated financial assets and liabilities with the movement of the Philippine peso against the US dollar in 2020.

Income Tax Expense
Income tax expense increased by 9% or P660 million from P7,263 million in 2019 to P7,923 million in 2020. The increase was due primarily to higher provision for deferred income tax expense recognized by IPPA entities on the temporary difference of monthly fixed payments to PSALM over lease liability-related expenses.

Net Income
Consequently, the consolidated net income of the Group for 2020 increased by 31% from P14,364 million in 2019 to P18,874 million in 2020.

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

1. **POWER GENERATION**

<u>2021 vs. 2020</u>

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

For the year 2021, net generation of 4,676 GWh at 53% net capacity factor rate was 17% lower than last year mainly due to higher outage hours resulting from the prolonged outage of Unit 2, due to the repair of intermediate pressure turbine blades and diaphragm, and forced and planned maintenance shutdown of Unit 1 during the year. Total offtake volume likewise decreased to 7,932 GWh from 9,120 GWh in 2020, on account of lower spot sales volume and decline in demand from industrial and retail electricity supplier ("RES") customers during the quarantine period.

Revenues of P38,162 million was 1% slightly higher than last year's P37,638 million mainly attributable to the increase in average realization price driven by bilateral contracts that have fuel pricing provisions that allow SMEC to pass to certain bilateral customers the increase in fuel costs brought by the significant surge in coal indices. The effect of the increase in average realization price was countered by the decline in offtake volume.

Operating income of P6,249 million was 43% lower than last year's P10,902 million also on account of higher power purchases, at high spot prices, during the extended outages of Sual Unit 2 and increase in generation costs. The impact of the increase in generation costs was partly mitigated by either the full pass-through and/or escalation features on majority of SMEC's bilateral contracts.

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

The net generation of Ilijan Power Plant for the year 2021 fell by 20% on account of its continued deration due to gas supply restrictions and longer outage hours resulting from the planned maintenance shutdown of Blocks 1 and 2 and the Malampaya planned shutdown during the year. Total offtake volume of 7,328 GWh decreased by 6% compared to last year on account of lower replacement power requirements.

As a result, revenues of P32,107 million for the year 2021 was lower by 4% compared to P33,288 million last year on account of the decline in offtake volume offset by higher average realization price.

Operating income of P5,208 million in 2021 went down by 53% from the P11,088 million posted in 2020. The decline was mainly attributable to the increase in power purchases due to lack of peak capacity as a result of plant deration and higher spot purchase prices especially during the month of May 2021, when the power industry experienced the highest system demand, as well as the surge in spot prices in the last quarter of the year. In addition, cost of generation increased due to higher average natural gas price in 2021.

c. **Strategic Power Development Corp. ("SPDC"), IPPA of San Roque Power Plant**

San Roque Power Plant's net generation of 1,036 GWh, at 34% net capacity factor rate for the year 2021, increased by 110% due to longer operating hours and higher water discharge during the year. Total offtake volume of 1,096 GWh likewise increased by 68% compared to 652 GWh last year attributable to higher spot sales and replacement power supplied to affiliate generators.

Revenues for the year increased by 103% from P2,973 million in 2020 to P6,029 million in 2021 due mainly to higher average realization prices and total offtake volume for SPDC's spot and replacement power sales.

The foregoing factors resulted to a significant upturn in operating income from P758 million in 2020 to P3,294 million in 2021.

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

Total generation of the plant of 4,177 GWh in 2021, at 89% net capacity factor rate, was 19% higher than last year at 3,514 GWh due to higher plant availability as a result of lower outage hours. SCPC dispatched 1,814 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its RES customers.

Total offtake volume of 1,930 GWh fell from last year by 3% due to lower nominations from bilateral customers during the year.

In 2021, revenues increased by 8% from P8,896 million last year to P9,603 million in the current year due to higher average selling price for bilateral and spot sales.

Consequently, operating income registered at P3,545 million in 2021, 6% higher than the P3,339 million posted in 2020.

e. **San Miguel Consolidated Power Corporation ("SMCPC"), owner of Davao Greenfield Power Plant**

For the year 2021, a total of 1,835 GWh was generated by the plant at a capacity factor rate of 79%. This was slightly lower by 3% compared to last year. Net generation and offtake volume decreased due to lower nominations from bilateral customers and increase in the availability of supply from the hydro plants in Mindanao, and the community quarantine brought about by the pandemic.

Revenues for the year declined slightly by 1% from P11,012 million in 2020 to P10,890 million in 2021 mainly due to lower offtake volume which was offset by higher average realization price as a result of higher pass-on fuel costs with the increase in cost of coal.

The favorable impact of SMCPC's lower power purchases and cost-cutting measures implemented by the plant in 2021 more than offsets the slight decline in revenues thereby contributing to the improvement in its operating income by 4% from P4,669 million in 2020 to P4,838 million in 2021.

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

Masinloc Power Plant's total net generation of 6,136 GWh for the year 2021, with 5,800 GWh supplied to power generation customers while the rest was dispatched to RES customers, was 39% higher compared to the 4,428 GWh net generation posted for 2020. The increase was mainly due to the additional output from Unit 3 which commenced commercial operations on September 26, 2020 and higher operating hours of Units 1 and 2.

Total offtake volume of 7,320 GWh exceeded last year by 17% on account of higher spot sales volume, and replacement power sales to affiliate generators driven by high generation of the power plant as well as increase in nominations from distribution utilities. Revenues for the year 2021, inclusive of ancillary revenues from the 10 MW battery energy storage system (“BESS”), and operating income increased to P32,916 million and P5,410 million, respectively, due mainly to higher average realization prices for bilateral sales and replacement power as well as the increase in spot prices for the spot sales volume during the year.

2020 vs. 2019

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

For the year 2020, net generation of 5,655 GWh at 64% net capacity factor rate was 16% lower than 2019 mainly due to lower plant dispatch and higher outages resulting from the forced and maintenance outages of Unit 2, and various technical issues of Unit 1 leading to forced outages in 2020. Total offtake volume decreased to 9,120 GWh in 2020 from 9,374 GWh posted in 2019 on account of lower demand from industrial and RES customers during the quarantine period.

Revenues of P37,638 million was 8% lower than P40,994 million in 2019 mainly attributable to lower average realization price for bilateral sales driven primarily by the lower contract rate of the new PSA with Meralco which was effective starting December 26, 2019 and the impact of lower spot prices and decline in offtake volume.

Nevertheless, operating income of P10,902 million was 71% higher than P6,390 million in 2019 on account of lower cost of coal and power purchases and decline in operating expenses.

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

The net generation of Ilijan Power Plant for the year 2020 fell by 6% on account of lower plant dispatch due to the decline in Meralco nominations in 2020. Total offtake volume of 7,765 GWh likewise fell by 5% compared to 2019 mainly due to the deferral of the commencement to supply Meralco pursuant to the 290 MW Mid-merit PSA, where the provisional approval of the ERC was posted and distributed to the parties only on March 16, 2020.

Revenues of P33,288 million for 2020 was 13% lower than 2019 mainly due to the (i) lower contract rates under the new PSAs with Meralco, which became effective on December 26, 2019; (ii) decline in spot prices; and (iii) decline in overall offtake volume. On the other hand, cost of generation improved because of the decrease in natural gas prices.

Consequently, operating income of P11,088 million in 2020 slightly improved by 2% than the P10,916 million posted in 2019.

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

San Roque Power Plant's net generation of 494 GWh, at 16% net capacity factor rate, for the year 2020 fell by 38% attributable to shorter operating hours and low water reservoir level resulting from unfavorable hydrological conditions. Total offtake volume of 652 GWh for 2020 decreased by 45% compared to 2019 due to the decrease in replacement power supplied to affiliate generators.

Revenues for the year decreased by 62% from P7,835 million in 2019 to P2,973 million in 2020 due to decline in average realization price, the expiration of the contract with San Roque Power Corporation on March 25, 2020 for the sale of a portion of capacity sourced from the San Roque Power Plant, and decline in total offtake volume.

The foregoing factors resulted to a drop in operating income by 78%, from P3,417 million posted in 2019 to P758 million in 2020.

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

With Unit 4, having a 150 MW capacity, commencing commercial operations on July 26, 2019, and with the issuance of a Certificate of Compliance by the ERC for the four units, the Limay Greenfield Power Plant now has a combined capacity of 600 MW.

Total generation of the plant from all operating units registered at 3,514 GWh, at 75% net capacity factor rate, for the year 2020. This was slightly higher by 1% than the 3,464 GWh in 2019 due to the additional output of Unit 4, which was offset by higher combined outages for routinary repair and annual preventive maintenance works in 2020 of the four units.

SCPC dispatched 1,563 GWh of the plant’s net generation to its power generation customers while the rest was dispatched to its RES customers. Total offtake volume of 1,992 GWh fell behind compared to 2019 by 18% due to lower replacement power sold and lower nominations from distribution utilities.

For 2020, revenues decreased by 20% from P11,174 million in 2019 to P8,896 million in 2020 due primarily to lower offtake volume. Decline in operating income by 9%, from P3,666 million in 2019 to P3,339 million in 2020, was softened by lower generation costs and average power purchase prices.

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

For the year 2020, a total of 1,897 GWh was generated by the Davao Greenfield Power Plant at a net capacity factor rate of 82%. This was slightly lower by 1% compared to 2019 due to longer outages in 2020.

Revenues at P11,012 million surpassed 2019 revenues by 1% on account of the increase in average realization price and decrease in power purchases to optimize the plant capacity. Accordingly, operating income registered at P4,669 million, 13% higher than 2019.

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

The Masinloc Power Plant operating Units 1, 2 and 3, with a combined net capacity of 924 MW, contributed a total net generation of 4,428 GWh for the year 2020. This was 4% higher compared to the 4,252 GWh net generation posted for 2019. The increase was mainly due to the additional output from the Unit 3-Masinloc Power Plant which commenced commercial operations on September 26, 2020.

Total offtake volume of 6,266 GWh exceeded 2019 by 7% due primarily to the increase in wholesale electricity spot sales volume, which more than doubled in 2020, and the entry of additional bilateral customers which compensated for the decline in Meralco sales volume. Year-to-date revenues inclusive of ancillary revenues from the 10 MW BESS, and operating income registered lower at P23,352 million and P4,519 million, respectively, compared to 2019 on account of lower average realization prices for spot and bilateral offtake volumes.

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

<u>2021 vs. 2020</u>

a. **SCPC, RES**

For the year 2021, total offtake volumes registered at 2,661 GWh, this was 18% higher than last year's 2,251 GWh due to the increase in nominations from contestable customers and the transfer of contestable customers from San Miguel Electric Corp. ("SMELC"). As a result, revenues increased by 35% from P10,516 million last year to P14,229 million this year as offtake volume increased. Consequently, with better margin, operating income registered at P2,943 million in 2021. This was 105% higher than the P1,435 million posted in 2020.

b. **MPPCL, RES**

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

In 2021, total offtake volume and revenues significantly increased compared to last year, registering at 735 GWh and P5,017 million, respectively, attributed mainly to the contracts assigned from SMELC and new contestable customers during the year. Consequently, operating income registered at P824 million in 2021, much higher than in 2020.

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

Revenues of P3,984 million was 26% higher than P3,171 million posted last year primarily driven by the increase in average realization price and higher volume. On the other hand, operating loss of P368 million in 2021 was higher than the P282 million recognized in 2020 on account of higher cost of power purchases.

d. **SMELC, RES**

On August 18, 2021, the ERC has granted the extension of the validity of SMELC's RES License for 15 days from August 21, 2021 until September 5, 2021 to allow SMELC to complete the transfer of its remaining contestable customer to SCPC-RES. As part of the Group/s power expansion program, SMELC will be intended for future capital projects as may be determined by management.

Offtake volume significantly declined from 746 GWh in 2020 to 5 GWh in 2021 attributable to the transfer of its remaining RES customer to SCPC this year. This led to the decrease in revenues in 2021 which registered at P17 million compared to P3,997 million posted last year. Lower volume and depressed margin were partially mitigated by the reversal of impairment losses on trade receivables due to collection from a certain customer. This resulted to an operating loss amounting to P12 million for 2021, a turnaround from the P12 million operating income posted in 2020.

2020 vs. 2019

a. **SCPC, RES**

RES customers include various San Miguel Corporation ("SMC") subsidiaries and other external contestable customers. The power supply for its RES contracts was sourced from the Limay Greenfield Power Plant.

For the year 2020, the total offtake volumes registered at 2,251 GWh. This was 27% higher than the 1,779 GWh in 2019 due to new RES customers following the increase in the power plant's capacity.

Revenues at P10,516 million topped the 2019 revenue as offtake volumes increased. Consequently, operating income at P1,435 million in 2020 was 1% higher than in 2019.

b. **MPPCL, RES**

MPPCL has various RES contracts.

For 2020, total offtake volume and revenues significantly increased compared to 2019, registering at 419 GWh and P2,340 million, respectively, on account of additional RES customers. Meanwhile, operating income increased to P452 million in 2020 due mainly to higher nominations resulting from the entry of new retail customers.

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

Revenues of P3,171 million was 10% lower than P3,511 million posted in 2019 on account of lower offtake volume during quarantine period and a number of typhoons that hit the province of Albay in 2020.

On the other hand, operating loss of P282 million in 2020 was lower than the P365 million recognized in 2019 due primarily to lower cost of power purchases.

d. **SMELC, RES**

SMELC realized its profits from its RES contracts with various SMC subsidiaries and other contestable customers. Power supply for its RES contracts was sourced from the Sual and Limay Greenfield Power Plants.

Offtake volume of 746 GWh for 2020 fell compared to 2,028 GWh in 2019. The 63% decrease was attributable to the transfer of majority of its RES contracts to SCPC-RES and MPPCL-RES, the expiration of several contracts in 2020 and lower energy requirement from its contestable customers during the quarantine period. This led to the decrease by 62% in revenues in 2020 which registered at P3,997 million. Lower volume and depressed margin resulted to an operating income amounting to P12 million for 2020, a drop from the P71 million operating income in 2019.

II. FINANCIAL POSITION

A. MAJOR DEVELOPMENTS IN 2021

SMC GLOBAL POWER

ISSUANCE OF US$750 MILLION SENIOR PERPETUAL CAPITAL SECURITIES (“SPCS”)

On June 9, 2021, SMC Global Power issued US$600 million SPCS (the “Original Securities”) at an issue price of 100%, with an initial rate of distribution of 5.45% per annum. The Original Securities were listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on June 10, 2021.

On September 15, 2021 SMC Global Power issued US$150 million SPCS (the “Additional Securities”) at an issue price of 100.125%, with an initial rate of distribution of 5.45% per annum to be consolidated into single series with the Original Securities issued in June 2021. The Additional Securities were listed on the SGX-ST on September 16, 2021.

The net proceeds from the issuances of the securities are being used for investments in the 1,313.1 MW Batangas Combined Cycle Power Plant and related assets or for general corporate purposes.

REDEMPTION OF US$300 MILLION UNDATED SUBORDINATED CAPITAL SECURITIES (“USCS”)

On February 26, 2021, SMC Global Power completed the redemption of its US$300 million USCS issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption was made after the issuance of a notice to the holders of the US$300 million USCS, dated January 25, 2021. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the February 26, 2021 step-up date.

The US$300 million USCS were redeemed using in part the proceeds of the US$350 million SPCS issued on December 15, 2020.

LONG-TERM DEBT

- *Availments of long-term debt*

On March 9, 2021, SMC Global Power executed a 5-year term loan facility agreement for the amount of US$200 million used to refinance its maturing US$200 million loan obligation. Drawdown was completed on March 12, 2021.

On May 21, 2021, the loan facility agreement was amended to increase the amount from US$200 million to US$300 million. On June 7, 2021, SMC Global Power availed of the remaining US$100 million from its amended loan facility agreement. Total amount drawn as at December 31, 2021 is US$300 million. The proceeds of the US$100 million loan was used for the redemption of its Series A Fixed Rate Bonds (the "Series A Bonds") in July 2021. The loan is subject to a floating interest rate and will mature in March 2026.

On April 12, 2021, SMC Global Power availed of US$50 million from its term loan facility agreement with a foreign bank executed on October 12, 2020. Proceeds of the loan were used for the payment of capital expenditures in connection with the Ilijan Natural Gas-fired Power Plant (including expansion projects related thereto), funding of liquid natural gas import, storage and distribution facilities; pre-operating and operating working capital requirements for BESS projects, and transaction related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in October 2023.

On May 28, 2021, SMC Global Power availed of P5,000 million from its term loan facility agreement with a local bank executed in May 2020. The proceeds of the loan were used for general corporate purposes. The loan is subject to fixed interest rate and will mature in May 2025.

- *Redemption of maturing Series A Bonds*

On July 12, 2021, SMC Global Power completed the redemption of its Series A Bonds amounting to P6,153 million, which forms part of the P15,000 million Series ABC fixed rate bonds issued in July 2016. SMC Global Power used the proceeds of the US$100 million and P5,000 million term loans, availed in June 2021 and May 2021, respectively, for the redemption of the Series A Bonds.

- *Payment of maturing long-term debt*

In 2021, MPPCL, SCPC, SMCPC, and SMC Global Power paid a total of P16,984 million of their scheduled long-term debt amortizations pursuant to the terms and conditions of their respective facility agreements.

B. MAJOR DEVELOPMENTS IN 2020

ISSUANCE OF A TOTAL OF US$1,350 MILLION SPCS BY SMC GLOBAL POWER

On various dates in 2020, SMC Global Power issued and listed on the SGX-ST SPCS for a total amount of US$1,350 million. These are as follows:

Amount	Issuance/ Listing Date	Issue Price	Distribution Rate	Use of Proceeds
US$600 million	Issued January 21, 2020; Listed January 22, 2020	100%	5.7%	For the funding requirements of the development and completion of the BESS projects and for general corporate purposes.
US$400 million (“Original Securities”)*	Issued October 21, 2020; Listed October 22, 2020	100%	7.0%	For capital expenditures and investments in liquefied natural gas facilities and related assets, for the refinancing of expiring commitments whether debt or perpetual securities, and for general corporate purposes.
US$350 million (“Additional Securities”)*	Issued December 15, 2020; Listed December 16, 2020	102.457%	7.0%	For the repurchase, refinancing and/or redemption of existing USCS, for investments in liquefied natural gas facilities and related assets, or for general corporate purposes.

** The Additional Securities are consolidated into and form a single series with the Original Securities, bringing the total securities to US$750 million.*

LONG-TERM DEBT

- *Availment of long-term debt to finance capital expenditures/project*

MPPCL

On March 31, 2020, MPPCL drew US$43 million from the US$525 million Omnibus Expansion Facility Agreement dated December 1, 2015 to finance the construction of the additional 335 MW Unit 3-Masinloc Power Plant. The loan is divided into fixed interest tranche and floating interest tranche with maturities up to December 2030.

- *Payment of maturing long-term debt*

In 2020, SMC Global Power, MPPCL, SMCPC and SCPC have paid a total of P6,261 million of its outstanding long-term debts, pursuant to the terms and conditions of their respective facility agreements.

C. MATERIAL CHANGES PER LINE OF ACCOUNT

2021 vs. 2020

The Group's consolidated total assets as at December 31, 2021 amounted to P635,724 million, higher by 4% or P25,708 million than December 31, 2020 balance of P610,016 million. The increase was attributable to the following factors:

a. Increase in trade and other receivables by P11,110 million was mainly due to higher trade receivables from customers on account of (i) higher offtake volume due to improved customer nominations with the easing of community quarantine restrictions, (ii) higher spot sales; (iii) higher average realization prices due to increasing NewC coal indices as certain bilateral contracts have fuel pricing provisions that allow fuel pass-on charges; and (iv) granting of deferred payment schemes for credit-worthy customers.

b. Increase in inventories by P4,436 million was due mainly to higher average prices for coal inventories, with the rising coal indices, and the purchase of spare parts for repairs and maintenance of Masinloc Power Plant and in preparation for the upcoming planned maintenance of Limay and Davao Greenfield Power Plants.

c. Increase in prepaid expenses and other current assets by P6,574 million was due mainly to higher input taxes recognized on capital expenditures relating to ongoing BESS projects of Universal Power Solutions, Inc. ("UPSI") and MPPCL, and Ilijan Liquefied Natural Gas ("LNG" or Batangas Combined Cycle Power Plant) project of Excellent Energy Resources Inc., restricted cash set aside by SMCPC and SCPC for debt servicing requirements and advance payments to suppliers by MPPCL, SMCPC and SCPC.

d. Increase in property, plant and equipment by P40,443 million, attributable primarily to the ongoing constructions of the Mariveles Power Plant, BESS projects and Ilijan LNG project.

e. Increase in other noncurrent assets by P10,553 million, due mainly to advance payments made to contractors of the Ilijan LNG project and for Masinloc Units 4 and 5 construction.

f. Increase in investments and advances by P882 million was due mainly to additional deposits to various land holding companies to be applied to future stock subscriptions, offset by the share in net losses from an associate and joint ventures.

g. Decrease in cash and cash equivalents by P43,028 million was due mainly to: (i) payments of maturing long-term loans by SMC Global Power, MPPCL, SCPC and SMCPC; (ii) redemption of the US$300 million USCS in February 2021; (iii) distributions paid to holders of SPCS, Redeemable Perpetual Securities ("RPS") and USCS by SMC Global Power; (iv) capital expenditures for BESS, Mariveles Power Plant, Masinloc and Ilijan LNG projects; (v) redemption of the Series A Bonds amounting to P6,153 million in July 2021; and offset by (vi) net proceeds from the issuances of US$600 million and US$150 million SPCS on June 9 and September 15, 2021, respectively; and (vii) additional term loans availed by SMC Global Power.

h. Decrease in deferred tax assets by P198 million was due primarily to the impact of CREATE Law which reduced the corporate income tax rate from 30% to 25% thereby decreasing the deferred income tax recognized on unrealized foreign exchange losses and lease-related transactions of MPPCL and Strategic Energy Development Inc.

The Group's consolidated total liabilities as at December 31, 2021 amounted to P383,996 million, P284 million slightly higher than the December 31, 2020 balance of P383,712 million. The slight increase is a net result of the following:

a. Increase in accounts payable and accrued expenses by P15,776 million was mainly due to the additional payables recognized for the Mariveles Power Plant construction, Ilijan LNG project, for coal and power purchases and higher output taxes of the Group.

b. Increase in income tax payable by P15 million mainly pertain to the income tax due recognized by SCPC in 2021.

c. Increase in long-term debt - net of debt issue costs (including current maturities) by P3,369 million was mainly attributable to: (i) various term loans availed by SMC Global Power for capital expenditures in connection with Ilijan Natural Gas-fired Power Plant, for debt-refinancing and for general corporate purposes; (ii) recognized foreign exchange losses on US dollar-denominated borrowings; and offset by (iii) payments of maturing long-term loans by SMC Global Power, MPPCL, SCPC and SMCPC; and the redemption by SMC Global Power of its P6,153 million Series A Bonds that matured in July 2021

d. Increase in other noncurrent liabilities by P1,847 million was mainly due to the recognition of retention payable related to the ongoing Mariveles Power Plant project of Mariveles Power Generation Corporation ("MPGC").

e. Decrease in lease liabilities (including current portion) by P21,298 million was mainly on account of lease payments made by the IPPAs to PSALM.

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

The Group's consolidated total equity as at December 31, 2021 amounted to P251,728 million, higher by 11% or P25,424 million than the December 31, 2020 balance of P226,304 million. The increase is accounted for as follows:

a. Increase in SPCS by P35,568 million pertains to the aforesaid issuances by SMC Global Power of SPCS amounting to US$750 million in total on various dates – June 9 and September 15, 2021.

b. Increase in equity reserves by P2,692 million pertains mainly to the currency translation adjustments for the year resulting from the depreciation of the Philippine Peso against the US dollar.

c. Decrease in USCS by P13,824 million pertains to the redemption on February 26, 2021 of the US$300 million USCS issued in August 2015.

d. Decrease in non-controlling interests by P80 million pertains to the non-controlling interests' share in the net loss of MPGC that was consolidated to the Group's net income.

<u>2020 vs. 2019</u>

The Group's consolidated total assets as at December 31, 2020 amounted to P610,016 million, higher by 9% or P52,897 million than December 31, 2019 balance of P557,119 million. The increase was attributable to the following factors:

a. Increase in cash and cash equivalents by P30,763 million was mainly due to the net proceeds from the issuances of SPCS amounting to US$1,350 million in total on January 21, October 21 and December 15, 2020 by SMC Global Power (equivalent to P66,314 million, net of transaction cost) and proceeds from MPPCL borrowings (P2,179 million), offset by payments of (i) lease liabilities, comprising largely of the IPPAs' lease payments to PSALM (P22,630 million); (ii) distributions to the holders of USCS, RPS and SPCS by SMC Global Power (P10,480 million); and (iii) short and long-term borrowings of MPPCL, SCPC, SMCPC and SMC Global Power (P6,759 million).

b. Increase in trade and other receivables by P6,173 million was mainly due to the deferred collections of the Group's Power Bills, following the ERC and the Philippine Department of Energy ("DOE") advisories directing distribution utilities to allow staggered payments without interest, penalties and other charges, and implementing a "no-disconnection policy", for customer bills falling due within the community quarantine period. Full collection of these Power Bills is expected to be completed within 2021.

c. Increase in inventories by P497 million was mainly due to higher purchases of materials and supplies over the total consumptions of SMCPC, SCPC and MPPCL.

d. Increase in prepaid expenses and other current assets by P1,326 million was mainly due to higher input taxes recognized on capital expenditures relating to ongoing power plant and BESS projects.

e. Increase in property, plant and equipment by P21,071 million was mainly due to the additional construction costs incurred by MPGC for its Mariveles Power Plant project and by UPSI, MPPCL, and SMCGP Philippines Energy Storage Co. Ltd. ("SMCGP Philippines Energy") for its BESS projects.

f. Increase in deferred tax assets by P517 million was mainly due to the deferred tax benefit of MPPCL recognized on the net unrealized foreign exchange losses arising from the translation of its US dollar-denominated financial assets and liabilities.

g. Decrease in investments and advances by P1,044 million was mainly due to consolidation to the Group of Dewsweeper Industrial Park, Inc. upon its acquisition on November 3, 2020, and share in higher net losses of AHC.

h. Decrease in other noncurrent assets by P2,294 million was mainly due to the (i) application of advances to contractors to progress billings relating to the Mariveles Power Plant construction, and (ii) use of restricted cash to fund the Unit 3-Masinloc Power Plant construction and for loan and interest payments by MPPCL.

The Group's consolidated total liabilities as at December 31, 2020 amounted to P383,712 million, slightly lower by 5% or P19,982 million than the December 31, 2019 balance of P403,694 million. The major items accounting for the decrease are as follows:

a. Decrease in loans payable by P598 million was attributable to the partial payment of US$10 million (equivalent to P499 million), out of the US$45 million short-term loan of MPPCL in June 2020, and to the translation gain recognized with the appreciation of the Philippine peso against the US dollar.

b. Decrease in income tax payable by P205 million mainly pertain to the decline in taxable income for the year of MPPCL.

c. Decrease in lease liabilities (including current portion) by P24,692 million was mainly on account of lease payments made by the IPPA entities to PSALM and partly offset by additional lease liabilities recognized for the new lease agreements entered in 2020.

d. Decrease in long-term debt - net of debt issue costs (including current maturities) by P7,246 million, was mainly attributable to: (i) payments made by SMC Global Power, SMCPC, SCPC and MPPCL of its maturing obligations under its respective credit facilities (P6,261 million); (ii) foreign exchange gain recognized on the translation of US dollar-denominated borrowings (P3,765 million); offset by (iii) additional loan drawn in March 2020 by MPPCL from its credit facility, amounting to US$43 million (equivalent to P2,179 million); and (iv) amortizations of debt issue costs (P556 million).

e. Increase in accounts payable and accrued expenses by P4,877 million was mainly due to the additional payables recognized for the Mariveles Power Plant and BESS construction projects, and offset by settlements of trade payables related to energy fees, inventories and power purchases.

f. Increase in deferred tax liabilities by P6,258 million was primarily attributable to the higher provision for deferred income tax expense recognized by the IPPA entities on the difference of monthly fixed payments to PSALM over lease-related expenses, particularly on the foreign exchange gain recognized on its US dollar-denominated lease liabilities.

g. Increase in other noncurrent liabilities by P1,623 million was mainly due to the retention payables recognized by MPGC to its contractors, recognition of additional asset retirement obligation of SCPC, SMCPC, MPPCL for its respective power plants and UPSI for its BESS projects, and additional distribution wheeling services and bill deposits collected from SCPC, MPPCL and APEC customers.

The Group's consolidated total equity as at December 31, 2020 amounted to P226,304 million, higher by 48% or P72,879 million than the December 31, 2019 balance of P153,425 million. The increase is accounted for as follows:

a. Increase in SPCS by P66,314 million pertains to the aforesaid issuances by SMC Global Power of SPCS amounting to US$1,350 million in total on various dates - January 21, October 21 and December 15, 2020.

b. Increase in retained earnings by P8,191 million was mainly attributable to the net income recognized for the year reduced by distributions to SPCS, RPS and USCS holders.

c. Decrease in equity reserves by P1,660 million pertains mainly to the currency translation adjustments for the year resulting from the appreciation of the Philippine Peso against the US dollar.

Equity

The increase in equity is due to:

(in Millions)	December 31	
	2021	2020
Issuance of SPCS	**P35,568**	P66,314
Net income for the year attributable to equity holders of the Parent Company	**16,058**	18,840
Equity reserves	**3,449**	(1,660)
Increase (decrease) in non-controlling interests	**(80)**	33
Share issuance costs	**(145)**	(168)
Distributions paid to USCS holders	**(656)**	(1,446)
Distributions paid to RPS holder	**(1,997)**	(2,016)
Distributions paid to SPCS holders	**(12,191)**	(7,018)
Redemption of USCS	**(14,582)**	-
	P25,424	P72,879

III. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	December 31		
	2021	2020	2019
Net cash flows provided by operating activities	**P25,439**	P28,968	P29,959
Net cash flows used in investing activities	**(52,726)**	(25,129)	(18,515)
Net cash flows provided by (used in) financing activities	**(19,974)**	28,455	40,283

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

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

(in Millions)	December 31		
	2021	2020	2019
Decrease (increase) in other noncurrent assets	**P2,230**	P4,554	(P1,617)
Proceeds from sale of property, plant and equipment	-	-	1
Additions to deferred exploration and development costs	**(4)**	(3)	(5)
Additions to intangible assets	**(185)**	(247)	(211)
Additions to investments and advances	**(998)**	(97)	(197)
Advances paid to suppliers and contractors	**(14,174)**	(2,565)	(6,369)
Additions to property, plant and equipment	**(39,595)**	(26,771)	(10,117)

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

(in Millions)	December 31		
	2021	2020	2019
Proceeds from issuance of SPCS	**P35,568**	P66,314	P65,886
Proceeds from short-term borrowings	**29,078**	5,728	9,179
Proceeds from long-term debt	**21,885**	2,179	34,835
Payment of stock issuance costs	**(145)**	(168)	(281)
Distributions paid to USCS holders	**(656)**	(1,446)	(3,183)
Distributions paid to RPS holder	**(1,997)**	(2,016)	(2,097)
Distributions paid to SPCS holders	**(12,191)**	(7,018)	(1,733)
Redemption of USCS	**(14,582)**	-	(15,183)
Payments of long-term debt	**(23,137)**	(6,261)	(12,407)
Payments of lease liabilities	**(24,464)**	(22,630)	(19,297)
Payments of short-term borrowings	**(29,333)**	(6,227)	(15,436)

The effect of exchange rate changes on cash and cash equivalents amounted to P4,233 million, (P1,531) million and (P284) million on December 31, 2021, 2020 and 2019, respectively.

IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The consolidated unappropriated retained earnings of the Group include the accumulated earnings in subsidiaries, net of equity in net losses of an associate and joint ventures, not available for declaration as dividends until declared by the respective investees.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II "Financial Performance" of the Management's Discussion and Analysis 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)	**December 2021**	December 2020	**December 2021**	December 2020
(A) Current Assets	**156,470**	177,378	**156,470**	177,378
(B) Current Liabilities	**109,472**	88,699	**87,876**	64,761
Current Ratio (A) / (B)	**1.43**	2.00	**1.78**	2.74

(1) Current portion of lease liabilities, in relation to the IPPA Agreements with PSALM, are excluded from the total current liabilities as these current obligations on lease are pass-through charges billable to customers. As at December 31, 2021 and 2020, current portion of lease liabilities to PSALM amounted to P21,596 million and P23,938 million, respectively.

SOLVENCY RATIO

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

Per relevant Loan Covenants of SMC Global Power

(in Millions Peso)	**December 2021**	December 2020
(A) Net Debt *(2)*	**184,001**	159,851
(B) Total Equity *(3)*	**247,603**	225,110
Net Debt-to-Equity Ratio (A) / (B)	**0.74**	0.71

**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**

	Conventional		***Adjusted*** *(4)*	
(in Millions Peso)	**December 2021**	December 2020	**December 2021**	December 2020
(A) Total Assets	**635,724**	610,016	**483,896**	453,002
(B) Total Equity	**251,729**	226,304	**251,729**	226,304
Asset-to-Equity Ratio (A) / (B)	**2.53**	2.70	**1.92**	2.00

(4) Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at December 31, 2021 and 2020, the net carrying amount of the IPPA power plant assets amounted to P151,828 and 157,014, respectively.

PROFITABILTY RATIO

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

(in Millions Peso)	December 2021	December 2020
(A) Net Income	**15,978**	18,874
(B) Total Equity	**251,729**	226,304
Return on Equity (A) / (B)	**6.3%**	8.3%

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

Per relevant Loan Covenants of SMC Global Power

(in Millions Peso)	December 2021	December 2020
(A) EBITDA *[(5)]*	**33,542**	41,451
(B) Interest Expense *[(6)]*	**13,405**	13,554
Interest Coverage Ratio (A) / (B)	**2.50**	3.06

[(5)] Full-year consolidated EBITDA (gross of PSALM payments and excluding amounts attributable to ring-fenced subsidiaries).

[(6)] Full-year consolidated interest expense (excluding amounts attributable to ring-fenced subsidiaries).

OPERATING EFFICIENCY

Volume Growth (Decline) = **Current Period Offtake Volume** / **Prior Period Offtake Volume** - **1**

	Years Ended December 31	
(in GWh)	**2021**	**2020**
(A) Current Period Offtake Volume	**27,221**	26,291
(B) Prior Period Offtake Volume	**26,291**	28,112
Volume Growth (Decline) [(A / B) – 1]	**3.5%**	(6.5%)

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

	Years Ended December 31	
(in Millions Peso)	**2021**	2020
(A) Current Period Revenue	**133,710**	115,029
(B) Prior Period Revenue	**115,029**	135,060
Revenue Growth (Decline) [(A / B) – 1]	**16.2%**	(14.8%)

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

	Years Ended December 31	
(in Millions Peso)	**2021**	2020
(A) Income from Operations	**31,886**	36,923
(B) Revenues	**133,710**	115,029
Operating Margin (A) / (B)	**23.8%**	32.1%

VI. OTHER MATTERS

- Event After the Reporting Date

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

The funds will be used for the payment of capital expenditures in connection with the Ilijan Natural Gas-fired Power Plant (including expansion projects related thereto); funding of liquid natural gas import, storage and distribution facilities; other transaction related fees, costs and expenses on the facility.

<u>Start of commercial operations of SMCGP Philippines Energy's Kabankalan BESS</u>
On January 6, 2022, an ERC Order granted Provisional Authority for the implementation of the Ancillary Services Procurement Agreement between the National Grid Corporation of the Philippines and SMCGP Philippines Energy for five years commencing on January 26, 2022. Following the receipt of the ERC Order, SMCGP Philippines Energy declared the commercial operations of its 20 MW Kabankalan 1 BESS with the Independent Electricity Market Operator of the Philippines starting January 26, 2022.

- Effects of COVID-19

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. Countries have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

The Philippine government issued a series of directives and social distancing measures as part of its efforts to contain the outbreak in the Philippines. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and an ECQ was imposed on the island of Luzon, including Metro Manila. Initially, the ECQ was set to end by April 12, 2020 but was subsequently extended for two-week periods until May 15, 2020 (the period from March 16, 2020 through May 15, 2020, the "ECQ period"). Under the ECQ guidelines, restrictions on movement outside of the residence were set in place (ranging from stay-at-home orders to total lockdowns), mass transport facilities were suspended, schools were closed and alternative work arrangements were implemented. The COVID-19 pandemic affected most daily activities and forced many businesses to suspend operations or shut down for the duration of the ECQ.

Only essential businesses such as plants involved in manufacturing and processing basic food products, medicine, medical devices/equipment and essential products such as hygiene products, and delivery services transporting food, medicine and essential goods, as well as essential sectors such as hospitals, power and water utilities were allowed to operate, subject to certain conditions and limitations on operating capacity.

After the ECQ was lifted in certain areas, a Modified ECQ ("MECQ"), general community quarantine ("GCQ") or modified general community quarantine ("MGCQ") was implemented. On June 1, 2020, Metro Manila was placed under GCQ which allowed certain sectors, including agriculture, food manufacturing and all supply chains, packaging and raw materials, supermarkets and logistics, among others, to resume full operations. The graduated lockdown schemes from ECQ, MECQ, GCQ, and MGCQ impose varying degrees of restrictions on travel and business operations. The Philippine government continues to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. Following a surge of COVID-19 cases in Metro Manila and surrounding provinces, the region was again placed under ECQ from March 29, 2021 until April 11, 2021 and was eased to MECQ from April 12, 2021 until May 14, 2021. Thereafter, the Philippine government eased the community quarantine measures in Metro Manila and surrounding provinces to GCQ with heightened restrictions until June 15, 2021. Metro Manila was then placed under GCQ with some restrictions from June 16, 2021 to July 15, 2021, and thereafter to GCQ from July 16, 2021 until end of July 2021. Following the confirmation of the Department of Health on July 22, 2021 of the local transmission of the COVID-19 Delta variant, the Philippine government reimposed stricter quarantine restrictions in Metro Manila and other provinces, which are now under GCQ with heightened restrictions from July 23, 2021 to July 31, 2021. Under GCQ with heightened restrictions, only essential travel is allowed. Subsequently, and amid the threat of the more infectious COVID-19 Delta variant, Metro Manila was placed under ECQ from August 6, 2021 to August 20, 2021 which has been eased to MECQ starting August 21, 2021 until September 15, 2021. On August 26, 2021, the Philippines government announced that it will phase out the large-scale community quarantine measures and replace the same with granular lockdowns and implement an alert level system. As at report date, Metro Manila is under Alert Level 1.

The day-to-day operations of the Group, being primarily engaged in power generation, are not significantly affected by the ECQ or other graduated quarantine measures because the Philippine government considers power generation as an essential service and operations related thereto continue to be permitted. As a result, the Group's power generation activities and any repairs and preventive maintenance works remain generally unhampered. As a critical safety measure to prevent the spread of COVID-19 cases and ensure operational resiliency, power plant personnel stay in the plant premises and are provided with the necessary accommodations, including food and other essential supplies, during the community quarantine period. On the other hand, support functions have been placed under flexible work arrangements (i.e. work from home, skeletal work force). The foregoing measures allow the Group to operate its power plant portfolio continuously and at levels sufficient to meet its bilateral volume commitments to its customers notwithstanding economic and logistical challenges faced during the community quarantine period. As of report date, a substantial percentage of the Group's employees have been vaccinated as part of the SMC's "Ligtas Lahat" COVID-19 vaccination program with a plan to inoculate all employees and members of its extended workforce.

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

As part of the Philippine government's ECQ measures, the primary regulators in the local power industry - the ERC and the DOE, issued separate advisories allowing deferred payment, over four equal monthly installments, of power bills falling due within the ECQ period. Subsequently, in view of the enactment of the Bayanihan to Recover as One Act in September 2020, the primary regulators issued advisories directing the implementation of a minimum 30-day grace period and staggered payment without interests, penalties and other charges to all payments falling due within the period of community quarantine. In 2021, there were a few DUs that entered into a payment arrangement scheme with the Group that will assist them in implementing DOE advisories in support to their member consumers during certain community quarantine periods. Nevertheless, with the consolidated unrestricted cash and cash equivalents of P67,690 million as at December 31, 2021, the Group has sufficient funds to continue settling its obligations as they fall due even without the benefit of a corresponding deferral as may be allowed by the regulators, while accommodating the deferred payment schemes availed of by its customers. As at report date, the power bills covered by the deferred payment schemes have been substantially collected.

The Group continues to review and implement the necessary changes to its operations and business processes as well as its capital expenditure plans in view of the global and local economic factors as a result of the COVID-19 pandemic. The Group places equal importance to maintaining and, in certain aspects, even improving its financial position and financial performance despite the pandemic.

- 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.

- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial year.

- 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.

- 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.

- 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.

- 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.

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

- The effects of COVID-19 in the performance of the Group as of December 31, 2021 are discussed in the Management's Discussion and Analysis of Financial Performance and Financial Position and under Other Matters.

- Commitments

  The outstanding purchase commitments of the Group amounted to P100,126 million as at December 31, 2021.

  Amount authorized but not yet disbursed for capital projects is approximately P214,795 million as at December 31, 2021.

  The Group's material commitments for capital expenditure projects have been approved in prior years and in the current year but these projects are ongoing and not yet completed as at December 31, 2021. The projects involve the construction of power plants, mostly utilizing high efficiency low emission technologies, LNG and BESS in line with the Group's expansion projects and acquisition of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarters until its completion. The funds to be used for these projects will come from available cash and proceeds from outstanding long-term loans and issued SPCS.

SMC GLOBAL POWER

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

INTRODUCTION

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

I. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last two periods are summarized in the following tables.

	Periods Ended March 31	
In Millions	**2022**	2021
Revenues	**P43,036**	P27,366
Cost of power sold	**(35,807)**	(17,730)
Gross profit	**7,229**	9,636
Selling and administrative expenses	**(1,158)**	(1,213)
Income from operations	**6,071**	8,423
Interest expense and other financing charges	**(4,092)**	(4,595)
Interest income	**217**	125
Equity in net earnings of an associate and joint ventures	**60**	37
Other income - net	**1,085**	2,083
Income before income tax	**3,341**	6,073
Income tax expense (benefit)	**1,413**	(1,704)
Net Income	**1,928**	7,777

2022 vs. 2021

	March 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2022**	**2021**	**Amount**	**%**	**2022**	**2021**
Revenues	**P43,036**	P27,366	P15,670	57%	**100%**	100%
Cost of power sold	**(35,807)**	(17,730)	18,077	102%	**(83%)**	(65%)
Gross profit	**7,229**	9,636	(2,407)	(25%)	**17%**	35%
Selling and administrative expenses	**(1,158)**	(1,213)	(55)	(5%)	**(3%)**	(4%)
Income from operations	**6,071**	8,423	(2,352)	(28%)	**14%**	31%
Interest expense and other financing charges	**(4,092)**	(4,595)	(503)	(11%)	**(10%)**	(17%)
Interest income	**217**	125	92	74%	**1%**	0%
Equity in net earnings of an associate and joint ventures	**60**	37	23	62%	**0%**	0%
Other income - net	**1,085**	2,083	(998)	(48%)	**3%**	8%
Income before income tax	**3,341**	6,073	(2,732)	(45%)	**8%**	22%
Income tax expense (benefit)	**1,413**	(1,704)	3,117	183%	**3%**	(6%)
Net income	**P1,928**	P7,777	(P5,849)	(75%)	**5%**	28%

Revenues

The Group's consolidated revenues for the first quarter of 2022 registered at P43,036 million, 57% or P15,670 million higher than last year's P27,366 million for the same period. The increase was mainly due to: (i) higher average realization prices attributable to higher fuel cost passed on to customers as a result of rising coal prices and the increase in overall spot sales price in Luzon, (ii) improvement in nominations from Manila Electric Company ("Meralco"), other distribution utilities and industrial customers arising from relatively lighter Coronavirus Disease 2019 (COVID-19) quarantine restrictions compared to 2021, thereby increasing offtake volumes by 10% to 6,991 gigawatt hours ("GWh") from 6,344 GWh in 2021, and (iii) commencement of commercial operations of the 20 megawatts ("MW") Kabankalan 1 Battery Energy Storage Systems ("BESS") on January 26, 2022.

Cost of Power Sold

Cost of power sold significantly increased by 102% or P18,077 million, from P17,730 million for the first quarter of 2021 to P35,807 million for the same period of 2022. The increase was mainly attributable to the following: (i) higher generation cost of Sual, Masinloc, Limay and Malita Power Plants on account of rising coal prices, (ii) higher volume of power purchased from the wholesale market coupled with higher spot purchase prices, and (iii) increase in gas prices for the Ilijan Power Plant.

Selling and Administrative Expenses

Selling and administrative expenses decreased by 5% or P55 million, from P1,213 million for the first quarter of 2021 to P1,158 million for the same period of 2022. The decrease was mainly due to: (i) the decline in contracted service charges incurred on account of lower outage days for preventive maintenance of Masinloc Power Plant Unit 3, and (ii) decline in contributions for COVID-19 community response initiatives.

Income from Operations

In spite of strong revenue growth, consolidated income from operations of P6,071 million for the first quarter of 2022 declined by 28% or P2,352 million from the same period last year, mainly due to lower margins of the Group as coal indices remained at high level, which more than doubled from last year, as well as the increase in spot purchase prices.

Interest Expense and Other Financing Charges

Interest expense and other financing charges decreased by 11% or P503 million from last year's P4,595 million for the same period to P4,092 million in 2022, primarily due to lower interest recognized on the declining principal balances of the Independent Power Producer Administrator ("IPPA") entities' lease liabilities.

Interest Income

Interest income increased by 74% or P92 million from last year's P125 million for the same period to P217 million in the first quarter of 2022, driven primarily by higher average interest rate for the period.

Equity in Net Earnings

Equity in net earnings of an associate and joint ventures increased from P37 million last year to P60 million in the same period of 2022 due mainly to the improvement in the financial performance results of Angat Hydropower Corporation ("AHC").

Other Income - Net

Other income decreased by 48% or P998 million from last year's P2,083 million for the same period to P1,085 million in 2022. This was due to (i) lower income from reduction of Power Sector Assets and Liabilities Management Corporation ("PSALM") fixed fees for the outages of Sual Power Plant in the first quarter of 2021, and (ii) higher net foreign exchange losses by P196 million recognized on the Group's US dollar-denominated financial assets and liabilities with the movement of the Philippine peso against the US dollar during the period.

Income Tax Expense (Benefit)

Provision for income tax made a complete turnaround from last year's P1,704 million benefit to P1,413 million expense this year. This resulted primarily from the recording in the first quarter of 2021 the impact of the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE") Law, that was approved by the President of the Philippines on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5% to 10% point cut in the corporate income tax starting July 1, 2020. CREATE impact adjustment, reducing income tax expense for 2020 by P3,152 million, was recognized in the first quarter of 2021.

Net Income

Consequently, the consolidated net income of the Group for the first quarter decreased by 75% or P5,849 million from P7,777 million in 2021 to P1,928 million in 2022. Without the CREATE impact, the net income would have declined by 58% from the previous year.

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

1. **POWER GENERATION**

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

   For the first quarter of 2022, net generation of 1,575 GWh at 69% net capacity factor rate was 180% higher than the same period last year. This was mainly due to lower outages in 2022 as Sual Unit 2 was on extended outage for the repair of turbine blades and diaphragm during the first quarter of 2021. Likewise, total offtake volume increased by 9% to 1,936 GWh from same period last year on account of higher Meralco nominations and the significant improvement in volumes sold to spot and affiliate generators for the first quarter of 2022.

   Revenues of P12,382 million was 46% higher than last year's P8,474 million mainly attributable to improvement in average realization price of electric cooperatives driven by the increase in pass-on fuel cost, and higher spot market prices.

   Operating income of P1,470 million was 8% lower than P1,590 million in 2021 on account of higher generation cost due to significant increase in cost of coal and spot purchase prices offset by the decline in power purchase volumes from affiliate and external generators as a result of higher plant availability during the period.

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

   The net generation of Ilijan Power Plant for the first quarter of 2022 fell by 14% due to its deration brought by the continued Malampaya gas supply restriction which started on March 17, 2021. Total offtake volume of 1,817 GWh decreased by 9% compared to same period last year on account of lower spot sales volume and replacement power sold to affiliate generators slightly offset by the increase in Meralco nominations.

   Revenues of P8,628 million for the first quarter of 2022 was 14% higher compared to same period last year despite lower offtake volumes. This was on account of the significant increase in spot sales prices and the improved average realization prices for bilateral sales.

   Operating income of P1,283 million in 2022 dropped by 35% compared to the P1,971 million posted on the same period last year. This was attributable to higher volume of power purchases as a result of the Ilijan Power Plant’s deration and the significant increase in average spot purchase price caused by multiple plants shutdown in Luzon during the period.

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

   The San Roque Power Plant’s net generation of 189 GWh, at 25% net capacity factor rate, for the first quarter of 2022 decreased by 19% due to lower water reservoir level. Total offtake volume of 237 GWh likewise decreased by 7% compared to 254 GWh in the first quarter of 2021 due to lower spot sales volume partly offset by higher replacement power supplied to affiliate generators and from the new bilateral customer contract which took effect on March 5, 2022.

   Revenues of P1,259 million for the first quarter of 2022 was 12% higher than the same period last year, mainly due to higher average realization price and volume of bilateral sales.

The foregoing factors resulted to an upturn in operating income from P485 million in 2021 to P572 million in 2022.

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d. **SMC Consolidated Power Corporation (SCPC, owner of Limay Greenfield Power Plant)**

Limay Greenfield Power Plant has a combined capacity of 600 MW. Total generation of the plant from all operating units of 981 GWh at 85% net capacity factor rate for the first quarter of 2022 was 3% lower than the same period last year at 1,016 GWh due to higher plant outages for preventive maintenance services. SCPC dispatched 389 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its Retail Energy Supplier (RES) customers. Total offtake volume of 407 GWh fell from last year by 11% due to decline in both bilateral and spot sales volume.

For the first quarter of 2022, revenues increased by 44% from P2,058 million last year to P2,972 million in the current year due to higher average fuel charges passed on to customers as a result of rising fuel prices and increase in spot rates.

Consequently, operating income registered at P944 million in 2022 was 9% higher than the P869 million posted in 2021.

e. **San Miguel Consolidated Power Corporation (SMCPC, owner of Davao Greenfield Power Plant)**

For the first quarter of 2022, a total of 397 GWh was generated by the plant at a capacity factor rate of 70% which was 10% lower compared to the same period in 2021. Revenues at P3,557 million grew by 60% on account of higher average realization price due to higher pass-on fuel cost as a result of rising cost of coal. Accordingly, operating income registered at P1,307 million, was 36% higher than the same period last year.

f. **Masinloc Power Partners Co. Ltd. (MPPCL, owner of Masinloc Power Plant)**

The Masinloc Power Plant operating Units 1, 2, and 3 with a combined net capacity of 924MW, contributed a total net generation of 1,463 GWh for the first quarter of 2022. This was 4% higher compared to the 1,411 GWh for the same period last year, due to higher plant availability.

Total offtake volume of 1,690 GWh exceeded last year by 3% on account of new contracts with bilateral customers. Year to date revenues inclusive of ancillary revenues from the 10 MW BESS, increased to P10,998 million due to high spot market prices and bilateral rates to customers. However, operating income of P737 million was lower by 58% attributed to the increase in cost of coal and spot purchase prices during the period.

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

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

Revenues of P1,029 million was 34% higher than the P769 million posted on the same period last year driven primarily by the increase in average realization price. The improvement in revenues was curtailed by higher systems loss and cost of power purchases. Consequently, operating loss of P217 million in 2022 was higher than the P82 million loss recognized in 2021 for the same period.

b. **SCPC, RES**
For the first quarter of 2022, total offtake volumes registered at 660 GWh was at par with last year's 663 GWh. Revenues increased by 21% from P3,154 million for the same period last year to P3,826 million due to higher bilateral rates. This was offset by higher generation cost as a result of rising fuel prices due to increasing coal prices. Consequently, P226 million operating loss was registered in 2022, a turnaround from the P565 million operating income posted in the same period of 2021.

c. **MPPCL, RES**

For the first quarter of 2022, total offtake volumes and revenues more than doubled compared to last year, registering at 325 GWh and P1,964 million, respectively, attributable to new contestable customers. Operating income of P131 million, however, was lower compared to the same period last year due to increase in generation costs driven primarily by higher coal prices during the period.

2021 vs. 2020

	March 31		**Horizontal Analysis Increase (Decrease)**		**Vertical Analysis**	
In Millions	**2021**	**2020**	**Amount**	**%**	**2021**	**2020**
Revenues	**P27,366**	P28,298	(P932)	(3%)	**100%**	100%
Cost of power sold	**(17,730)**	(18,965)	(1,235)	(7%)	**(65%)**	(67%)
Gross profit	**9,636**	9,333	303	3%	**35%**	33%
Selling and administrative expenses	**(1,213)**	(1,510)	(297)	(20%)	**(4%)**	(5%)
Income from operations	**8,423**	7,823	600	8%	**31%**	28%
Interest expense and other financing charges	**(4,595)**	(4,782)	(187)	(4%)	**(17%)**	(17%)
Interest income	**125**	466	(341)	(73%)	**0%**	2%
Equity in net earnings (losses) of an associate and joint ventures	**37**	(159)	196	123%	**0%**	(1%)
Other income - net	**2,083**	1,723	360	21%	**8%**	6%
Income before income tax	**6,073**	5,071	1,002	20%	**22%**	18%
Income tax expense (benefit)	**(1,704)**	1,850	(3,554)	(192%)	**(6%)**	7%
Net income	**P7,777**	P3,221	P4,556	141%	**28%**	11%

Revenues

The Group's consolidated revenues for the first quarter of 2021 registered at P27,366 million, 3% or P932 million lower than the P28,298 million for 2020 same period, as offtake volumes of 6,344 GWh declined by 5%. The decrease was mainly due to: (i) lower demand of industrial and contestable customers due to continuing effect of community quarantine, (ii) lower nominations from distribution utilities customers of SMCPC, (iii) decrease in overall spot sales volume of Luzon-based power plants, and moderated by (iv) higher average realization prices.

Cost of Power Sold

Cost of power sold likewise decreased by 7% or P1,235 million, from P18,965 million for the first quarter of 2020 to P17,730 million in 2021 same period. The decrease was attributable to the following: (i) lower cost of coal consumption mainly due to the decline in net generation of Sual and Davao Greenfield Power Plants, with the prolonged outage of Sual Unit 2, coupled with lower average prices of coal consumed in the first quarter of 2021, (ii) lower energy fees due primarily to the decline in net generation and lower average natural gas prices for the Ilijan Power Plant, and partly offset by (iii) higher power purchases from external generators and the spot market to meet bilateral requirements.

Selling and Administrative Expenses

Selling and administrative expenses decreased by 20% or P297 million, from P1,510 million for the first quarter of 2020 to P1,213 million in 2021. The decrease was mainly due to: (i) contributions of P200 million for COVID-19 community response initiatives incurred in the first quarter of 2020, and (ii) lower taxes and licenses due to the decline in local business taxes of San Miguel Electric Corp. (“SMELC”) and SPDC and lower documentary stamp taxes incurred by SMC Global Power.

Income from Operations

With lower generation costs, gas price and operating expenses, and effective implementation of power dispatch strategies, consolidated income from operations ended 8% or P600 million higher from P7,823 million posted in 2020 to P8,423 million for the first quarter of 2021.

Interest Expense and Other Financing Charges

Interest expense and other financing charges decreased by 4% or P187 million, from P4,782 million during the first quarter of 2020 to P4,595 million in 2021, due primarily to lower interest recognized on the declining principal balances of the IPPA entities’ lease liabilities.

Interest Income

Interest income decreased by 73% or P341 million, from P466 million reported interest income during the first quarter of 2020 to P125 million in 2021, driven primarily by lower average interest rate and shorter placement periods as funds were utilized to defray capital expenditures for ongoing construction projects.

Equity in Net Earnings (Losses)

Equity in net earnings (losses) of an associate and joint ventures made a turnaround from P159 million loss in the first quarter of 2020 to P37 million gain in 2021, due mainly to the improvement in the financial performance results of AHC.

Other Income - Net

Other income increased by 21% or P360 million from P1,723 million reported in the first quarter of 2020 to P2,083 million in 2021. This was due to (i) the recognition of income from reduction of PSALM fixed fees for the outages of Sual Power Plant in the first quarter of 2021, (ii) lower net foreign exchange losses by P79 million recognized on the Group's US dollar-denominated financial assets and liabilities with the movement of the Philippine peso against the US dollar in 2021, and offset by (iii) the recognition in 2020 of P1,931 million to be recovered from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts.

Income Tax Expense (Benefit)

Provision for income tax had a complete turnaround from P1,850 million expense in the first quarter of 2020 to P1,704 million benefit in 2021. This resulted primarily from the recording in the first quarter of 2021 of the CREATE impact reducing the provision for income tax expense for year 2020 by P3,152 million.

Net Income

Consequently, the consolidated net income of the Group for the first quarter of 2021 grew by 141% or P4,556 million, from P3,221 million in 2020 to P7,777 in 2021. Nevertheless, without the effect of the CREATE Law, consolidated net income would still have increased by 44% to P4,625 million.

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

1. **POWER GENERATION**

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

   For the first quarter of 2021, net generation of 562 GWh at 26% net capacity factor rate was 62% lower than the same period of 2020 due to higher outage hours resulting mainly from prolonged outage of Unit 2 and forced and planned maintenance shutdown of Unit 1 during the period. Likewise, total offtake volume decreased to 1,782 GWh from 2,302 GWh for the first quarter of 2020 on account of lower demand from industrial and RES customers during the quarantine period.

   Revenues of P8,474 million was 9% lower than the P9,291 million reported for the same period in 2020, mainly attributable to the decline in offtake volume and moderated by the increase in average realization price for bilateral customers with rate escalation provisions in its Power Supply Agreement ("PSA").

   Operating income of P1,590 million was 37% lower than the P2,518 million posted in 2020 on account of the foregoing plus higher power purchases during the outages of both Sual units.

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

   The net generation of Ilijan Power Plant for the first quarter of 2021 fell by 2% on account of higher outage hours resulting from the planned maintenance shutdown of Block 2 due to combustor inspection in 2021. Total offtake volume of 1,993 GWh increased by 5% compared to the same period in 2020 due mainly to higher Meralco nominations, with the commencement of the 290 MW Mid-merit PSA on March 16, 2020.

Despite the increase in offtake volume, revenues of P7,546 million for the first quarter of 2021 was at par with the revenues reported for 2020. This was on account of the decline in average realization prices for bilateral and spot sales volume.

Operating income of P1,971 million in 2021 improved by 31% than the P1,507 million posted in 2020 due to the increase in offtake volume and decline in average gas price for the period.

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

The San Roque Power Plant's net generation of 233 GWh, at 31% net capacity factor rate, for the first quarter of 2021 increased by 69% due to longer operating hours attributable to high reservoir level. Total offtake volume of 254 GWh likewise increased by 45% compared to 175 GWh in 2020 due to the higher spot sales and replacement power supplied to affiliate generators.

Revenues for the period increased by 47% from P765 million in 2020 to P1,121 million in 2021 due mainly to higher average realization price and total offtake volume.

The foregoing factors resulted to an upturn in operating income from P159 million in 2020 to P485 million in 2021.

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

Total generation of the plant from all operating units of 1,016 GWh at 88% net capacity factor rate for the first quarter of 2021 was 30% higher than the 784 GWh posted in 2020 due to higher plant availability with lower outage hours. SCPC dispatched 426 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its RES customers. Total offtake volume of 459 GWh fell by 24% from the total offtake volume registered in 2020 due to decline in demand from industrial customers and distribution utilities with the imposition of quarantine in 2021.

Revenues for the first quarter decreased by 27% from P2,803 million reported in 2020 to P2,058 million in 2021 due to the decline in offtake volume and the average selling price for replacement power sold to affiliate generators. Consequently, operating income registered at P869 million in 2021, 9% lower than the P960 million posted in 2020.

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

For the first quarter of 2021, a total of 443 GWh was generated by the plant at a capacity factor rate of 78%. This was 7% lower compared to the same period in 2020. Revenues at P2,229 million declined by 24% on account of lower nominations from its existing bilateral customers. Likewise, average realization price decreased due to lower pass-on fuel costs with the utilization of lower kcal coal. Accordingly, operating income registered at P961 million, which was 21% lower than the operating income reported in the same period of 2020.

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

Total net generation of 1,411 GWh for the first quarter of 2021 was 11% higher compared to 1,273 GWh posted in 2020. This was attributable to higher combined operating hours of Units 1 and 2 in 2021. The start of commercial operations of Unit 3 was on September 26, 2020.

Total offtake volume of 1,640 GWh fell by 2% from the offtake volume registered in 2020 on account of lower spot sales volume. Nonetheless, year-to-date revenues inclusive of ancillary revenues from the 10 MW BESS, and operating income increased to P6,278 million and P1,752 million, respectively, driven by higher average replacement power realization rates to affiliate generators and increase in spot prices in 2021.

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

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

Revenues of P769 million was 9% lower than the P849 million posted in 2020, primarily driven by lower offtake volume and decline in average realization price. The decline in revenues was partially mitigated by lower cost of power purchases. Consequently, operating loss of P82 million in 2021 was higher than the P36 million recognized in 2020 for the same period.

b. **SCPC, RES**

For the first quarter of 2021, total offtake volume registered at 663 GWh. This was 28% higher than the 518 GWh registered in 2020 due to increase in nominations from contestable customers and the transfer of contestable customers from SMELC. Revenues increased by 27% from P2,474 million in the first quarter of 2020 to P3,154 million in 2021 as offtake volume increased. Consequently, operating income registered at P565 million in 2021 was 150% higher than the P226 million posted in 2020.

c. **MPPCL, RES**

For the first quarter of 2021, total offtake volume and revenues more than doubled compared to 2020, registering at 131 GWh and P789 million, respectively, attributed mainly to the contracts assigned from SMELC. Consequently, operating income registered at P220 million in 2021, much higher than in 2020.

II. FINANCIAL POSITION

A. MAJOR DEVELOPMENTS IN 2022

AVALIMENT OF LONG-TERM DEBT

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

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

PAYMENT OF MATURING LONG-TERM DEBT

In the first quarter of 2022, SCPC and SMCPC paid a total of P927 million of their scheduled long-term debt amortizations pursuant to the terms and conditions of their respective facility agreements.

START OF COMMERCIAL OPERATIONS OF KABANKALAN 1 BESS

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

EVENTS AFTER THE REPORTING DATE

- Availment of short-term loan

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

- Redemption of maturing Series H Bonds

On April 25, 2022, SMC Global Power completed the redemption of its Series H Bonds amounting to P13,845 million, which forms part of the P30,000 million Series HIJ fixed rate bonds issued in April 2019. SMC Global Power used in part the proceeds of the P10,000 million term loan availed in April 2022 for the redemption of the Series H Bonds.

- Payment of long-term debt

On April 29, 2022, MPPCL made principal repayments of term loans from its Omnibus Refinancing Agreement and Omnibus Expansion Facility Agreement amounting to US$24 million and US$14 million, respectively.

B. MAJOR DEVELOPMENTS IN 2021

REDEMPTION OF US$300 MILLION UNDATED SUBORDINATED CAPITAL SECURITIES (“USCS”) BY SMC GLOBAL POWER

On February 26, 2021, SMC Global Power completed the redemption of the US$300 million USCS issued on August 26, 2015 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$300 million USCS was redeemed using in part the proceeds of the US$350 million Senior Perpetual Capital Securities issued on December 15, 2020.

REFINANCING OF US$200 MILLION LONG-TERM DEBT BY SMC GLOBAL POWER

On March 9, 2021, SMC Global Power executed a 5-year term loan facility agreement for the amount of US$200 million used to refinance its maturing US$200 million loan obligation. Drawdown was completed on March 12, 2021. The loan is subject to floating interest rate plus margin and to mature in March 2026.

PAYMENT OF MATURING LONG-TERM DEBT

In 2021, SCPC and SMCPC paid a total of P869 million of their outstanding long-term debts pursuant to the terms and conditions of their respective credit facility agreements.

C. MATERIAL CHANGES PER LINE OF ACCOUNT

2022 vs. 2021

			Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**March 31, 2022**	December 31, 2021	Amount	%	**2022**	2021
Cash and cash equivalents	**P59,023**	P67,690	(P8,667)	(13%)	**9%**	11%
Trade and other receivables - net	**57,874**	47,272	10,602	22%	**9%**	7%
Inventories	**9,679**	10,018	(339)	(3%)	**1%**	2%
Prepaid expenses and other current assets	**31,070**	31,490	(420)	(1%)	**5%**	5%
Total Current Assets	**157,646**	156,470	1,176	1%	**24%**	25%
Investments and advances - net	**10,945**	10,839	106	1%	**2%**	2%
Property, plant and equipment - net	**221,075**	211,859	9,216	4%	**34%**	33%
Right-of-use assets - net	**156,728**	157,160	(432)	0%	**24%**	25%
Deferred exploration and evaluation costs	**723**	719	4	0%	**0%**	0%
Goodwill and other intangible assets - net	**73,780**	72,943	837	1%	**12%**	11%
Deferred tax assets	**1,578**	1,447	131	9%	**0%**	0%
Other noncurrent assets	**23,815**	24,287	(472)	(2%)	**4%**	4%
Total Noncurrent Assets	**488,644**	479,254	9,390	2%	**76%**	75%
Total Assets	**P646,290**	P635,724	P10,566	2%	**100%**	100%
Loans payable	**776**	1,530	(754)	(49%)	**0%**	0%
Accounts payable and accrued expenses	**60,221**	56,055	4,166	7%	**9%**	9%
Lease liabilities - current portion	**19,809**	21,677	(1,868)	(9%)	**3%**	3%
Income tax payable	**25**	25	-	0%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**63,734**	30,185	33,549	111%	**10%**	5%
Total Current Liabilities	**144,565**	109,472	35,093	32%	**22%**	17%
Long-term debt - net of current maturities and debt issue costs	**169,597**	192,736	(23,139)	(12%)	**26%**	30%
Deferred tax liabilities	**21,560**	20,183	1,377	7%	**4%**	3%
Lease liabilities - net of current portion	**53,400**	56,536	(3,136)	(6%)	**8%**	9%
Other noncurrent liabilities	**5,215**	5,069	146	3%	**1%**	1%
Total Noncurrent Liabilities	**249,772**	274,524	(24,752)	(9%)	**39%**	43%
Total Liabilities	**394,337**	383,996	10,341	3%	**61%**	60%

Forward

In Millions	March 31, 2022	December 31, 2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2022	2021
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**P1,062**	P1,062	P -	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**167,767**	167,767	-	0%	**26%**	27%
Redeemable perpetual capital securities	**32,752**	32,752	-	0%	**5%**	5%
Equity reserves	**(1,519)**	(1,536)	17	1%	**0%**	0%
Retained earnings	**48,426**	48,248	178	0%	**8%**	8%
	250,978	250,783	195	0%	**39%**	40%
Non-controlling Interests	**975**	945	30	3%	**0%**	0%
Total Equity	**251,953**	251,728	225	0%	**39%**	40%
Total Liabilities and Equity	**P646,290**	P635,724	P10,566	2%	**100%**	100%

The Group's consolidated total assets as at March 31, 2022 amounted to P646,290 million, slightly higher by 2% or P10,566 million than December 31, 2021 balance of P635,724 million. The increase was attributable to the following factors:

a. Increase in trade and other receivables by P10,602 million was mainly attributable to the higher trade customer balances from power sales as the Group recover in part the increase in generation cost, brought by higher coal prices, coupled with higher overall offtake volumes as demand improve.

b. Increase in property, plant and equipment by P9,216 million as a result of the ongoing construction of the Batangas Combined Cycle Power Plant ("BCCPP") project, BESS projects and Mariveles Power Plant.

c. Increase in deferred tax assets by P131 million was due primarily to the deferred income tax benefit recognized by MPPCL on unrealized foreign exchange losses from the revaluation of its US dollar-denominated liabilities.

d. Decrease in cash and cash equivalents by P8,667 million was due mainly to the (i) capital expenditures for BCCPP project, BESS and Mariveles Power Plant projects; (ii) payments of maturing long-term loans by SMCPC and SCPC, and MPPCL's short-term loan; (iii) distributions paid to holders of Senior Perpetual Capital Securities ("SPCS") and Redeemable Perpetual Securities ("RPS") by SMC Global Power; partly offset by the (iv) proceeds from the US$200 million term loan drawn by the Parent Company in January 2022.

The Group's consolidated total liabilities as at March 31, 2022 amounted to P394,337 million, 3% or P10,341 million higher than the December 31, 2021 balance of P383,996 million. The major items accounting for the increase are as follows:

a. Increase in current maturities of long-term debt - net of debt issue costs by P33,549 million was attributable to the reclassification from noncurrent of the Group's term loans maturing in January 2023 and March 2023 amounting to US$149 million and US$500 million, respectively, partly offset by payments of principal amortizations made by SMCPC and SCPC in the first quarter of 2022.

b. Increase in accounts payable and accrued expenses by P4,166 million was mainly attributable to higher outstanding trade payables of IPPA entities and SCPC for energy fees, power and coal purchases as spot, coal and natural gas prices continue to surge, plus the increase in output VAT driven by higher revenues for the period.

c. Increase in deferred tax liabilities by P1,377 million was due primarily to higher provision for deferred income tax expense recognized by the IPPA entities on the difference of monthly fixed payments to PSALM over lease-related expenses.

d. Decrease in long-term debt - net of current maturities and debt issue costs by P23,139 million was due to the reclassification to current of the US$149 million and US$500 million term loans of MPPCL and SMC Global Power, respectively, that will mature in the first quarter of 2023. This was partly offset by the US$200 million term loan availed by SMC Global Power in January 2022.

e. Decrease in lease liabilities (including current portion) by P5,004 million was mainly on account of lease payments made by the IPPA entities to PSALM.

f. Decrease in loans payable by P754 million was due to partial settlement made by MPPCL on March 17, 2022 amounting to US$15 million (equivalent to P782 million) and offset by the unrealized foreign exchange loss recognized on the revaluation of the remaining balance.

2021 vs. 2020

			Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**March 31, 2021**	December 31, 2020	Amount	%	**2021**	2020
Cash and cash equivalents	**P93,928**	P110,718	(P16,790)	(15%)	**16%**	18%
Trade and other receivables - net	**34,092**	36,162	(2,070)	(6%)	**6%**	6%
Inventories	**5,434**	5,582	(148)	(3%)	**1%**	1%
Prepaid expenses and other current assets	**26,438**	24,916	1,522	6%	**4%**	4%
Total Current Assets	**159,892**	177,378	(17,486)	(10%)	**27%**	29%
Investments and advances - net	**10,002**	9,957	45	0%	**2%**	2%
Property, plant and equipment - net	**176,895**	171,415	5,480	3%	**30%**	28%
Right-of-use assets - net	**161,053**	162,313	(1,260)	(1%)	**27%**	27%
Deferred exploration and evaluation costs	**715**	715	-	0%	**0%**	0%
Goodwill and other intangible assets - net	**72,846**	72,858	(12)	0%	**12%**	12%
Deferred tax assets	**1,354**	1,646	(292)	(18%)	**0%**	0%
Other noncurrent assets	**12,762**	13,734	(972)	(7%)	**2%**	2%
Total Noncurrent Assets	**435,627**	432,638	2,989	1%	**73%**	71%
Total Assets	**P595,519**	P610,016	(P14,497)	(2%)	**100%**	100%

Forward

In Millions	**March 31, 2021**	December 31, 2020	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2021**	2020
Loans payable	**P1,698**	P1,681	P17	1%	**0%**	0%
Accounts payable and accrued expenses	**41,848**	40,279	1,569	4%	**7%**	7%
Lease liabilities - current portion	**24,567**	24,007	560	2%	**4%**	4%
Income tax payable	**169**	10	159	1,590%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**13,227**	22,722	(9,495)	(42%)	**2%**	4%
Total Current Liabilities	**81,509**	88,699	(7,190)	(8%)	**13%**	15%
Long-term debt - net of current maturities and debt issue costs	**206,043**	196,831	9,212	5%	**34%**	32%
Deferred tax liabilities	**17,185**	19,456	(2,271)	(12%)	**3%**	3%
Lease liabilities - net of current portion	**69,714**	75,504	(5,790)	(8%)	**12%**	12%
Other noncurrent liabilities	**3,563**	3,222	341	11%	**1%**	1%
Total Noncurrent Liabilities	**296,505**	295,013	1,492	1%	**50%**	48%
Total Liabilities	**378,014**	383,712	(5,698)	(1%)	**63%**	63%
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**1,062**	1,062	-	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**132,200**	132,200	-	0%	**22%**	22%
Redeemable perpetual capital securities	**32,752**	32,752	-	0%	**6%**	5%
Undated subordinated capital securities	**-**	13,823	(13,823)	(100%)	**0%**	2%
Equity reserves	**(4,611)**	(4,228)	(383)	(9%)	**0%**	0%
Retained earnings	**52,596**	47,179	5,417	11%	**9%**	8%
	216,489	225,278	(8,789)	(4%)	**37%**	37%
Non-controlling Interests	**1,016**	1,026	(10)	(1%)	**0%**	0%
Total Equity	**217,505**	226,304	(8,799)	(4%)	**37%**	37%
Total Liabilities and Equity	**P595,519**	P610,016	(P14,497)	(2%)	**100%**	100%

The Group's consolidated total assets as at March 31, 2021 amounted to P595,519 million, lower by 2% or P14,497 million than December 31, 2020 balance of P610,016 million. The decrease was attributable to the following factors:

a. Decrease in cash and cash equivalents by P16,790 million was due mainly to the (i) redemption of the US$300 million USCS on February 26, 2021 by SMC Global Power, and payments of (ii) distributions to the holders of RPS, USCS and SPCS by SMC Global Power, and (iii) payments of maturing long-term borrowings of SCPC and SMCPC.

b. Decrease in trade and other receivables by P2,070 million was attributable to SPPC's collection from Meralco of November 2020 Power Bills in January 2021 following the payment term provisions of its PSAs.

c. Decrease in deferred tax assets by P292 million was due primarily to the impact of CREATE Law which reduced the corporate income tax rate from 30% to 25% thereby decreasing the deferred income tax benefit recognized on unrealized foreign exchange losses of MPPCL and on allowance for probable losses of APEC.

d. Decrease in other noncurrent assets by P972 million was due mainly to the (i) application of advances to contractors to progress billings for the ongoing constructions of the Mariveles Power Plant and of MPPCL's BESS and Unit 1 retrofit projects.

e. Increase in prepaid expenses and other current assets by P1,522 million was mainly due to higher restricted cash balances by P1,219 million of SMCPC and SCPC as required under its respective credit facility agreements.

The Group's consolidated total liabilities as at March 31, 2021 amounted to P378,014 million, 1% or P5,698 million slightly lower than the December 31, 2020 balance of P383,712 million. The major items accounting for the decrease are as follows:

a. Decrease in current maturities of long-term debt – net of debt issue costs by P9,495 million was mainly attributable to the settlement of the US$200 million term loan by SMC Global Power upon its maturity in March 2021.

b. Decrease in lease liabilities (including current portion) by P5,230 million was mainly on account of lease payments made by the IPPA entities to PSALM.

c. Decrease in deferred tax liabilities by P2,271 million was due primarily to the impact of CREATE Law which reduced the corporate income tax rate from 30% to 25% thereby decreasing the deferred income tax expense recognized by the IPPA entities on the difference of monthly fixed payments to PSALM over lease-related expenses.

d. Increase in long-term debt - net of current maturities and debt issue costs, by P9,212 million was mainly due to the US$200 million 5-year term loan availed on March 12, 2021 by SMC Global Power to refinance the US$200 million term loan maturing on the same date.

e. Increase in other noncurrent liabilities by P341 million was mainly due to the recognition of retention payable related to the ongoing Mariveles Power Plant project of Mariveles Power Generation Corporation.

f. Increase in income tax payable by P159 million was attributable mainly to the income tax due for the first quarter of 2021 of MPPCL.

The Group's consolidated total equity as at March 31, 2021 amounted to P217,505 million, lower by 4% or P8,799 million than the December 31, 2020 balance of P226,304 million. The decrease is accounted for as follows:

a. Decrease in USCS by P13,823 million pertains to the redemption on February 26, 2021 of the remaining US$300 million USCS issued in August 2015.

b. Decrease in equity reserves by P383 million resulted from the redemption of the US$300 million USCS by SMC Global Power in February 2021.

c. Increase in retained earnings by P5,417 million was mainly attributable to the net income recognized for the period reduced by distributions to SPCS, RPS and USCS holders.

III. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	March 31	
	2022	2021
Net cash flows provided by operating activities	**P1,209**	P11,909
Net cash flows used in investing activities	**(10,620)**	(5,398)
Net cash flows provided by (used in) financing activities	**342**	(23,637)

Net cash flows from operations basically consist of income for the period and changes in noncash current assets, certain current liabilities and others.

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

(in Millions)	March 31	
	2022	2021
Additions to deferred exploration and development costs	**(P3)**	(P1)
Additions to intangible assets	**(35)**	(8)
Additions to investments and advances	**(46)**	(8)
Decrease (increase) in other noncurrent assets	**(76)**	101
Advances paid to suppliers and contractors	**(2,856)**	(77)
Additions to property, plant and equipment	**(7,604)**	(5,405)

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

(in Millions)	March 31	
	2022	2021
Proceeds from long-term debt	**P10,274**	P9,691
Proceeds from short-term borrowings	**782**	1,683
Distributions paid to USCS holders	**-**	(703)
Redemption of USCS	**-**	(14,582)
Payment of stock issuance costs	**(29)**	-
Distributions paid to RPS holder	**(520)**	(492)
Payments of long-term debts	**(927)**	(10,560)
Distributions paid to SPCS holders	**(1,171)**	(1,174)
Payments of short-term borrowing	**(1,564)**	(1,683)
Payments of lease liabilities	**(6,503)**	(5,817)

The effect of exchange rate changes on cash and cash equivalents amounted to P402 million and P336 million on March 31, 2022 and 2021, respectively.

IV. KEY PERFORMANCE INDICATORS

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

LIQUIDITY RATIO

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

(in Millions Peso)	*Conventional* March 2022	*Conventional* December 2021	*Adjusted* [(1)] March 2022	*Adjusted* [(1)] December 2021
(A) Current Assets	**157,646**	156,470	**157,646**	156,470
(B) Current Liabilities	**144,565**	109,472	**124,855**	87,876
Current Ratio (A) / (B)	**1.09**	1.43	**1.26**	1.78

(1) Current portion of lease liabilities, in relation to the IPPA Agreements with PSALM, are excluded from the total current liabilities as these current obligations on lease are pass-through charges billable to customers. As at March 31, 2022 and December 31, 2021, current portion of lease liabilities to PSALM amounted to P19,710 million and P21,596 million, respectively.

SOLVENCY RATIO

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

Per relevant Loan Covenants of SMC Global Power

(in Millions Peso)	March 2022	December 2021
(A) Net Debt [(2)]	**197,644**	184,001
(B) Total Equity [(3)]	**246,756**	247,603
Net Debt-to-Equity Ratio (A) / (B)	**0.80**	0.74

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

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

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

	Conventional		Adjusted [4]	
(in Millions Peso)	**March 2022**	December 2021	**March 2022**	December 2021
(A) Total Assets	**646,290**	635,724	**495,759**	483,896
(B) Total Equity	**251,953**	251,728	**251,953**	251,728
Asset-to-Equity Ratio (A) / (B)	**2.57**	2.53	**1.97**	1.92

(4) Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at March 31, 2022 and December 31, 2021, the net carrying amount of the IPPA power plant assets amounted to P150,531 million and P151,828 million, respectively.

PROFITABILITY RATIO

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

(in Millions Peso)	**March 2022**	December 2021
(A) Net Income [5]	**10,129**	15,978
(B) Total Equity	**251,953**	251,728
Return on Equity (A) / (B)	**4.0%**	6.3%

(5) Annualized for quarterly reporting.

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

Per relevant Loan Covenants of SMC Global Power

(in Millions Peso)	**March 2022**	December 2021
(A) EBITDA [6]	**30,901**	33,542
(B) Interest Expense [7]	**12,969**	13,405
Interest Coverage Ratio (A) / (B)	**2.38**	2.50

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

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

OPERATING EFFICIENCY

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

(in GWh)	Periods Ended March 31 2022	2021
(A) Current Period Offtake Volume	6,991	6,344
(B) Prior Period Offtake Volume	6,344	6,644
Volume Growth (Decline) [(A / B) – 1]	10.2%	(4.5%)

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

(in Millions Peso)	Periods Ended March 31 2022	2021
(A) Current Period Revenue	43,036	27,366
(B) Prior Period Revenue	27,366	28,298
Revenue Growth (Decline) [(A / B) – 1]	57.3%	(3.3%)

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

(in Millions Peso)	Periods Ended March 31 2022	2021
(A) Income from Operations	6,071	8,423
(B) Revenues	43,036	27,366
Operating Margin (A) / (B)	14.1%	30.8%

V. 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 Global Coal Newcastle Index (GC Newc Index) surged beyond the expected trajectory of historical prices based on long-term fundamental factors pertinent to the coal commodity market. Barely a few weeks after the partial lifting of the foregoing coal export ban, Russia commenced its invasion of Ukraine on February 24, 2022. This worsened the short-term outlook on coal prices as reflected in the further spikes in coal prices, with GC Newc Index reaching levels beyond US$200/MT from March onwards. With Russia-Ukraine conflict continuing to this day, coal prices remain at elevated levels but continue to show a “backwardated” forward curve which strongly suggests a more bearish outlook on coal prices in the medium term and in the long term.

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

b. Malampaya Gas Supply Restrictions

The Ilijan Power Plant uses natural gas from the Malampaya gas facility in Palawan (“Malampaya”) as fuel for its power generation. According to the Department of Energy (“DOE"), Malampaya’s natural gas output is estimated to decline substantially by 2021 as the gas reserves continue to get depleted. As early as March 2021, the National Power Corporation issued notices of gas supply restrictions from Malampaya. This significantly reduced the net generation of the Ilijan Power Plant to 60% of its total installed capacity for the remainder of 2021. The Group was constrained to use its available capacity from its portfolio of generation assets, and in certain cases, purchase from the WESM spot market, to augment its generation from the Ilijan Power Plant to meet its bilateral demand from its customers, primarily from Meralco pursuant to its power supply agreements. This reduced the gross margins of the Group in cases where the cost of replacement supply exceeds the power generation costs from the Ilijan Power Plant using Malampaya natural gas. This accounts for a significant portion in the reduction of the Group’s gross margins and operating income in 2021 from the comparative numbers in 2020.

From the end of the Cooperation Period, which also marks the expiry of the Malampaya gas supply agreement, for the Ilijan Power Plant in June 2022, the Group is looking forward to disengage from its dependence on Malampaya gas, and instead use commercial liquefied natural gas (LNG) as fuel for the power plant. Commercial LNG shall be received, stored and regasified thru an LNG terminal which is currently being built and to be operated by Atlantic Gulf and Pacific Co. beside the Ilijan Power Plant.

c. Effect of COVID-19

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

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

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

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

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

d. <u>Commitments</u>

The outstanding purchase commitments of the Group amounted to P90,117 million and P100,126 million as at March 31, 2022 and December 31, 2021, respectively. Amounts authorized but not yet disbursed for capital projects were approximately P139,986 million and P214,795 million as at March 31, 2022 and December 31, 2021, respectively.

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

e. 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.

f. 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 I, discussion of Financial Performance.

g. 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.

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

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

j. 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.

ANNEX "G"

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
OF

SMC GLOBAL POWER HOLDINGS CORP.

Held on 01 June 2021, 10:00 a.m.
via remote communication (through Zoom weblink)
with the Chairman presiding at
40 San Miguel Avenue, Mandaluyong City

PRESENT:	No. of Common Shares
San Miguel Corporation (By Proxy)	1,250,000,000
Ramon S. Ang	500
John Paul L. Ang	500
Ferdinand K. Constantino	500
Aurora T. Calderon	500
Virgilio S. Jacinto	500
Jack G. Arroyo, Jr.	500
Consuelo M. Ynares-Santiago	500
Josefina Guevara-Salonga	500
Total Number of Shares Present:	1,250,004,000
Total Number of Shares Issued and Outstanding:	1,250,004,000
Percentage of shares present and voting	100%

ALSO PRESENT:

Elenita D. Go
Paul Bernard D. Causon
Ramon U. Agay
Jeciel B. Campos
Gonzalo B. Julian, Jr.
Julie Ann B. Domino-Pablo
Jose Ferlino P. Raymundo
Maria Floreselda S. Abalos-Sampaga
Reynabeth D. De Guzman
Harold M. Abrenica
Jose Mari R. Valte
Beatriz Irina Denise A. Garcia
Irene M. Cipriano

I. CALL TO ORDER

Mr. Ramon S. Ang, the Chairman of the Board and the Chairman of the meeting, called the meeting of the stockholders to order and presided over the same. Atty. Virgilio S. Jacinto, the Corporate Secretary, recorded the minutes of the proceedings.

II. CERTIFICATION OF QUORUM AND VOTING PROCEDURE

Stockholders owning or representing 100% of the outstanding capital stock of the Corporation being present, in person, by ballot or by proxy, the Corporate Secretary certified that a quorum existed for the valid transaction of business.

For each Agenda Item, taking into consideration the ballots casts, a motion shall be made by any stockholder and when duly seconded by another shareholder (there being no objections from any stockholder) shall be declared as duly approved and carried by the all the stockholders present in the meeting. Should there be any objection from a stockholder, such objection shall be registered as a dissent to and a vote against the passage of the subject resolution.

For purposes of election of the members of the Board of Directors, a stockholder may vote the number of common shares held in his name in the stock and transfer book of the Corporation and may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle as among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of common shares owned by him as shown in the books of the Corporation multiplied by the total number of directors to be elected.

For the record, proxies for 100% of the total outstanding capital stock of the Corporation have been issued by the stockholders in favor of the Chairman of the meeting, Mr. Ramon S. Ang, authorizing hm to vote for the election of the Board of Directors and the approval all corporate acts which require the conformity of the stockholders as provided in the Agenda for the meeting.

III. APPROVAL OF THE PREVIOUS MEETING MINUTES

The Minutes of the Annual Stockholders' Meeting held on 02 June 2020 was presented to the stockholders for approval.

Upon motion duly made and seconded, there being no objections, the stockholders unanimously approved the following resolution:

Stockholders' Resolution No. 2021-06-01-01
Approval of Previous Meeting Minutes

"**RESOLVED**, as it is hereby resolved, that the stockholders approve the Minutes of the Annual Stockholders' Meeting held on 02 June 2020."

IV. APPROVAL OF THE 2020 AUDITED FINANCIAL STATEMENTS

Mr. Paul D. Causon, the Chief Finance Officer of the Corporation, presented to the Board the 2020 Audited Financial Statements, summarizing the financial results and financial position of the SMC Global Power Group on a consolidated basis for the year ended as follows:

Consolidated net generation decreased by 7% at 23,533 GWh compared to the previous year due to the COVID-19 impact to the industry. The pandemic has severely affected industrial activity in the country, particularly in Luzon where most of our power assets are located. If not for COVID, system demand in Luzon was on track to its usual 5-7% per annum increase but instead collapsed by 20% particularly during the first half of the year dueto suppressed industrial demand. A mild recovery was seen from June 2020 onwards as quarantine measures were made looser.

Average realization price was also lower by 8% at Php4.39/kwh due to: (i) the competitive- priced Meralco 10-year baseload and 5-year midmerit PSAs of Sual and Ilijan with 2020 effectivity and (ii) lower effective prices passed on to the DUs and ECs because of lowercoal prices. Newcastle was at US$63.1/MT compared to US$80.7/MT the year before.

The net result is Operating income both went up by 3% or Php36.9 Billion. More importantly, the Group was able to manage its generation portfolio during the quarantine period by keeping its generation very close to its level of bilateral volume commitments instead of selling offany excess generation to WESM which in several instances were below the cost of generation ranging only from Php0 to 2.0/kwh for most of the quarantine period.

Accordingly, EBITDA at Php53.8 Billion went up by 15% along with the recognition of liquidated damages of USD75 Million from POSCO on account of its delay in the completion of Masinloc Unit 3.

Net income grew by a much higher margin of 31% at Php18.9 Billion despite the decline in forex gain.

Consolidated assets stood at Php610.0 Billion as of 2020 year-end. This is 9% higher than the 2019 year-end number because of the several fund raising activities done by the Group in 2020.

Liabilities decreased to Php383.7 Billion as the Group continued to pay its capital lease payments on its IPPA finance lease liabilities totaling ₱28.8B during the year.

Equity increased by 48% at Php226.3 Billion from issuance of USD1.35 Billion in senior perpetual notes, net income for the year at Php18.9 Billion less distributions paid to capital securities at Php10.4 Billion.

The Group remains compliant with its financial covenants. Net D/E is at 0.71x compared to a max of 3.25x and ICR is at 3.06x compared to a minimum of 2.25x.

The Corporation's external auditors, R.G. Manabat & Co., a member firm of KPMG International, rendered an Unqualified Opinion on the 2020 Audited Financial Statements of the Corporation and subsidiaries, as presented.

The 2020 Audited Financial Statements of the Corporation are included in the Definitive Information Statement provided to the stockholders.

The Chairman then proceeded with the open forum. After giving sufficient time and opportunity for any of the stockholders to ask questions, none of the stockholders asked any questions. As such, the Chairman proceeded to entertain a motion to approve the 2020 Audited Financial Statements of the Corporation as presented.

Upon motion duly made and seconded, there being no objections, the following resolution was unanimously approved by the stockholders:

Stockholders' Resolution No. 2021-06-01-02
Approval of 2020 Audited Financial Statements

"**RESOLVED**, as it is hereby resolved, that the stockholders approve the Annual Report and the Audited Financial Statements of the Corporation for the year ended 31 December 2020."

V. ELECTION OF THE BOARD OF DIRECTORS

Atty. Jacinto presented to the stockholders the names of the nominees for election to the Board of Directors of the Corporation:

Ramon S. Ang	
John Paul L. Ang	
Aurora T. Calderon	
Virgilio S. Jacinto	
Jack G. Arroyo, Jr.	*(Independent Director)*
Consuelo M. Ynares-Santiago	*(Independent Director)*
Josefina Guevara-Salonga	*(Independent Director)*

On behalf of the Board, Atty. Jacinto reported that each of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago has served the Company as independent directors for nine (9) years. Their retention as Independent Directors beyond the nine (9) year term-limit is justified by their meritorious contributions to the Corporation. They have both brought high standards of corporate governance to the Corporation and objectively contributed insights to the Board Committees and to the Board. Their years of experience and expertise in their fields have enhanced the corporate values of the Company by their sustained advisory relationship with the Corporation.

Atty. Jacinto further explained that the Information Statement circulated to the stockholders provided the names of the nominees for election as independent directors of the Board of Directors and they are Jack G. Arroyo, Jr., Consuelo M. Ynares-Santiago and Josefina Guevara-Salonga. He likewise informed the stockholders that all the named independent directors comply with the mandatory requirements imposed by the Securities and Exchange Commission.

A motion was made for the above-named nominees be unanimously elected as directors, including the re-election of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago as Independent Directors beyond their cumulative term of nine (9) years, until their successors are elected and qualified, and that the votes of the stockholders present by ballot and represented by proxies be distributed and recorded accordingly.

Upon said motion being duly seconded, and there being no objections, stockholders unanimously approved the following resolutions:

Stockholders' Resolution No. 2021-06-01-03
Election of the Board of Directors

"**RESOLVED**, as it is resolved, that the following be, as they are hereby are, elected as members of the Board of Directors of the Corporation, to serve as such for the ensuing year, until their successors are duly elected and qualified:

1. Ramon S. Ang
2. John Paul L. Ang
3. Aurora T. Calderon
4. Virgilio S. Jacinto
5. Jack G. Arroyo, Jr. *(Independent Director)*
6. Consuelo M. Ynares-Santiago *(Independent Director)*
7. Josefina Guevara-Salonga *(Independent Director)*.

"**RESOLVED**, **FURTHER**, that the re-election of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago, as Independent Directors of the Corporation, beyond their cumulative term of nine (9) years, taking into consideration the meritorious justifications presented by the Board for their retention as Independent Directors of the Corporation, is hereby likewise approved."

VI. RATIFICATION OF ALL ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS

The Chairman presented to the stockholders the acts and proceedings of the Board of Directors and corporate officers for approval of the stockholders, as set out in the minutes of meetings of the Board of Directors and as disclosed in the Definitive Information Statement of the Corporation.

Upon motion duly made and seconded, there being no objections, the following resolution was unanimously approved by the stockholders:

Stockholders' Resolution No. 2021-06-01-04
Ratification of All Acts and Proceedings of
the Board of Directors and Corporate Officers

"**RESOLVED**, as it is resolved, that all acts, proceedings and resolutions of the Board of Directors and the Corporate

Officers of the Corporation since the date of the Annual Stockholders' Meeting held on 02 June 2020 up to the date of this meeting, as set out in the minutes of the meetings of the Board of Directors, be approved, confirmed and ratified."

VII. APPOINTMENT OF EXTERNAL AUDITORS

As endorsed by the Audit and Risk Oversight Committee and the Board of Directors, upon motion duly made and seconded, there being no objections, the following resolution was unanimously approved by the stockholders:

Stockholders' Resolution No. 2021-06-01-05
Appointment of External Auditors

"**RESOLVED**, as it is resolved, that the accounting firm of R.G. Manabat & Co., be designated as external auditors of the Corporation for fiscal year 2021."

VIII. ADJOURNMENT

There being no other matters to be discussed, the meeting was adjourned.

IX. VOTING RESULTS

The voting results for each Agenda Item is set out in the attached Annex "A" hereof.

ATTESTED BY:

RAMON S. ANG
Chairman

Certified Correct:

VIRGILIO S. JACINTO
Corporate Secretary

Annex “A”

Voting Results of each Agenda Item of the
Annual Meeting of the Stockholders of
SMC Global Power Holdings Corp. held on 01 June 2021

Agenda Item	Percentage of Outstanding Shares Voted For the Approval of the Agenda Item
Approval of the Minutes of the Annual Stockholders’ Meeting held on 02 June 2020	100%
Approval of the 2020 Audited Financial Statements	100%
Election of the Board of Directors For each of Ramon S. Ang, John Paul L. Ang, Aurora T. Calderon, Virgilio S. Jacinto, Jack G. Arroyo, Jr., Consuelo M. Ynares-Santiago, and Josefina Guevara-Salonga; as well as the re-election of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago as Independent Directors beyond their cumulative term of nine (9) years, taking into consideration the meritorious justifications presented by the Board	100%
Ratification of All Acts and Proceedings of the Board of Directors and Corporate Officers since 2020 Annual Stockholders’ Meeting	100%
Appointment of R.G. Manabat & Co. as External Auditors for fiscal year 2021	100%

ANNEX "H"

2021 PERFORMANCE APPRAISAL

I. Audit and Risk Oversight Committee Performance Assessment Results

For each criteria, the highest score is 5 and lowest is 1.

a. under the category Quality and Integrity of the Corporation's Financial Statements and Financial Reporting Process, comprised of five questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.6;

b. under the category Effectiveness of the Corporation's Internal Control Systems, comprised of sixteen questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.6;

c. under the category Independence and Performance of the Corporation's Internal and External Auditors, comprised of sixteen questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.6;

d. under the category Compliance by the Corporation with Accounting Standards, Legal and Regulatory Requirements, including Corporation's Disclosure Policies and Procedures, comprised of three questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.6; and

e. under the Category Evaluation of Management's Process to Assess and Manage the Corporation's Enterprise Risk Issues, comprised of six questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.6.

II. Corporate Governance Committee Performance Assessment Results

For each criteria, the highest score is 5 and lowest is 1.

a. under the category Oversight Responsibilities in Corporate Governance Development and Implementation, comprised of six questions, the average rating given by the members of the Corporate Governance Committee is 4.3;

b. under the category Recommendation of Continuous Education and Training, comprised of two questions, the average rating given by the members of the Corporate Governance Committee is 4.6;

c. under the category Effectiveness of the Nomination, Election and Employment Process of the Corporation, comprised of five questions, the average rating given by the members of the Corporate Governance Committee is 4.6;

d. under the category Transparency of Executive Remuneration, comprised of four questions, the average rating given by the members of the Corporate Governance Committee is 4.6;

e. under the category Reporting Process, comprised of one question, the average rating given by the members of the Corporate Governance Committee is 4.6; and

f. under the category Performance of Other Activities, comprised of one question, the average rating given by the members of the Corporate Governance Committee is 4.6.

III. <u>Related Party Committee Performance Assessment Results</u>

For each criteria, the highest score is 5 and lowest is 1.

a. under the category Identification and Review of Related Party Transactions, comprised of three questions, the average rating given by the members of the Corporate Governance Committee is 4.4;

b. under the category Periodic Disclosure and Review of Related Party Transactions, comprised of four questions, the average rating given by the members of the Corporate Governance Committee is 4.4; and

c. under the category Performance of Other Activities, comprised of one question, the average rating given by the members of the Corporate Governance Committee is 4.4.

IV. <u>Internal Board Performance Assessment Results</u>

For each criteria, the highest score is 5 and lowest is 1.

a. under the category Fulfillment of the Board's Key Responsibilities, comprised of nine questions, the average rating given by the members of the Board is 4.6;

b. under the category Recommendation of Board-Management Relationship, comprised of four questions, the average rating given by the members of the Board is 4.7;

c. under the category Effectiveness of Board Processes and Meetings, comprised of nine questions, the average rating given by the members of the Board is 4.6; and

d. under the category Individual Performance of Board Members, comprised of nine questions, the average rating given by the members of the Board is 4.7.

V. Management Performance Assessment Results

For each criteria, the highest score is 5 and lowest is 1.

a. under the criteria on the confidence of the Board of the Management's qualifications, the average rating given by Management is 4.7;

b. under the criteria on provision of complete, adequate, and timely information of Management to the board about the matters to be taken up during their meetings, the average rating given by Management is 4.7;

c. under the criteria on Management's strategies to implement and execute the approved plans, goals and targets and is satisfied in the Management's ability to perform its responsibilities in the best interest of the Company, the average rating given by Management is 4.6;

d. under the criteria on the establishment and maintenance of Management of an adequate, effective, and efficient internal control framework and functional and effective risk management system that provides a systematic process for the identification of risks and assessment of their potential impact, the average rating given by Management is 4.6;

e. under the criteria on the promptness of the reply of Management to the Internal Auditor's findings and recommendations, the average rating given by Management is 4.6;

f. under the criteria on the formulation by Management of rules and procedures on financial reporting and internal controls, the average rating given by Management is 4.7; and

g. under the criteria on efficiency of Management in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation, promptness of Management in reporting and communicating to the Board any risk exposures and risk management activities, and addressing the same, the average rating given by Management is 4.7.

VI. Chief Executive Officer Performance Assessment Results

For each criteria, the highest score is 5 and lowest is 1.

a. under the criteria on the integrity of the President and Chief Executive Officer ("P/CEO"), the P/CEO gave himself a rating of 5;

b. under the criteria on the ability of the P/CEO to clearly define, communicate, and implement the Company's vision, mission, values, and overall strategy, promote any organizational or stakeholder change in relation to the same, the P/CEO gave himself a rating of 5;

c. under the category that the efficiency and effectiveness in the general supervision, administration and management of the P/CEO of the business of the Company, the P/CEO gave himself a rating of 5;

d. under the criteria on the integration of the P/CEO of the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times, the P/CEO gave himself a rating of 5;

e. under the criteria on the establishment by the P/CEO of general administrative and operating policies, and initiation and development of programs for management training and development, as well as executive compensation plans, the P/CEO gave himself a rating of 5;

f. for each of the following functions performed by the P/CEO, the P/CEO gave himself a rating of 5:

   (i) determination of the Company's strategic direction and formulation and implementation of its strategic plan on the direction of the business;
   (ii) oversight of the operations of the Company and management of human and financial resources in accordance with the strategic plan;
   (iii) possession of a good working knowledge of the Company's industry and market, including updates with regard to its core business purpose
   (iv) direction, evaluation and guidance of work of the key officers of the Company;
   (v) prudent management of the Company's resources and maintenance of a proper balance of the same; and
   (vi) functioning as the link between internal operations and external stakeholders

g. under the criteria on the accountability of the P/CEO for the Company's organization and procedural controls. the P/CEO gave himself a rating of 5.