SMC GLOBAL POWER

10 May 2021

Philippine Dealing & Exchange Corp.
29/F, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

Attention: **Atty. Marie Rose M. Magallen-Lirio**
Head – Issuer Compliance and Disclosure Department

Gentlemen:

SMC Global Power Holdings Corp. hereby furnishes the Philippine Dealing & Exchange Corp. a copy of its Definitive Information Statement under SEC Form 20-IS filed with the Securities and Exchange Commission on even date.

Very truly yours,

SMC GLOBAL POWER HOLDINGS CORP.

By:

ELENITA D. GO
Corporate Information Officer

COVER SHEET

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S. E. C. Registration Number

S	M	C		G	L	O	B	A	L		P	O	W	E	R				
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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

(02) 8702-4510

Company Telephone Number

1	2

Month

3	1

Day

SEC Form 20-IS
Definitive Information Sheet

FORM TYPE

First Tuesday of

0	6	1st Tues.

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles

Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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STAMPS

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SMC GLOBAL POWER

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
June 1, 2021

The Annual Meeting of the Stockholders of **SMC GLOBAL POWER HOLDINGS CORP**. will be held on **June 1, 2021 (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 weblink and meeting ID below:**

Join Zoom Meeting
https://smcgph-sanmiguel-ph.zoom.us/j/97147648927?pwd=d1BDRFNrUWt3eUJFcXFTUVRlanE2QT09

Meeting ID: 971 4764 8927

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 2, 2020
3. Approval of the 2020 Audited Financial Statements
4. Election of the Board of Directors
5. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
6. Appointment of External Auditors
7. Other Matters
8. Adjournment

A copy of the Minutes of the Annual Stockholders' Meeting held on June 2, 2020 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 *2021ASM@smcgph.sanmiguel.com.ph* by **May 24, 2021** 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 17, 2020**. 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 *2021ASM@smcgph.sanmiguel.com.ph* or by mail to the Office of the Corporate Secretary at No. 40 San Miguel Avenue, Mandaluyong City. Proxies need not be notarized. Validation of ballots and proxies will be on **May 24, 2021** 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 2021ASM@smcqph.sanmiguel.com.ph.

Mandaluyong City, May 10, 2021.

Virgilio S. Jacinto
Corporate Secretary and
Compliance Officer

Appendix 1

PROCEDURE FOR THE 2021 ANNUAL STOCKHOLDERS' MEETING OF SMC GLOBAL POWER HOLDINGS CORP. THROUGH VIDEOCONFERENCING

1. The Chairman shall preside the 2021 Annual Stockholders' Meeting at No. 40 San Miguel Avenue, Mandaluyong City.
2. Stockholders of record as of May 3, 2021 who intend to attend the meeting through videoconferencing are requested to notify the Company by email to 2021ASM@smcgph.sanmiguel.com.ph by May 24, 2021 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 May 31, 2021, the Corporate Secretary and/or the Assistant Corporate Secretary shall inform the stockholders of the password for the videoconferencing by email.
6. On June 1, 2021, 9:45 a.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 let her/him in to the meeting.
7. Votes of all stockholders can only be cast through ballots or proxies submitted on or before May 17, 2021. 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 17, 2021 by email sent to *2021ASM@smcgph.sanmiguel.com.ph* or by mail sent to the Office of the Corporate Secretary at No. 40 San Miguel Avenue, Mandaluyong City.
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 24, 2021 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 *2021ASM@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 2021 Annual Stockholders' Meeting, please email them to *2021ASM@smcgph.sanmiguel.com.ph*.

SMC GLOBAL POWER HOLDINGS CORP.
ANNUAL STOCKHOLDERS' MEETING
JUNE 1, 2021
10:00 a.m. via Videoconferencing
("2021 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 2021 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 2021 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 2020 Annual Stockholders' Meeting				
3. Approval of the 2020 Audited Financial Statements				
4. Ratification of all Acts of the Board of Directors and Corporate Officers since the 2020 Annual Stockholders' Meeting				
5. Appointment of External Auditors for 2021				

Signed this ______ day of ____________ 2021 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 17, 2021 by email sent to *2021ASM@smcgph.sanmiguel.com.ph* or by mail sent to the Office of the Corporate Secretary at No. 40 San Miguel Avenue, Mandaluyong City. 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 at least five (5) days prior to the 2021 Annual Stockholders' Meeting. 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 2021 Annual Stockholders Meeting ("Secretary's Certificate"). Validation of ballots and proxies will be on May 24, 2021 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. **No. 155 EDSA, Brgy. Wack-Wack, Mandaluyong City** **1550**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 8702-4500**

8. **June 1, 2021, 10:00 a.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 10, 2021**

10. Name of Person Filing the Statement: **SMC Global Power Holdings Corp.**
    Address and Telephone No.: **No. 155 EDSA, Brgy. Wack-Wack, Mandaluyong City**
    (632) 8702-4500

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, 2020**)
Common Shares	**1,250,004,000**
Consolidated Total Liabilities (in Thousands)	**Php 383,711,817**

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 1, 2021 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 weblink and meeting ID below:**

Join Zoom Meeting
https://smcgph-sanmiguel-ph.zoom.us/j/97147648927?pwd=d1BDRFNrUWt3eUJFcXFTUVRlanE2QT09

Meeting ID: 971 4764 8927

Stockholders intending to attend the meeting by videoconferencing should notify the Company by email to 2021ASM@smcgph.sanmiguel.com.ph by **May 24, 2021** 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.

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Questions and comments to the Board of Directors and/or Management may be sent in advance by email to 2021ASM@smcgph.sanmiguel.com.ph.

The complete mailing address of the principal office of the Company is **No. 155 EDSA, Brgy. Wack-Wack, Mandaluyong City.**

The information statement is first to be sent to the stockholders on **May 10, 2021**.

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 2021 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 2021 Annual Stockholders' Meeting was sent to the stockholders as of record date of May 3, 2021.

      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 3, 2021. 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 2, 2020

A copy of the Minutes of the Annual Stockholders' Meeting held on June 2, 2020 (the "2020 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 2020 Annual Stockholders' Meeting.

3. Approval of the 2020 Audited Financial Statements

a. The Management of the Company will deliver the report on the performance of the Company for 2020 and present for approval of the stockholders the 2020 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 2020 Audited Financial Statements. Stockholders may raise their questions and/or comments during the meeting, or prior thereto by email to *2021ASM@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 2020, will be present at the 2021 Annual Stockholders' Meeting to respond to appropriate questions concerning the 2020 Audited Financial Statements of the Company.

d. After the open forum, the stockholders will then be requested to approve the 2020 Audited Financial Statements.

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

Pursuant to the Company's Amended By-laws, the nominations for the election of all directors by the stockholders was submitted in writing to the Board of Directors through the Corporate Secretary on or before April 23, 2021. 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 4, 2021.

The Board of Directors during its regular meeting held on May 4, 2021 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, as set out below, will be submitted for election to the Board of Directors by the stockholders at the 2021 Annual Stockholders' Meeting. The profiles of the nominees, as well as the certification of their qualifications, are provided in this Definitive Information Statement.

5. 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 2020 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 2020 Annual Stockholders' Meeting.

6. 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 2021. 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 2021.

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 7, 2021**, 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 3, 2021**. Only stockholders of records at the close of business on **May 3, 2021** 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 3, 2021**, 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 17, 2021**, 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 7, 2021**, 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	1,250,000,000	100%
Common	Ramon S. Ang No. 40 San Miguel Ave., Mandaluyong City (Director)	Nominee-director of SMC in the Board	Filipino	500	0%
Common	Ferdinand K. Constantino No. 40 San Miguel Ave., (Director)	Nominee-director of SMC in the Board	Filipino	500	0%
Common	Aurora T. Calderon	Nominee-director of	Filipino	500	0%

	No. 40 San Miguel Ave., Mandaluyong City (Director)	SMC in the Board			
Common	Virgilio S. Jacinto 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 Avenue, Mandaluyong City (Incoming 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 ("PSE"). 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 7, 2021**:

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	Ferdinand K. Constantino	Vice Chairman	SMC; Nominee-director of SMC in the Board	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	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%
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%
Common	John Paul L. Ang	Incoming Director	SMC; Nominee-director of SMC in the Board	Filipino	500	0%

The aggregate number of shares owned of record by the incumbent directors and the incoming director of the Company as a group as of **May 7, 2021** is 4,000 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, 2020**, 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, 2020**.

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 7, 2021**, the following are the incumbent members of the Board of Directors of the Company:

Name	Age	Citizenship	Position	Year Appointed
Ramon S. Ang	67	Filipino	Chairman	2010
Ferdinand K. Constantino	69	Filipino	Director	2010
Aurora T. Calderon	66	Filipino	Director	2010
Virgilio S. Jacinto	64	Filipino	Director	2011
Jack Arroyo, Jr.	62	Filipino	Independent Director	2011
Consuelo M. Ynares-Santiago	81	Filipino	Independent Director	2011
Josefina Guevara-Salonga	79	Filipino	Independent Director	2017

**For the 2021 Annual Stockholders' Meeting, the following will be nominated as directors of the Company: Ramon S. Ang, Aurora T. Calderon, Virgilio S. Jacinto, John Paul L. Ang (41, Filipino), Jack G. Arroyo (Independent Director), Consuelo M. Ynares-Santiago (Independent Director), and Josefina Guevara-Salonga (Independent Director).*

As of **May 7, 2021**, the following are the incumbent executive officers of the Company:

Name	Age	Citizenship	Position	Year Position was Assumed
Ramon S. Ang	67	Filipino	Chairman & Chief Executive Officer and President & Chief Operating Officer	2010 & 2017
Ferdinand K. Constantino	69	Filipino	Vice Chairman	2010
Virgilio S. Jacinto	64	Filipino	Corporate Secretary & Compliance Officer	2010 & 2011
Elenita D. Go	60	Filipino	General Manager	2011
Paul Bernard D. Causon	43	Filipino	Vice President & Chief Finance Officer	2018 & 2017
Ramon U. Agay	63	Filipino	Assistant Vice President & Comptroller	2015 & 2011
Irene M. Cipriano	46	Filipino	Assistant Corporate Secretary	2010

Maria Floreselda S. Abalos-Sampaga	56	Filipino	Data Privacy Officer	2019
Reynaldo S. Matillano	60	Filipino	Internal Audit Manager	2017
Jeciel B. Campos	63	Filipino	Assistant Vice President and Sales and Marketing Manager	2018
Jose Ferlino P. Raymundo	62	Filipino	Assistant Vice President and Energy Sourcing and Trading Manager	2018
Danilo T. Tolarba	57	Filipino	Assistant Vice President and Human Resources Group Manager	2018
Julie Ann B. Domino-Pablo	39	Filipino	Assistant Vice President and General Counsel	2020
Gonzalo B. Julian, Jr.	54	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 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, and Philippine Diamond Hotel & Resort, Inc. He is the President of San Miguel Northern Cement, Inc.; 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 of Privado Holdings, Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation; President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air

Philippines Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang holds directorships in various domestic and international subsidiaries of SMC in the last five years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University. On November 15, 2019, he attended a corporate governance training seminar conducted by Risk, Opportunities, Assessment and Management Inc. ("ROAM"). On December 3, 2020, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Ferdinand K. Constantino is a Director of SMC Global Power since August 31, 2010, the Vice Chairman of the Board of SMC Global Power since September 2, 2011, and was its Treasurer from August 31, 2010 to September 1, 2011. 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 Chief Finance Officer and Treasurer of SMC and the Treasurer of San Miguel Food and Beverage, Inc. since July 5, 2018. He also served as a Director of SMC from May 31, 2010 to February 28, 2018. He is the Treasurer of SMELC, CLPPC, and LETI; and the Director of several subsidiaries of SMC Global Power. He also holds, among others, the following positions in other listed and public companies: Director of Top Frontier Investment Holdings, Inc., and Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia). He is also the President of Anchor Insurance Brokerage Corporation; and Chairman of the San Miguel Foundation, Inc. and SMCGP Philippines Power Foundation Inc. He is also a director of San Miguel Brewery Inc., San Miguel Yamamura Packaging Corporation, San Miguel Pure Foods International Ltd., Citra Metro Manila Tollways Corporation, San Miguel Aerocity Inc. and Northern Cement Corporation. He is the Director and Chief Finance Officer of San Miguel Northern Cement, Inc. He is the Chairman of the San Miguel Foundation, Inc. and SMCGP Philippines Power Foundation Inc. He was formerly a Director of PAL Holdings, Inc., and Philippine Airlines, Inc. Mr. Constantino previously served SMC as Chief Finance Officer of the San Miguel Beer Division; Chief Finance Officer and Treasurer of San Miguel Brewery Inc.; Director of San Miguel Pure Foods Company, Inc. and of San Miguel Properties, Inc.; and Chief Finance Officer of Manila Electric Company. He holds directorships in various domestic and international subsidiaries of SMC during the last five years. He holds a degree in AB Economics from the University of the Philippines and completed academic requirements for an MA Economics degree. He attended the following corporate governance training seminars conducted by: (i) SGV & Co. on September 25, 2020, (ii) KPMG R. G. Manabat & Co. on December 1, 2020 and (iii) Center for Global Best Practices on December 3, 2020.

Aurora T. Calderon is a Director of SMC Global Power since August 31, 2010, a member of its Executive Committee since September 2, 2011. Ms. Calderon is also a member of the Executive Committee, Audit and Risk Oversight Committee and Related Party Transaction Committee of 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 9, 2020, 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 School. He holds directorships in various domestic and international subsidiaries of SMC. On September 9, 2020, he attended a corporate governance training seminar conducted by SGV & Co.

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 December 3, 2020, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

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., 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 December 3, 2020, she attended a corporate governance training seminar conducted by Center for Global Best Practices.

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 December 1, 2020, she attended a corporate governance training seminar conducted by KPMG, R. G. Manabat & Co.

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 December 3, 2020, she attended a corporate governance training seminar conducted by the Center for Global Best Practices.

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 December 3, 2020, he attended a corporate governance training seminar conducted by the Center for Global Best Practices.

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 December 3, 2020, he attended a corporate governance training seminar conducted by the Center for Global Best Practices.

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 December 3, 2020, 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 December 3, 2020, he attended a corporate governance training seminar conducted by the Center for Global Best Practices

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 December 3, 2020, she attended a corporate governance training seminar conducted by the Center for Global Best Practices

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 December 3, 2020, he attended a corporate governance training seminar conducted by the Center for Global Best Practices

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 December 3, 2020, he attended a corporate governance training seminar conducted by the Center for Global Best Practices.

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 December 3, 2020, he attended a corporate governance training seminar conducted by the Center for Global Best Practices.

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 December 3, 2020, she attended a corporate governance training seminar conducted by the Center for Global Best Practices.

Gonzalo B. Julian, Jr. is the Assistant Vice President, the Sales and Marketing Manager - RES, and the Head of the Battery Business of 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 December 3, 2020, he attended a corporate governance training seminar conducted by the Center for Global Best Practices.

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 1, 2021** 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

***John Paul L. Ang** is the President and Chief Executive Officer of Eagle Cement Corporation ("Eagle Cement") since 2008 and South Western Cement Corporation since 2017. He is also currently a Director of San Miguel Corporation and Petron Corporation. He is likewise the Chairman of the Executive Committee of Eagle Cement. He graduated in 2002 at the Ateneo de Manila University with the degree in Bachelor of Arts in Interdisciplinary Studies. On December 18, 2020, he attended a corporate governance training seminar conducted by the Center for Global Best Practices.

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 1, 2021 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 has been serving the Company as an independent director for nine (9) years. The Company’s Corporate Governance Committee shall evaluate 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, and has made the necessary endorsements for Board approval, in the meetings held on May 4, 2021. 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 2021 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 by his sustained advisory relationship with 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 by her sustained advisory relationship with 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 held on May 4, 2021, 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 as determined by the Board of Directors during its regular meeting held on May 4, 2021.

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, a nominee-director, 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 21, Related Party Disclosures, of the Notes to the 2020 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 2020 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 09, 2021 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 2020, based on the self-rating forms approved by the Board of Directors in its March 09, 2021 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 4, 2021.

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	2021 (estimated)	₱73.5	₱26.5
	2020	₱70.6	₱22.9
	2019	₱67.0	₱24.7
All other Officers and Directors as a group unnamed	2021 (estimated)	₱34.7	₱19.0
	2020	₱34.1	₱19.9
	2019	₱24.6	₱18.7

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 eleven (11) 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 ("PSE"). San Miguel Corporation has market-leading businesses in various sectors, including beverages, food, packaging, fuel and oil, energy, infrastructure and property, 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 4,697 MW of combined capacity as of December 31, 2020. The Company currently 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 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, 2020.

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 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 Corporation (“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 (the “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. 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.

On March 20, 2018, SMC Global Power acquired 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"). 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. 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 attained substantial completion (including testing and commissioning with NGCP) of the 20 MWh battery energy storage system facility in Kabankalan, Negros Occidental (the "Kabankalan BESS") in December 2020. 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 Corporation 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, 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. The increase in ACS is still pending approval by the Securities and Exchange Commission ("SEC"). The additional subscription will increase 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 intends to develop, construct, finance, own, operate and maintain 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 was 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. The retail electricity supplier ("RES") licenses issued by the ERC to SMC Global Power, through San Miguel Electric Corporation ("SMELC"), SCPC and MPPCL, allow said subsidiaries to enter into contracts with contestable customers and expand its customer base.

SMC Global Power, through its subsidiaries SMEC, SPDC, SPPC, AHC, SCPC, SMCPC, SMELC, 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 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.

In addition, SMC Global Power, through SMEC and its subsidiaries, Bonanza Energy Resources, Inc. (“BERI”), Daguma Agro-Minerals, Inc. (“DAMI”) and Sultan Energy Phils. Corp. (“SEPC”), 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, 2020 (with comparative figures as of and for the year ended December 31, 2019), including the Company’s Statement of Management’s Responsibility and the Notes to the 2020 Audited Consolidated Financial Statements (the “***2020 Audited Consolidated Financial Statements***), are collectively attached hereto as **Annex “B”**.

   The following components of the 2020 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, 2021 (with comparative figures as of December 31, 2019 and for the period ended March 31, 2020) 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. Interim Unaudited Balance Sheet or Statement of Financial Position;
   b. Statement of Comprehensive Income;
   c. Statement of Cash Flows; and
   d. Statement 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, 2020 and March 31, 2021 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 ₱9.1 million, ₱13.9 million, and ₱6.5 million in 2020, 2019 and 2018, 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 7, 2021**, 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 7, 2021**, 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	1,250,000,000	100%
Ramon S. Ang	Common	500	0%
Ferdinand K. Constantino	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%
John Paul L. Ang	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.

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.

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.

There were no cash dividend declarations during the year ended December 31, 2018, 2019, and 2020.

Distributions to Senior Perpetual Capital Securities (SPCS) Holders

Details of distributions paid to SPCS holders are as follows:

(in thousand)	**2020**	2019
April	**₱1,882,400**	₱ -
May	**1,080,562**	-
July	**1,226,070**	-
October	**1,801,429**	1,732,869
November	**1,027,544**	-
	₱7,018,005	₱1,732,869

Further, on January 21, 2021, SMC Global Power paid distributions amounting to US$17.10 Million, (equivalent to ₱1,174.04 Million, inclusive of tax), to the holders of the US$600 Million SPCS issued on January 21, 2020 (the "US$600 Million SPCS").

Distributions to Undated Subordinated Capital Securities (USCS) Holders

Details of distributions paid to USCS holders are as follows:

(in thousand)	**2020**	2019	2018
February	**₱735,220**	₱757,133	₱746,068
May	**-**	837,321	830,491
August	**711,498**	758,435	767,981
November	**-**	830,478	870,750
	₱1,446,718	₱3,183,367	₱3,215,290

Further, on February 26, 2021, SMC Global Power paid distributions amounting to US$10.13 Million (equivalent to ₱703.04 Million, inclusive of tax), to the holders of the US$300 Million USCS issued on August 26, 2015 (the "US$300 Million USCS").

Distributions to Redeemable Perpetual Securities (RPS) Holder

Details of distributions paid to RPS holder are as follows:

(in thousand)	**2020**	2019	2018
March	**₱513,703**	₱530,512	₱ -
June	**510,961**	527,363	543,156
September	**499,586**	525,992	536,758
December	**491,563**	512,891	541,277
	₱2,015,813	₱2,096,758	₱1,621,191

On March 16, 2021, SMC Global Power paid distributions amounting to US$10.16 Million (equivalent to ₱492.38 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. Redeemable Perpetual Securities

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

2. Senior Perpetual Capital Securities 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
Senior Perpetual Capital Securities	N/A	April 25, 2019	US$500,000,000.00	Section 10.1(l) of the SRC
Senior Perpetual Capital Securities	N/A	July 3, 2019	US$300,000,000.00	Section 10.1(l) of the SRC
Senior Perpetual Capital Securities	N/A	November 5, 2019	US$500,000,000.00	Section 10.1(l) of the SRC
Senior Perpetual Capital Securities	N/A	January 21, 2020	US$600,000,000.00	Section 10.1(l) of the SRC
Senior Perpetual Capital Securities	N/A	October 21, 2020	US$400,000,000.00	Section 10.1(l) of the SRC
Senior Perpetual Capital Securities	N/A	December 15, 2020	US$350,000,000.00	Section 10.1(l) of the SRC
			US$2,650,000,000.00	

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

On February 26, 2021, the Company redeemed its US$300 Million USCS issued on August 26, 2015, in full.

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 9, 2020, 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 Integrated Annual Corporate Governance Report (ACGR). For 2020, SEC Memorandum Circular No. 36 series of 2020 ("SEC MC 36") was issued by the SEC allowing public companies and registered issuers to submit a Compliance Officer's Certification (CG Form 2020) in lieu of the ACGR to make reporting less complex during this time of pandemic as it continues to pose challenges in terms of regulatory. On 22 December 2020, SMC Global Power submitted to the SEC its CG Form 2020, in compliance thereto.

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 this year, its directors and officers attended at least one (1) of the following seminars: (i) corporate governance training seminar conducted by SGV & Co. on September 9, 2020, (ii) corporate governance training seminar conducted by SGV & Co. on September 25, 2020, (iii) a corporate governance training seminar conducted by KPMG R.G. Manabat & Co. on December 1, 2020, and (iv) corporate governance training seminar conducted by Center for Global Best Practices conducted on December 3, 2020.

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 2, 2020 (the "2020 Annual Stockholders' Meeting") with the following items:

    a. Certification of Quorum
    b. Approval of the Minutes of the Annual Stockholders' Meeting held on June 4, 2019
    c. Approval of the 2019 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 2, 2020 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 2019 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 2020 Audited Financial Statements;

3. Election of the Board of Directors;

4. Ratification of all acts, proceedings and resolutions of the Board of Directors and Corporate Officers since the 2020 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 as of June 30, 2020;
        iii. Distribution to the holders of the USD650 Million Redeemable Perpetual Securities (the "USD650 Million RPS") which the Company issued on March 15, 2018, amounting to USD10,156,250, payable on September 16, 2020;
        iv. Capital securities distribution to holders of the USD800 Million SPCS, amounting to USD26,000,000 plus applicable taxes, payable on October 25, 2020;

v. Capital securities distribution to holders of the USD500 Million SPCS, which the Company issued on 05 November 2019, amounting to USD14,875,000, plus applicable taxes, payable on 05 November 2020;
vi. Appointment of Mr. Gonzalo B. Julian, Jr. as Assistant Vice President, Sales and Marketing Manager-RES, and Head of the Battery Business of the Company;
vii. Appointment of Atty. Julie Ann B. Domino-Pablo as Assistant Vice President and General Counsel of the Company;
viii. Issuance of up to USD300 Million in Undated SPSC (the "USD300 Million Undated SPCS") or such other amount as Management may determine, based on prevailing market conditions and as may be advantageous to the Company[6];
ix. Use of the net proceeds of the USD300 Million Undated SPCS for capital expenditures and investments in liquified natural gas facilities and related assets, for the refinancing of expiring commitments of the Company whether debt or perpetual securities and for general corporate purposes;
x. Quarterly financial performance and financial position of the Company as of September 30, 2020;
xi. Distribution to the holders of the USD650 Million RPS, amounting to USD10,156,250, payable on December 16, 2020;
xii. Capital security distribution to the holders of the USD600 Million SPCS issued by SMC Global Power on January 21, 2020, amounting to USD17,100,000, plus applicable taxes, payable on January 21, 2021;
xiii. Capital security distribution to the holders of the USD300 Million USCS, amounting to USD10,125,000 plus applicable taxes, payable on February 26, 2021;
xiv. Approval, confirmation and ratification of the Board Charter, the Code of Conduct and Ethics, Employee Manual, and various corporate governance policies of the Company;
xv. Approval of the establishment of the SMCGP Multi-Employer Retirement Plan of the Company and its subsidiaries, the Retirement Plan Rules and Regulations, and the appointment of the Board of Trustees thereof;
xvi. Issuance by the Company of additional undated SPCS of up at least USD300 Million in addition to the USD600 Million SPCS[7];
xvii. Redemption by the Company in full, on February 26, 2021 (the "Step-Up Date"), of the USD300 Million USCS, issued by the Company on August 26, 2015;
xviii. 2020 Audited Financial Statements of SMC Global Power as of December 31, 2020;
xix. Distribution to the holders of the USD650 Million RPS, amounting to USD10,156,250, payable on March 16, 2021;
xx. Capital security distribution to holders of the USD750 Million SPCS, amounting to USD26,250,000.00, payable on April 21, 2021;
xxi. Capital securities distribution to holders of the USD800 Million SPCS, amounting to USD26,000,000 plus applicable taxes, payable on April 25, 2021;
xxii. Capital securities distribution to holders of the USD500 Million SPCS, amounting to USD14,875,000 plus applicable taxes, payable on May 05, 2021;
xxiii. Execution of agreements and documents for the term loan facilities to be entered into by the Company;
xxiv. Approval of the 2021 Internal Audit Plan;
xxv. Approval of the 2021 Self-Rating Forms;
xxvi. Quarterly financial performance and financial position of the Company as of March 31, 2020;

[6] *Pursuant thereto the Company issued USD400,000,000.00 Senior Perpetual Capital Securities on October 21, 2020.*

[7] *Pursuant to thereto, the Company issued USD350 Million Senior Perpetual Capital Securities on December 15, 2020.*

xxvii. Distribution to the holders of the USD650 Million RPS, amounting to USD10,156,250, payable on June 16, 2021;

xxviii. Capital security distribution to the holders of the USD600 Million SPCS issued by the Company on January 21, 2020, amounting to USD17,100,000, plus applicable taxes, payable on July 21, 2021;

xxix. Issuance of up to USD600 Million Senior Perpetual Capital Securities by the Company;

xxx. Issuance, offer and sale of up to PhP 20 Billion out of the remaining shelf-registered fixed rate bonds of the Company with an aggregate principal amount of Php 60 Billion which was issued and listed in the Philippine Dealing & Exchange Corp. on 24 April 2019;

xxxi. Execution of the term loan facilities of the Company for USD100 Million with Mizuho Bank Ltd. and USD80 Million with Maybank International Labuan Branch;

xxxii. Details of the 2021 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;

xxxiii. Report on the qualifications of the nominees for the election to the Board of Directors of the Company to be held on the 2021 Annual Stockholders' Meeting;

xxxiv. 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 2020.

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.

5. Appointment of R.G. Manabat & Co. as external auditors of the Company for fiscal year 2021.

The Minutes of the 2020 Annual Stockholders' Meeting, and the Minutes of the Board of Directors Meetings beginning June 2, 2020, 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 2021 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 17, 2021 by email sent to *2021ASM@smcgph.sanmiguel.com.ph* or by mail sent 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, 2021 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 9-12 and 22-23 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 2020 Annual Report under SEC Form 17-A and the 1st Quarter 2010 Financial Report under SEC Form 17-Q, at the stockholder's option, upon written request addressed to the Office of the Corporate Secretary and Compliance Officer, SMC Global Power Holdings Corp., No. 155 EDSA, Brgy. Wack-Wack, Mandaluyong City.

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 10, 2021**.

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 03 May 2021 at Mandaluyong City.

JACK G. ARROYO, JR.
Affiant

SUBSCRIBED AND SWORN to before me this MAY 03 2021 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.: 182;
Page No.: 38;
Book No.: VIII;
Series of 2021.

PAULA KATHERINA A. GAN ★ NOTARY PUBLIC ROLL NO. 55988 ★ MANDALUYONG CITY, PHILS.

PAULA KATHERINA A. GAN
Commission No. 0308-19
Notary Public for Mandaluyong City
Until June 30, 2021
(S.C. Resolution dated December 1, 2020)
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 55988
PTR No. 4579651, 01/08/21; Mandaluyong City
IBP Lifetime Member No. 013353; 02/05/15; Quezon City
MCLE Compliance No. VI-0019930; 04/14/22; Pasig City

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 03 May 2021 at Mandaluyong City.

Consuelo M. Ynares-Santiago

CONSUELO M. YNARES-SANTIAGO
Affiant

SUBSCRIBED AND SWORN to before me this MAY 0 3 2021 at Mandaluyong City, affiant personally appeared before me and exhibited to me her Philippines Passport with Passport No. P9683307A issued on November 23, 2018 at DFA Manila.

Doc. No.: 184;
Page No.: 38;
Book No.: VIII;
Series of 2021.

PAULA KATHERINA A. GAN
NOTARY PUBLIC
ROLL NO. 55988
MANDALUYONG CITY, PHILS.

PAULA KATHERINA A. GAN
Commission No. 0308-19
Notary Public for Mandaluyong City
Until June 30, 2021
(S.C. Resolution dated December 1, 2020)
St..., 40 San Miguel Ave., Mandaluyong City
Roll No. 55988
PTR No. 4579651, 01/08/21; Mandaluyong City
IBP Lifetime Member No. 013353; 02/05/15; Quezon City
MCLE Compliance No. VI-0019930; 04/14/22; Pasig City

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 03 May 2021 at Mandaluyong City.

Josefina Guevara-Salonga
Affiant

SUBSCRIBED AND SWORN to before me this MAY 03 2021 at Mandaluyong City, affiant personally appeared before me and exhibited to me her Philippines Passport with Passport No. P8640089A issued on September 6, 2018 at DFA Manila.

Doc. No.: 183;
Page No.: 38;
Book No.: VIII;
Series of 2021.

PAULA KATHERINA A. GAN NOTARY PUBLIC ROLL NO. 55988 MANDALUYONG CITY, PHILS.

PAULA KATHERINA A. GAN
Commission No. 0308-19
Notary Public for Mandaluyong City
Until June 30, 2021
(S.C. Resolution dated December 1, 2020)
40 San Miguel Ave., Mandaluyong City
Roll No. 55988
PTR No. 457[illegible], 01/08/21; Mandaluyong City
IBP Lifetime Member No. 013353; 02/05/15; Quezon City
MCLE Compliance No. VI-0019930; 04/14/22; Pasig City

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)**

155 EDSA, Brgy. Wack-Wack
Mandaluyong City
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	8702-4500	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	8702-4500	N/A

CONTACT PERSON's ADDRESS

155 EDSA, Brgy. Wack-Wack, Mandaluyong, 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, 2020, 2019 and 2018

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
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.
155 EDSA, Brgy. Wack-Wack
Mandaluyong City, 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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, 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.

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, Note 5, Business Combination, and Note 16, 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, 2020, 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, 2020 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, related safeguards.

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 8533922
Issued January 4, 2021 at Makati City

March 19, 2021
Makati City, Metro Manila

SMC GLOBAL POWER

155 EDSA, Barangay Wack-wack,
Mandaluyong City, 1550
1550 Metro Manila, Philippines
[632] 667 5000 Fax [632] 667 5188
www.sanmiguel.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, as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, 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 9th day of March 2021

ACKNOWLEDGMENT

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

Before me, a Notary Public for and in Mandaluyong City, this 9th day of March 2021, personally appeared the following:

Name	Passport No.	Date/Place of Issue
Ramon S. Ang	P2247867B	05-22-2019 / DFA MANILA
Paul Bernard D. Causon	P8120059A	07-27-2018 / 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.: 385;
Page No.: 78;
Book No.: II;
Series of 2021

MS Adriano

MARILEN S. VIZCO-ADRIANO
Appointment No. 0571-20
Notary Public for Mandaluyong City
Until December 31, 2021
No. 155 EDSA, Brgy. Wack-Wack, Mandaluyong City
Roll No. 52532
PTR No. 4577721; 01/07/2021; Mandaluyong City
IBP Lifetime IBP No. 835229; 10/08/2010; Quezon City Chapter
MCLE Compliance No. VI-0018687; 02/18/2019; Pasig City

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

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(In Thousands)

	Note	2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents	*8, 31, 32*	**P110,717,686**	P79,954,187
Trade and other receivables - net	*4, 7, 9, 21, 31, 32*	**36,162,259**	29,989,449
Inventories	*4, 7, 10, 21*	**5,582,080**	5,085,423
Prepaid expenses and other current assets	*7, 11*	**24,916,061**	23,589,625
Total Current Assets		**177,378,086**	138,618,684
Noncurrent Assets			
Investments and advances - net	*4, 12*	**9,956,798**	11,000,760
Property, plant and equipment - net	*3, 4, 7, 13*	**171,415,437**	150,344,032
Right-of-use assets - net	*3, 7, 14*	**162,313,084**	166,517,296
Deferred exploration and development costs	*3, 4, 7, 15*	**714,726**	710,836
Goodwill and other intangible assets - net	*4, 5, 7, 15, 16*	**72,858,197**	72,771,271
Deferred tax assets	*4, 28*	**1,645,882**	1,128,754
Other noncurrent assets	*17, 21, 31, 32*	**13,733,628**	16,027,360
Total Noncurrent Assets		**432,637,752**	418,500,309
		P610,015,838	P557,118,993
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*18, 31, 32*	**P1,680,805**	P2,278,575
Accounts payable and accrued expenses	*19, 21, 31, 32*	**40,279,512**	35,402,892
Lease liabilities - current portion	*4, 7, 31, 32*	**24,006,629**	23,085,083
Income tax payable		**10,060**	214,776
Current maturities of long-term debt - net of debt issue costs	*20, 31, 32*	**22,721,660**	6,036,174
Total Current Liabilities		**88,698,666**	67,017,500
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*20, 31, 32*	**196,831,122**	220,762,867
Deferred tax liabilities	*28*	**19,456,124**	13,197,658
Lease liabilities - net of current portion	*4, 7, 31, 32*	**75,504,465**	101,117,596
Other noncurrent liabilities	*4, 7, 21, 22, 31, 32*	**3,221,440**	1,598,616
Total Noncurrent Liabilities		**295,013,151**	336,676,737
Total Liabilities		**383,711,817**	403,694,237

Forward

	Note	**2020**	2019
Equity	*23*		
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		**132,199,732**	65,885,565
Redeemable perpetual securities		**32,751,570**	32,751,570
Undated subordinated capital securities		**13,823,499**	13,823,499
Equity reserves	*22, 32*	**(4,228,092)**	(2,568,395)
Retained earnings		**47,178,853**	38,987,442
		225,278,066	152,432,185
Non-controlling Interests	*12*	**1,025,955**	992,571
Total Equity		**226,304,021**	153,424,756
		P610,015,838	P557,118,993

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, 2020, 2019, AND 2018
(In Thousands, Except Per Share Data)

	Note	**2020**	2019	2018
REVENUES	*5, 21, 24, 34*	**P115,028,651**	P135,060,079	P120,102,847
COST OF POWER SOLD	*25*	**71,895,548**	91,758,200	80,818,306
GROSS PROFIT		**43,133,103**	43,301,879	39,284,541
SELLING AND ADMINISTRATIVE EXPENSES	*26*	**6,210,237**	7,348,194	6,110,210
INCOME FROM OPERATIONS		**36,922,866**	35,953,685	33,174,331
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*7, 13, 18, 19, 20*	**(18,582,926)**	(19,720,720)	(17,616,056)
INTEREST INCOME	*8*	**1,007,235**	1,585,459	661,212
EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES	*12*	**(472,694)**	(391,054)	(471,236)
OTHER INCOME (CHARGES) - Net	*7, 13, 27*	**7,922,509**	4,199,255	(3,546,602)
INCOME BEFORE INCOME TAX		**26,796,990**	21,626,625	12,201,649
INCOME TAX EXPENSE	*28, 29*	**7,923,452**	7,263,116	3,901,532
NET INCOME		**P18,873,538**	P14,363,509	P8,300,117
Attributable to:				
Equity holders of the Parent Company	*30*	**P18,840,154**	P14,370,482	P8,281,774
Non-controlling interests		**33,384**	(6,973)	18,343
		P18,873,538	P14,363,509	P8,300,117
Earnings Per Common Share Attributable to Equity Holders of the Parent Company				
Basic/Diluted	*30*	**P5.80**	P5.21	P2.67

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, 2020, 2019, AND 2018

(In Thousands)

	Note	2020	2019	2018
NET INCOME		**P18,873,538**	P14,363,509	P8,300,117
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Equity reserve for retirement plan	*22*	**4,868**	(33,164)	31,563
Income tax expense	*28*	**(523)**	(9,148)	(881)
Share in other comprehensive income (loss) of an associate - net	*12*	**1**	(517)	1,002
		4,346	(42,829)	31,684
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations		**(1,656,800)**	(989,010)	145,256
Net loss on cash flow hedges	*32*	**(7,243)**	(38,066)	(1,844)
		(1,664,043)	(1,027,076)	143,412
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**(1,659,697)**	(1,069,905)	175,096
TOTAL COMPREHENSIVE INCOME - Net of tax		**P17,213,841**	P13,293,604	P8,475,213
Attributable to:				
Equity holders of the Parent Company		**P17,180,457**	P13,300,577	P8,456,870
Non-controlling interests		**33,384**	(6,973)	18,343
		P17,213,841	P13,293,604	P8,475,213

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, 2020, 2019, AND 2018
(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, 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	*23, 33*	-	-	**66,314,167**	-	-	-	-	-	-	-	**66,314,167**	-	**66,314,167**
Share issuance costs		-	-	-	-	-	-	-	-	-	**(168,207)**	**(168,207)**	-	**(168,207)**
Distributions:														
Undated subordinated capital securities	*23*	-	-	-	-	-	-	-	-	-	**(1,446,718)**	**(1,446,718)**	-	**(1,446,718)**
Redeemable perpetual securities	*23*	-	-	-	-	-	-	-	-	-	**(2,015,813)**	**(2,015,813)**	-	**(2,015,813)**
Senior perpetual capital securities	*23*	-	-	-	-	-	-	-	-	-	**(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**
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	*22*	-	-	-	-	-	-	333	(28,626)	-	28,293	-	-	-
Issuance of senior perpetual capital securities	*23, 33*	-	-	65,885,565	-	-	-	-	-	-	-	65,885,565	-	65,885,565
Redemption of undated subordinated capital securities	*23, 33*	-	-	-	-	(13,110,066)	(2,072,934)	-	-	-	-	(15,183,000)	-	(15,183,000)
Non-controlling interests from acquisition of an asset	*12*	-	-	-	-	-	(15,570)	-	-	-	-	(15,570)	999,544	983,974
Share issuance costs		-	-	-	-	-	-	-	-	-	(281,201)	(281,201)	-	(281,201)
Distributions:														
Undated subordinated capital securities	*23*	-	-	-	-	-	-	-	-	-	(3,183,367)	(3,183,367)	-	(3,183,367)
Redeemable perpetual securities	*23*	-	-	-	-	-	-	-	-	-	(2,096,758)	(2,096,758)	-	(2,096,758)
Senior perpetual capital securities	*23*	-	-	-	-	-	-	-	-	-	(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

Forward

	Note	Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Undated Subordinated Capital Securities	Equity Reserves: Equity Reserve	Equity Reserves: Translation Reserve	Equity Reserves: Reserve for Retirement Plan	Equity Reserves: Hedging Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
		Equity Attributable to Equity Holders of Parent Company												
As at January 1, 2018, as adjusted		P1,062,504	P2,490,000	P -	P -	P26,933,565	P785,279	P -	(P23,632)	P -	P28,468,391	P59,716,107	P -	P59,716,107
Net income		-	-	-	-	-	-	-	-	-	8,281,774	8,281,774	18,343	8,300,117
Other comprehensive income (loss) - net of tax	*22, 32*	-	-	-	-	-	-	145,256	31,684	(1,844)	-	175,096	-	175,096
Total comprehensive income (loss)		-	-	-	-	-	-	145,256	31,684	(1,844)	8,281,774	8,456,870	18,343	8,475,213
Issuance of redeemable perpetual securities	*5, 23*	-	-	-	32,751,570	-	-	-	-	-	-	32,751,570	-	32,751,570
Non-controlling interest from acquisition of subsidiaries	*5*	-	-	-	-	-	-	-	-	-	-	-	198,077	198,077
Cash dividends		-	-	-	-	-	-	-	-	-	-	-	(4,049)	(4,049)
Acquisition of non-controlling interest	*12*	-	-	-	-	-	(318,436)	-	-	-	(4,050)	(322,486)	(212,371)	(534,857)
Share issuance costs		-	-	-	-	-	-	-	-	-	(7,855)	(7,855)	-	(7,855)
Distributions:														
Undated subordinated capital securities	*23*	-	-	-	-	-	-	-	-	-	(3,215,290)	(3,215,290)	-	(3,215,290)
Redeemable perpetual securities	*23*	-	-	-	-	-	-	-	-	-	(1,621,191)	(1,621,191)	-	(1,621,191)
Transactions with owners		-	-	-	32,751,570	-	(318,436)	-	-	-	(4,848,386)	27,584,748	(18,343)	27,566,405
As at December 31, 2018		P1,062,504	P2,490,000	P -	P32,751,570	P26,933,565	P466,843	P145,256	P8,052	(P1,844)	P31,901,779	P95,757,725	P -	P95,757,725

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, 2020, 2019, AND 2018
(In Thousands)

	Note	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P26,796,990**	P21,626,625	P12,201,649
Adjustments for:				
Interest expense and other financing charges	*7, 18, 20*	**18,575,630**	19,710,034	17,616,056
Depreciation and amortization	*7, 13, 14, 16, 25, 26*	**10,566,173**	9,917,656	9,340,235
Equity in net losses of associates and joint ventures	*12*	**472,694**	391,054	471,236
Impairment losses on trade and other receivables	*9, 26*	**305,829**	257,879	135,426
Impairment losses on concession assets	*7, 25*	**90,819**	29,575	-
Impairment losses on property, plant and equipment	*13, 27*	**35,018**	35,084	70,265
Retirement cost (benefit)	*22*	**25,095**	(136,488)	32,525
Loss on retirement of machineries and equipment	*13, 27*	**-**	66	34,869
Gain on sale of property, plant and equipment	*13, 27*	**-**	(1,402)	-
Unrealized marked - to - market gain on derivatives	*32*	**(9,299)**	(57,558)	(23,036)
Reversal of impairment losses on other receivables	*9, 27*	**(137,551)**	-	-
Interest income	*8, 17*	**(1,007,235)**	(1,585,459)	(661,212)
Unrealized foreign exchange losses (gains) - net		**(3,809,291)**	(4,208,210)	4,032,084
Operating income before working capital changes		**51,904,872**	45,978,856	43,250,097
Decrease (increase) in:				
Trade and other receivables - net	*9*	**(7,288,105)**	2,507,863	(5,499,476)
Inventories	*10*	**(602,370)**	135,620	266,017
Prepaid expenses and other current assets	*11*	**(2,141,031)**	(1,881,731)	(9,936,971)
Increase in:				
Accounts payable and accrued expenses	*19*	**6,482,160**	4,491,594	1,101,159
Other noncurrent liabilities and others		**1,209,675**	812,602	54,694
Cash generated from operations		**49,565,201**	52,044,804	29,235,520
Interest income received		**1,026,767**	1,547,373	687,752
Income taxes paid		**(1,686,492)**	(2,189,655)	(2,550,880)
Interest expense and other financing charges paid		**(19,936,843)**	(21,443,487)	(12,113,199)
Net cash flows provided by operating activities		**28,968,633**	29,959,035	15,259,193

Forward

	Note	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in other noncurrent assets		**P1,989,475**	(P7,986,063)	P2,499,277
Acquisition of subsidiaries, net of cash and cash equivalents acquired	*5*	**-**	-	(97,333,757)
Proceeds from sale of property, plant and equipment	*13*	**-**	1,817	-
Acquisition of non-controlling interests	*23*	**-**	-	(532,425)
Additions to deferred exploration and development costs	*15*	**(3,390)**	(5,011)	(6,457)
Additions to investments and advances	*12*	**(97,217)**	(197,275)	(471,385)
Additions to intangible assets	*7, 16*	**(246,806)**	(211,183)	(140,210)
Additions to property, plant and equipment	*13, 18, 20*	**(26,771,409)**	(10,117,487)	(6,049,753)
Net cash flows used in investing activities		**(25,129,347)**	(18,515,202)	(102,034,710)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of senior perpetual capital securities	*23*	**66,314,167**	65,885,565	-
Proceeds from short-term borrowings	*18, 33*	**5,728,725**	9,179,550	41,937,600
Proceeds from long-term debt	*20, 33*	**2,179,240**	34,834,600	106,026,200
Proceeds from issuance of redeemable perpetual securities	*23*	**-**	-	32,751,570
Cash dividends paid to previous holder of non-controlling interest		**-**	-	(4,050)
Redemption of undated subordinated capital securities	*23*	**-**	(15,183,000)	-
Payment of stock issuance costs		**(168,207)**	(281,201)	(7,855)
Distributions paid to redeemable perpetual securities holder	*23*	**(2,015,813)**	(2,096,758)	(1,621,191)
Distributions paid to undated subordinated capital securities holders	*23*	**(1,446,718)**	(3,183,367)	(3,215,290)
Payments of short-term borrowings	*18, 33*	**(6,227,025)**	(15,436,350)	(41,510,000)
Payments of long-term debts	*20, 33*	**(6,261,421)**	(12,406,504)	(22,112,232)
Distributions paid to senior perpetual capital securities holders	*23*	**(7,018,005)**	(1,732,869)	-
Payments of lease liabilities	*7, 33*	**(22,629,718)**	(19,297,119)	(25,715,487)
Net cash flows provided by financing activities		**28,455,225**	40,282,547	86,529,265
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(1,531,012)**	(284,055)	102,755
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**30,763,499**	51,442,325	(143,497)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**79,954,187**	28,511,862	28,655,359
CASH AND CASH EQUIVALENTS AT END OF YEAR	*8*	**P110,717,686**	P79,954,187	P28,511,862

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's registered office address is located at 155 EDSA, Brgy. Wack-Wack, Mandaluyong City, 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 associates and joint ventures.

The Parent Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, the Parent Company shall have a perpetual corporate life.

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 9, 2021.

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
Derivative financial instruments	Fair value
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	
	2020	2019
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. (CLPPC)	**100**	100
Lumiere Energy Technologies Inc. (formerly Limay Premiere Power Corp. [LPPC]) [(c)]	**100**	100
PowerOne Ventures Energy Inc. (PVEI) [(d)]	**100**	100
Prime Electric Generation Corporation (PEGC)	**100**	100
Oceantech Power Generation Corporation (OPGC)	**100**	100
Masinloc Power Partners Co. Ltd. (MPPCL) [(e) (f)]	**100**	100
SMCGP Philippines Energy Storage Co. Ltd. (formerly AES Philippines Energy Storage Co. Ltd. [AES Philippines Energy]) [(e) (g)]	**100**	100
Masinloc Energy Resources Inc.	**100**	100
Power Ventures Generation Corporation	**100**	100
TopGen Energy Development Inc.	**100**	100
Universal Power Solutions, Inc. (formerly Limay Power Generation Corporation [LPGC]) [(h)]	**100**	100
Mariveles Power Generation Corporation (MPGC) [(i)]	**90**	90
Everest Power Development Corporation [(j)]	**100**	100
SMC Global Light and Power Corp. [(j)]	**100**	100
Prestige Power Resources Inc. [(j)]	**100**	100
Reliance Energy Development Inc. [(j)]	**100**	100
Ascend Power Resources Inc. [(j)]	**100**	100
Converge Power Generation Corp. [(j)]	**100**	100
EnergyCore Resources Inc. [(j)]	**100**	100
Strategic Energy Development Inc. (SEDI) [(j)]	**100**	100
Excellent Energy Resources Inc. (EERI) [(j)]	**100**	100
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) [(k)]	**100**	100

Forward

	Percentage of Ownership	
	2020	2019
Coal Mining		
Daguma Agro-Minerals, Inc. (DAMI) [(l)]	**100**	100
Sultan Energy Phils. Corp. (SEPC) [(l)]	**100**	100
Bonanza Energy Resources, Inc. (BERI) [(l)]	**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. [(l)]	**100**	100
SMCGP Transpower Pte. Ltd. (formerly AES Transpower Private Ltd. [ATPL]) [(e) (m)]	**100**	100
SMCGP Philippines Inc. (formerly AES Philippines, Inc. [API]) [(e) (n)]	**100**	100
Dewsweeper Industrial Park, Inc. (DIPI) [(o)]	**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) (Notes 12 and 13).*
(b) *Owner of the 2 x 150 MW CFB coal-fired power plant in Malita, Davao (Davao Greenfield Power Plant) (Notes 12 and 13).*
(c) *On November 15, 2019, LPPC changed its name to Lumiere Energy Technologies Inc. (LETI).*
(d) *PVEI owns 60% of the outstanding capital stock of Angat Hydropower Corporation (AHC) and KWPP Holdings Corporation (KWPP) as joint ventures.*
(e) *Acquired in March 2018 (Note 5).*
(f) *Indirectly owned by the Parent Company, through its wholly-owned subsidiary SMCGP Masin Pte. Ltd. (formerly Masin-AES Pte. Ltd. [MAPL]), and owner of the Masinloc Power Plant (Note 5).*
(g) *Indirectly owned by the Parent Company, through its wholly-owned subsidiaries OPGC and PEGC, and owner of the battery energy storage system (BESS) facility being constructed in Kabankalan, Negros Occidental (Note 5). On October 8, 2018, AES Philippines Energy changed its name to SMCGP Philippines Energy Storage Co. Ltd. (SMCGP Philippines Energy).*
(h) *On September 24, 2019, LPGC changed its name to Universal Power Solutions, Inc. (UPSI).*
(i) *The Parent Company subscribed the remaining unissued common shares of MPGC in January and September 2019, thereby increasing its ownership interest from 49% to 89.5%. Non-controlling interests represent the 10.1% and 0.4% held by Meralco PowerGen Corporation and by Zygnet Prime Holdings, Inc., respectively. It has not yet started commercial operations as at December 31, 2020 (Note 12).*
(j) *Incorporated in 2019 and have not yet started commercial operations as at December 31, 2020.*
(k) *SPGC owns 35% of the outstanding capital stock of Olongapo Electricity Distribution Company, Inc., (OEDC) as an associate.*
(l) *Indirectly owned by the Parent Company through SMEC and has not yet started commercial operations as at December 31, 2020.*
(m) *On May 30, 2018, MAPL and ATPL changed its name to SMCGP Masin Pte. Ltd. (SMCGP Masin) and SMCGP Transpower Pte. Ltd. (SMCGP Transpower), respectively.*
(n) *On May 22, 2018, API changed its name to SMCGP Philippines Inc. (SPHI).*
(o) *Acquired on November 3, 2020.*

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, 2020 and in Alpha Water and Realty Services Corp. ("Alpha Water") for the period covering March 20, 2018 to July 13, 2018 (Note 12).

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.

<u>Adoption of Amended Standards and Framework</u>

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

The Group has adopted the following PFRS effective January 1, 2020 and accordingly, changed its accounting policies in the following areas:

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and make other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of a Business (Amendments to PFRS 3, *Business Combinations*). The amendments narrowed and clarified the definition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments: (a) confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs; (b) narrowed the definition of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies*, *Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

- Interest Rate Benchmark Reform *(*Amendments to PFRS 9*, Financial Instruments,* PAS 39*, Financial Instruments: Recognition and Measurement* and PFRS 7*, Financial Instruments: Disclosures)*. The amendments provide temporary exceptions to all hedging relationships directly affected by interest rate benchmark reform - the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'. The exceptions relate to the following requirements:

    - *The Highly Probable Requirement.* When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

    - *Prospective Assessments.* When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

    - *PAS 39 Retrospective Assessment.* An entity is not required to undertake the PAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other PAS 39 hedge accounting requirements, including the prospective assessment.

    - *Separately Identifiable Risk Components*. For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

    An entity shall cease applying the exceptions when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows or the hedging relationship is discontinued. End of application does not apply to the test for separately identifiable risk components.

    Specific disclosure requirements apply to hedging relationships affected by the amendments including information about the significant interest rate benchmarks, extent of risk exposure directly affected by the reform, how the entity manages the process to transition to alternative benchmark rates, significant assumptions and judgements made in applying the exceptions, and the nominal amount of the hedging instruments in those hedging relationships.

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

The Group has early adopted the below PFRS effective June 1, 2020 and accordingly, changed its accounting policy:

- Coronavirus Disease 2019 (COVID-19)-Related Rent Concessions (Amendments to PFRS 16, *Leases*). The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

    - the revised consideration is substantially the same or less than the original consideration;

    - the reduction in lease payments relates to payments due on or before June 30, 2021; and

    - no other substantive changes have been made to the terms of the lease.

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

<u>Standards Issued But Not Yet Adopted</u>

A number of new and amended standards are effective for annual periods beginning after January 1, 2020 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

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

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4, *Insurance Contracts* and PFRS 16). To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

    - *Practical expedient for particular changes to contractual cash flows*. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

- *Relief from specific hedge accounting requirements*. The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.

- *Disclosure requirements*. To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The amendments apply retrospectively, but restatement of comparative information is not required. Reinstatement of a discontinued hedging relationship is required if the hedging relationship was discontinued solely because of changes required by the reform, and that discontinued hedging relationship meets all qualifying criteria for hedge accounting at the date of initial application.

The amendments are still subject to the approval by the FRSC.

- 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 a company's ordinary activities, the amendments require the company 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 statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement 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 company first applies the amendments.

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

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). 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). 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). 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). 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 company 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 a company'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.

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.

<u>Current versus Noncurrent Classification</u>
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, noncurrent receivables and restricted cash are included under this category (Notes 8, 9, 11, 17, 31 and 32).

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

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.

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 11, 31 and 32).

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 19, 31 and 32).

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 18, 19, 20, 31 and 32).

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.

<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, 2020 and 2019 (Notes 11, 17, 31 and 32).

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, 2020 and 2019.

<u>Inventories</u>
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 Associates and Joint Ventures

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

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

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

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

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 associates 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 associates 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 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.

<u>Leases</u>

Policy Applicable from January 1, 2019

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.

Policy Applicable before January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

Finance Lease
Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Obligations arising from plant assets under finance lease agreement are classified in the consolidated statements of financial position as finance lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are recognized in the consolidated statements of income.

Capitalized leased assets are depreciated over the estimated useful lives of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating Lease
Group as Lessee. Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

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 Reserves

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

Translation Reserve

The translation reserve comprises 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.

Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Related Parties

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

As at December 31, 2020, 2019 and 2018, the Group has no dilutive debt or equity instruments as disclosed in Note 30 to the consolidated financial statements.

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 6 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 (Upon the Adoption of PFRS 16). 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.

Determining whether an Arrangement Contains Lease (Prior to the Adoption of PFRS 16). The Group uses its judgement in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the customers.

Finance Lease - Group as Lessee (Prior to the Adoption of PFRS 16). The Independent Power Producer (IPP) Administration (IPPA) Agreements with the Power Sector Assets and Liabilities Management Corporation (PSALM) provide the Group with a 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. In accounting for the Group's IPPA Agreements, the Group's management has made a judgment that the IPPA Agreements are agreements that contain a lease.

MPPCL also entered into a lease agreement with PSALM for the lease of land where a portion of the Masinloc Power Plant is situated.

The Group's management has made a judgment that it has substantially acquired all the risks and rewards incidental to the ownership of the power plants and land. Accordingly, the Group accounted for the agreements as finance lease and recognized the power plants, land and lease liabilities at the present value of the agreed monthly payments to PSALM (Notes 7 and 14).

Operating Lease Commitments - Group as Lessee (Prior to the Adoption of PFRS 16). The Group has entered into various lease agreements as a lessee. The Group had determined that the significant risks and rewards of property leased from third parties and related parties are retained by the lessors (Note 7).

Rent expense recognized in the consolidated statements of income amounted to P475,162 in 2018 (Notes 7, 25 and 26).

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

Rent income recognized in the consolidated statements of income amounted to P12,901, P12,274 and P11,711 in 2020, 2019 and 2018, respectively (Notes 7 and 27).

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee (Upon the Adoption of PFRS 16). 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 (Upon the Adoption of PFRS 16). 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 P99,511,094 and P124,202,679 as at December 31, 2020 and 2019, respectively (Notes 7, 31, 32 and 33).

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, 7 and 16).

Power Concession Right. 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 12).

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 32.

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 34).

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 2020 and 2019, the Group recognized impairment on trade and other receivables amounting to P305,829 and P257,879, respectively. The allowance for impairment losses on trade and other receivables amounted to P3,034,110 and P2,828,484 as at December 31, 2020 and 2019, respectively. The carrying amount of trade and other receivables amounted to P36,162,259 and P29,989,449 as at December 31, 2020 and 2019, respectively (Note 9).

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 2020 and 2019. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2020**	2019
Cash and cash equivalents (excluding cash on hand)	*8*	**P110,715,432**	P79,951,936
Investment in debt instruments (included under "Prepaid expenses and other current assets" account)	*11*	**694**	-
Noncurrent receivables (included under "Other noncurrent assets" account)	*17*	**508,654**	416,722
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	*11, 17*	**4,790,792**	7,339,757
		P116,015,572	P87,708,415

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 32.

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, 2020 and 2019.

The carrying amount of inventories amounted to P5,582,080 and P5,085,423 as at December 31, 2020 and 2019, respectively (Note 10).

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 P171,547,548 and P150,446,434 as at December 31, 2020 and 2019, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P13,034,902 and P8,930,435 as at December 31, 2020 and 2019, respectively (Note 13).

Right-of-use assets, net of accumulated depreciation and amortization, amounted to P162,313,084 and P166,517,296 as at December 31, 2020 and 2019, respectively. Accumulated depreciation and amortization of right-of-use assets amounted to P10,724,874 and P5,286,478 as at December 31, 2020 and 2019, respectively (Note 14).

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 P1,848,158 and P1,808,264 as at December 31, 2020 and 2019, respectively. Accumulated amortization of computer software and licenses amounted to P275,471 and P265,048 as at December 31, 2020 and 2019, respectively (Note 16). 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 P1,056,817 and P1,009,785 as at December 31, 2020 and 2019, respectively (Notes 7 and 16).

Impairment of Goodwill with Indefinite Useful Life. 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 2020 and 2019 and terminal growth rate of 4.0% and 3.0% in 2020 and 2019, respectively (Notes 5 and 16).

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 2020, 2019 and 2018 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, 2020 and 2019.

The carrying amount of goodwill amounted to P69,953,222 as at December 31, 2020 and 2019 (Notes 5 and 16).

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 and DIPI 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, 2020, and 2019 (Notes 5 and 16).

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 15).

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, 2020 and 2019. 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, 2020 and 2019.

Deferred exploration and development costs amounted to P714,726 and P710,836 as at December 31, 2020 and 2019, respectively (Note 15).

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 28).

Deferred tax assets from temporary differences amounted to P1,645,882 and P1,128,754 as at December 31, 2020 and 2019, respectively (Note 28).

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 P132,111 and P102,402 as at December 31, 2020 and 2019, respectively (Note 13).

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 P347,305,020 and P331,390,973 as at December 31, 2020 and 2019, respectively (Notes 12, 13, 14, 15 and 16).

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 22 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 P147,729 and P139,512 as at December 31, 2020 and 2019, respectively (Note 22).

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 3.29% 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 P868,883 and P578,398 as at December 31, 2020 and 2019, respectively.

5. Business Combination

On March 20, 2018, the Parent Company acquired 51% and 49% equity interests in SMCGP Masin from AES Phil Investment Pte. Ltd. (“AES Phil”) and Gen Plus B.V., respectively. SMCGP Masin indirectly owns, through its subsidiaries, MPPCL and SMCGP Philippines Energy. MPPCL owns, operates and maintains the 1 x 330 MW and 1 x 344 MW coal-fired power plant (Units 1 and 2), the under-construction project expansion of the 335 MW unit (Unit 3; Units 1, 2 and 3 are collectively referred to as the “Masinloc Power Plant”), and the 10 MW BESS project (the “Masinloc BESS”), all located in Masinloc, Zambales, Philippines (collectively, the “MPPCL Assets”), while SMCGP Philippines Energy is constructing a BESS facility in Kabankalan, Negros Occidental (Note 13). The MPPCL Assets added 684 MW capacity to the existing portfolio of the Group.

As part of the acquisition, the Parent Company also acquired SMCGP Transpower and SPHI. SMCGP Transpower was a subsidiary of The AES Corporation which provided corporate support services to MPPCL through its Philippine Regional Operating Headquarters, while SPHI was a wholly-owned subsidiary of AES Phil and provided energy marketing services to MPPCL. These services are currently being provided by the Parent Company to MPPCL.

With the acquisition by the Parent Company of the Masinloc Group (the “Transaction”), the Group aims to improve its existing baseload capacity to further ensure its ability to provide affordable and reliable supply of power to its customers. The additional power assets provide an opportunity for the Group to increase its footprint in clean coal technology that provides reliable and affordable power, particularly in Luzon. The Transaction had resulted in the production of electricity in an environmentally responsible way.

The total consideration for the Transaction in United States dollar (US$) was US$1,900,000 (equivalent to P98,990,000). The total consideration was paid in cash by the Parent Company using the proceeds of (a) US dollar-denominated long-term borrowings obtained from various financial institutions totaling to US$1,200,000 and (b) the issuance of RPS and advances obtained from SMC amounting to US$650,000 and US$150,000, respectively (Notes 20, 21 and 23).

The Transaction gave the Parent Company 100% ownership and control based on PFRS 3 and was consolidated effective March 20, 2018.

The Parent Company has elected to measure non-controlling interest at proportionate interest in identifiable net assets.

The following summarizes the recognized final amounts of assets acquired and liabilities assumed at the acquisition date:

	2018
Assets	
Cash and cash equivalents	P1,656,243
Trade and other receivables	2,438,955
Inventories	2,378,065
Prepaid expenses and other current assets	1,691,735
Property, plant and equipment	62,274,180
Intangible assets	79,553
Other noncurrent assets	3,039,797
Liabilities	
Loans payable	(2,343,600)
Accounts payable and accrued expenses	(9,590,653)
Finance lease liabilities (including current portion)	(30,775)
Income tax payable	(139,445)
Long-term debt - net (including current maturities)	(31,951,895)
Deferred tax liabilities	(54,520)
Other noncurrent liabilities	(203,919)
Total Identifiable Net Assets Fair Value	P29,243,721

Final goodwill recognized as a result of acquisition follows:

	2018
Consideration transferred	P98,990,000
Non-controlling interest measured at proportionate interest in identifiable net assets	198,077
Total identifiable net assets	(29,243,721)
Goodwill	P69,944,356

Trade and Other Receivables. The fair value of trade and other receivables amounted to P2,438,955. The gross amount of trade and other receivables is P2,503,458, of which P64,503 is expected to be uncollectible as at the acquisition date.

From the date of acquisition to December 31, 2018, the Masinloc Group has contributed P19,459,316 and P2,781,309 of revenues and net income, respectively, to the Group's results. For the year ended December 31, 2018, the consolidated revenues and net income of the Group would have been P124,949,444 and P8,508,703, respectively, had the Transaction been completed at the beginning of the reporting period.

Acquisition-related Costs

The Parent Company incurred acquisition-related costs of P52,191 and P286,192 for the years ended December 31, 2019 and 2018, respectively, that have been included in the "Selling and administrative expenses" account in the consolidated statements of income. There are no acquisition-related costs incurred in 2020.

Goodwill arising from the Transaction is attributable to the benefit of expected synergies, revenue growth, future development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

6. 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 15).

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, right-of-use assets, net of allowances, accumulated depreciation and amortization, and impairment, 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.

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 7), 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 P50,497,918, P62,795,380 and P54,474,012 for the years ended December 31, 2020, 2019 and 2018, 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		
	2020	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018
Revenues																		
External	**P95,034,262**	P111,950,126	P101,294,837	**P19,859,669**	P23,095,136	P18,808,010	**P -**	P -	P -	**P134,720**	P14,817	P -	**P -**	P -	P -	**P115,028,651**	P135,060,079	P120,102,847
Inter-segment	**22,278,900**	22,816,768	19,056,846	**162,456**	248,030	197,729	**-**	-	-	**839,663**	732,061	656,388	**(23,281,019)**	(23,796,859)	(19,910,963)	**-**	-	-
	117,313,162	134,766,894	120,351,683	**20,022,125**	23,343,166	19,005,739	**-**	-	-	**974,383**	746,878	656,388	**(23,281,019)**	(23,796,859)	(19,910,963)	**115,028,651**	135,060,079	120,102,847
Costs and Expenses																		
Cost of power sold	**77,296,359**	95,089,427	83,744,243	**16,828,678**	21,406,492	17,285,808	**-**	-	-	**643,819**	17,988	69,647	**(22,873,308)**	(24,755,707)	(20,281,392)	**71,895,548**	91,758,200	80,818,306
Selling and administrative expenses	**5,641,851**	6,640,576	5,859,988	**866,740**	509,513	329,612	**8,289**	8,814	14,952	**1,623,909**	2,177,718	2,334,476	**(1,930,552)**	(1,988,427)	(2,428,818)	**6,210,237**	7,348,194	6,110,210
	82,938,210	101,730,003	89,604,231	**17,695,418**	21,916,005	17,615,420	**8,289**	8,814	14,952	**2,267,728**	2,195,706	2,404,123	**(24,803,860)**	(26,744,134)	(22,710,210)	**78,105,785**	99,106,394	86,928,516
Segment Result	**34,374,952**	33,036,891	30,747,452	**2,326,707**	1,427,161	1,390,319	**(8,289)**	(8,814)	(14,952)	**(1,293,345)**	(1,448,828)	(1,747,735)	**1,522,841**	2,947,275	2,799,247	**36,922,866**	35,953,685	33,174,331
Interest income	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**1,007,235**	1,585,459	661,212
Interest expense and other financing charges	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**(18,582,926)**	(19,720,720)	(17,616,056)
Equity in net losses of associates and joint ventures	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**(472,694)**	(391,054)	(471,236)
Other income (charges) - net	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**7,922,509**	4,199,255	(3,546,602)
Income tax expense	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**(7,923,452)**	(7,263,116)	(3,901,532)
Consolidated Net Income	**P -**	P -	P -	**P -**	P -	P -	**P -**	P -	P -	**P -**	P -	P -	**P -**	P -	P -	**P18,873,538**	P14,363,509	P8,300,117

	As at and For the Years Ended December 31											
	Power Generation		Retail and Other Power-related Services		Coal Mining		Others		Eliminations		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Other Information												
Segment assets	**P420,489,538**	P396,965,856	**P10,937,365**	P9,738,510	**P731,624**	P729,077	**P123,111,073**	P77,913,941	**(P29,714,639)**	(P13,129,176)	**P525,554,961**	P472,218,208
Investments and advances - net	**9,481,855**	9,965,329	**213,308**	206,173	**-**	-	**247,012,017**	225,919,162	**(246,750,382)**	(225,089,904)	**9,956,798**	11,000,760
Goodwill and other intangible assets - net	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**72,858,197**	72,771,271
Deferred tax assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1,645,882**	1,128,754
Consolidated Total Assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**P610,015,838**	P557,118,993
Segment liabilities	**P178,328,738**	P176,866,267	**P7,198,913**	P7,821,056	**P828,490**	P817,667	**P5,776,957**	P5,612,127	**(P47,440,247)**	(P27,634,355)	**P144,692,851**	P163,482,762
Long-term debt - net	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**219,552,782**	226,799,041
Income tax payable	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**10,060**	214,776
Deferred tax liabilities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**19,456,124**	13,197,658
Consolidated Total Liabilities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**P383,711,817**	P403,694,237
Capital expenditures	**P26,646,921**	P8,164,696	**P -**	P -	**P -**	P -	**P160,952**	P1,952,791	**(P36,464)**	P -	**P26,771,409**	P10,117,487
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	**9,132,693**	8,913,348	**1,383,372**	935,391	**10**	39	**77,436**	71,384	**(27,338)**	(2,506)	**10,566,173**	9,917,656
Noncash items other than depreciation and amortization	**(3,188,415)**	(2,684,309)	**91,677**	9,261	**7**	5	**(27,049)**	(955,997)	**99,097**	-	**(3,024,683)**	(3,631,040)

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

7. 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 P20,365,268, P26,417,124 and P25,423,530 in 2020, 2019 and 2018, respectively (Note 25). SMEC and SPDC renewed their performance bonds amounting to US$58,187 and US$20,305, which will expire on November 3, 2021 and January 25, 2022, respectively (Note 11).

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 34).

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 P6,045,444, P7,290,341 and P8,320,739 in 2020, 2019 and 2018, 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 P157,014,283 and P162,200,686 as at December 31, 2020 and 2019, respectively (Note 14).

Maturity analysis of lease payments as at December 31, 2020 and 2019 are disclosed in Note 31.

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 13).

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 P3,070, P3,311 and P66,511 in 2020, 2019 and 2018, respectively.

MPPCL's land under lease arrangement, presented under "Right-of-use assets - net" account in the consolidated statements of financial position, amounted to P102,568 and P108,147 as at December 31, 2020 and 2019, respectively (Note 14).

Maturity analysis of lease payments as at December 31, 2020 and 2019 are disclosed in Note 31.

c. Market Participation Agreements (MPA)

SMEC, SPDC, SPPC, SCPC, SMELC, SMCPC, MPPCL and SMCGP Philippines Energy 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 under "Plant operations and maintenance, and other fees" account in the consolidated statements of income, amounted to P184,897, P205,868 and P325,188 in 2020, 2019 and 2018, respectively (Note 25).

SMELC, SCPC and MPPCL each has a standby letter of credit, expiring in 2021, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM.

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, flat generation rates, 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 P12,918,282, P21,434,786, P11,181,239 in 2020, 2019 and 2018, respectively (Note 25).

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 with the ERC for approval.

Revenues from retail sales to contestable customers amounted to P16,723,387, P19,630,929 and P15,703,941 in 2020, 2019 and 2018, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Note 24).

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 P106,641, P651,580 and P412,595 in 2020, 2019 and 2018, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Note 24).

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.

Revenue from ancillary services of MPPCL amounted to P395,310, P354,728 and P191,176 in 2020, 2019 and 2018, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Note 24).

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.

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 P500 and P532 as at December 31, 2020 and 2019, respectively (Note 15).

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 presented as part of "Other income (charges) - net" account in the consolidated statements of income (Note 27).

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 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 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, UPSI leased parcels of land with total approximate area of 345,239 square meters from various third parties for the construction of its BESS facilities. The initial terms of the leases range for a period of 16 to 25 years with the option to renew for another for 25 years, as may be applicable. For lease agreements with escalation clause, the rental shall be increased by 5% per annum until the end of the term.

xiii. 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 99,809 square meters while applying the foreshore lease.

Related right-of-use assets from these lease arrangements are disclosed in Note 14.

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 have lease agreements with Challenger Aero Air Corporation, an entity under common control, for the lease of aircrafts. The lease agreements had terms of 6 months and 1 year, respectively, and expired on December 31, 2020. 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 9 and 11).

Maturity analysis of lease payments are disclosed in Note 31.

Interest expense recognized in the consolidated statements of income amounted to P108,378 and P107,389 in 2020 and 2019, respectively.

Rent expense recognized in the consolidated statements of income amounted to P337,605, P328,379 and P475,162 in 2020, 2019 and 2018, respectively (Notes 4, 25 and 26).

Total cash outflows amounted to P292,523 and P233,968 in 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.

Future minimum lease receipts under non-cancellable lease agreements are as follows:

Operating Leases Under PFRS 16	**2020**	2019
Within one year	**P2,768**	P6,564
One to two years	**-**	2,768
	P2,768	P9,332

Rent income recognized under “Other income (charges)” account in the consolidated statements of income amounted to P12,901, P12,274 and P11,711 in 2020, 2019 and 2018, respectively (Notes 4 and 27).

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 P1,049,937 and P856,028 as at December 31, 2020 and 2019, 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 P5,541, P5,700 and P5,851 in 2020, 2019 and 2018, respectively. Amortization of concession assets recognized in the "Depreciation and amortization" account in the consolidated statements of income amounted to P56,058, P48,320 and P40,813 in 2020, 2019 and 2018, respectively (Note 25).

Maturities of the carrying amount of concession payable are as follows:

	2020	2019
Not later than 1 year	**P3,028**	P2,859
More than 1 year and not later than 5 years	**14,008**	13,227
Later than 5 years	**77,074**	80,883
	P94,110	P96,969

Power concession assets consist of:

	Concession Rights	Completed Projects/Others	Asset Under Construction (Contract Asset)	Total
Cost				
January 1, 2019	P384,317	P596,513	P53,118	P1,033,948
Additions	-	189,662	16,735	206,397
December 31, 2019	384,317	786,175	69,853	1,240,345
Additions	-	187,917	23,479	211,396
Reclassifications	-	-	(17,487)	(17,487)
December 31, 2020	**384,317**	**974,092**	**75,845**	**1,434,254**
Accumulated Amortization				
January 1, 2019	74,302	57,903	-	132,205
Amortization	15,372	32,948	-	48,320
December 31, 2019	89,674	90,851	-	180,525
Amortization	15,373	40,685	-	56,058
December 31, 2020	**105,047**	**131,536**	**-**	**236,583**
Accumulated Impairment Losses				
January 1, 2019	-	20,460	-	20,460
Impairment losses	-	29,575	-	29,575
December 31, 2019	-	50,035	-	50,035
Impairment losses	-	90,819	-	90,819
December 31, 2020	**-**	**140,854**	**-**	**140,854**
Carrying Amount				
December 31, 2019	P294,643	P645,289	P69,853	P1,009,785
December 31, 2020	**P279,270**	**P701,702**	**P75,845**	**P1,056,817**

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 P211,396, P206,397 and P140,212 in 2020, 2019 and 2018, respectively (Note 27).

8. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	2020	2019
Cash in banks and on hand		**P28,838,242**	P38,249,680
Short-term investments		**81,879,444**	41,704,507
	4, 31, 32	**P110,717,686**	P79,954,187

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 P986,533, P1,563,704 and P626,195 in 2020, 2019 and 2018, respectively.

9. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2020	2019
Trade		**P28,167,718**	P21,637,478
Non-trade		**9,191,288**	9,269,808
Amounts owed by related parties	*12, 17, 21*	**1,837,363**	1,910,647
	7	**39,196,369**	32,817,933
Less allowance for impairment losses	*4*	**3,034,110**	2,828,484
	4, 31, 32	**P36,162,259**	P29,989,449

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	2020	2019
Balance at beginning of year		**P2,828,484**	P2,574,423
Impairment losses during the year	*4, 26*	**305,829**	257,879
Cumulative translation adjustment and others		**37,348**	(3,818)
Reversal during the year	*27*	**(137,551)**	-
Balance at end of year	*4*	**P3,034,110**	P2,828,484

Impairment losses recognized in the consolidated statements of income under "Selling and administrative expenses" account amounted to P305,829, P257,879 and P135,426 in 2020, 2019 and 2018, respectively (Note 26).

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 34).

b. As at December 31, 2020 and 2019, 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 P290,955 and P519,275, respectively. Likewise, SMEC has receivables arising from WESM transactions related to the excess capacity amounting to P3,021,857 and P2,602,778 as at December 31, 2020 and 2019, respectively. The issue on excess capacity is the subject of ongoing cases (Note 34).

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 P137,551, and recognized a foreign exchange loss of P30,074, from the allowance for the amounts recovered from HCML in 2020 (Note 27).

   As at December 31, 2020 and 2019, total outstanding receivable from HCML amounting to P314,307 and P421,784, respectively, has been fully provided with allowance.

d. Advances made by SCPC 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. In 2020, the Bureau of Internal Revenue (BIR) approved LETI's claim for refund of its unutilized creditable withholding taxes (CWT) for taxable year 2017 amounting to P439,161. As at December 31, 2020, the receivable remains outstanding.

f. The remaining balance mainly pertains to billings for demurrage charges and receivables from customers which will be remitted to the Government upon collection.

10. Inventories

Inventories at cost consist of:

	Note	**2020**	2019
Coal	*7*	**P3,128,261**	P3,501,675
Materials and supplies		**2,221,551**	1,363,241
Fuel oil	*21*	**142,503**	152,571
Other consumables		**89,765**	67,936
	4	**P5,582,080**	P5,085,423

There were no inventory write-downs to net realizable value for the years ended December 31, 2020, 2019 and 2018. Inventories charged to cost of power sold amounted to P23,954,749, P31,362,501 and P32,563,689 in 2020, 2019 and 2018, respectively (Note 25).

11. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	**2020**	2019
Input VAT		**P13,668,675**	P12,409,870
Prepaid tax		**7,528,525**	7,497,760
PSALM monthly fee outage credits	*7*	**1,681,464**	886,496
Restricted cash	*17, 31, 32*	**874,705**	1,786,229
Investment in debt instruments	*31, 32*	**694**	-
Derivative assets designated as cash flow hedge	*31, 32*	**26**	-
Derivative assets not designated as cash flow hedge	*31, 32*	**-**	676
Prepaid rent and others	*21*	**1,161,972**	1,008,594
		P24,916,061	P23,589,625

Input VAT consists of VAT on purchases of goods and services which can be offset against the output VAT payable (Note 19).

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.

PSALM monthly fee outage credits pertain to the approved reduction in the future monthly fees payable of SMEC to PSALM resulting from the outages of the Sual Power Plant in 2020 and 2019.

Restricted cash pertains to funds maintained, in various financial institutions by SCPC, SMCPC and MPPCL, as cash flow waterfall accounts required under its respective credit facility and as environmental guarantee fund for remittance to the DENR and as financial benefits to host communities, as required by law (Notes 17 and 20).

The methods and assumptions used to estimate the fair values of restricted cash and derivative assets are discussed in Note 32.

Prepaid rent and others pertain to the following:

a. Prepaid rent of the Group from various short-term lease agreements amounted to P27,598 and P24,256 as at December 31, 2020 and 2019, respectively (Note 7).

b. The Parent Company's prepaid legal and financial advisory fees relating to its financing activities.

12. Investments and Advances

Investments and advances consist of:

	2020	2019
Investments in Shares of Stock of an Associate and Joint Ventures		
Cost		
Balance at beginning of year	**P7,618,892**	P8,583,462
Reclassification to investment in shares of stock of subsidiaries	**-**	(964,570)
Balance at end of year	**7,618,892**	7,618,892
Accumulated Equity in Net Losses		
Balance at beginning of year	**1,778,669**	1,397,589
Equity in net losses during the year	**473,379**	392,355
Reclassification to investment in shares of stock of subsidiaries	**-**	(10,491)
Share in other comprehensive loss (income) during the year	**(1)**	517
Adjustment to equity in net losses in prior year	**(685)**	(1,301)
Balance at end of year	**2,251,362**	1,778,669
	5,367,530	5,840,223
Advances	**4,589,268**	5,160,537
	P9,956,798	P11,000,760

Advances pertain to deposits made to certain land holding companies which will be applied to future stock subscriptions.

The following are the developments relating to the Group's investments in shares of stock of associate and joint ventures:

a. Investment in shares of stock of 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, 2020 and 2019 (Note 21).

The table below summarizes the financial information of investment in shares of stock of associate which is accounted for using the equity method:

	2020 (Unaudited)	2019 (Audited)
Country of Incorporation	**Philippines**	Philippines
Current assets	**P481,892**	P340,494
Noncurrent assets	**1,285,284**	1,269,257
Current liabilities	**(661,496)**	(429,561)
Noncurrent liabilities	**(535,401)**	(628,343)
Net assets	**P570,279**	P551,847
Revenue	**P1,652,825**	P1,608,436
Net income	**P18,429**	P52,143
Other comprehensive income (loss)	**3**	(1,478)
Total comprehensive income	**P18,432**	P50,665
Share in net income	**P6,450**	P18,250
Share in other comprehensive income (loss)	**P1**	(P517)
Carrying amount of investment	**P213,308**	P206,857

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 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, 2020 (Audited)

	AHC	**KWPP**
Country of Incorporation	**Philippines**	**Philippines**
Current assets	**P2,222,271**	**P2,685**
Noncurrent assets	**16,969,641**	**18,809**
Current liabilities	**(1,312,650)**	**(5,728)**
Noncurrent liabilities	**(11,458,932)**	**(14,729)**
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**

December 31, 2019 (Audited)

	AHC	KWPP
Country of Incorporation	Philippines	Philippines
Current assets	P2,625,414	P2,347
Noncurrent assets	17,538,918	19,327
Current liabilities	(1,274,135)	(5,418)
Noncurrent liabilities	(11,670,214)	(15,157)
Net assets	P7,219,983	P1,099
Revenue	P1,586,882	P -
Net losses/total comprehensive losses	(P683,140)	(P60)
Share in net losses/total comprehensive losses	(P409,884)	(P36)
Carrying amount of investment	P5,633,167	P884

<u>Investment in Shares of Stock of Subsidiaries</u>
The following are the developments relating to the subsidiaries:

i. SCPC

In 2013, SCPC started the construction of its Phase I Limay Greenfield Power Plant (comprising of Units 1 and 2).

On June 22, 2017, SCPC acquired the Phase II Limay Greenfield Power Plant (comprising of Units 3 and 4) from LETI. Units 1, 2, 3 and 4 were successfully synchronized to the Luzon Grid in November 2016, May 2017, November 2017 and October 2018, respectively.

Commercial operations of Units 1, 2, 3 and 4 commenced on May 26, 2017, September 26, 2017, March 26, 2018 and July 26, 2019, respectively, following the completion of the testing and commissioning phase and the issuance of a Provisional Authority to Operate (PAO) and a Certificate of Compliance by the ERC in favor of SCPC for its 4 units.

ii. SMCPC

In 2013, SMCPC started the construction of its Davao Greenfield Power Plant. Units 1 and 2 were successfully synchronized to the Mindanao Grid in May 2016 and February 2017, respectively.

Units 1 and 2 started commercial operations on July 26, 2017 and February 26, 2018, respectively, following the completion of its testing and commissioning phase and the issuance of a PAO and a Certificate of Compliance by the ERC in favor of SMCPC for its 2 units.

iii. 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, 2020 and 2019, the remaining balance of the shareholder advances amounted to US$2,281 (equivalent to P109,550) and due date was extended to December 31, 2021.

iv. PEGC

On July 13, 2018, PEGC acquired the entire equity interest of ALCO Steam Energy Corporation ("ALCO") in Alpha Water, representing sixty percent (60%) of the outstanding capital stock of Alpha Water, for a total consideration of US$9,950 (equivalent to P532,425). MPPCL owns the 40% equity interests in Alpha Water.

Alpha Water is the owner of the land on which the current site of the Masinloc Power Plant Complex in Zambales Province is located.

v. MPGC

In 2019, MPGC started the construction of its 4 x 150 MW CFB Coal-fired Power Plant in Mariveles, Bataan.

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. Consequently, the outstanding investment in an associate prior to the subscription, amounting to P954,079, was eliminated upon consolidation.

Subsequently, the Parent Company subscribed to an additional 58,000,000 common shares out of the proposed increase in the authorized capital stock of MPGC at the subscription price of P100 per share, or total subscription amount of P5,800,000 on September 6, 2019, when the increase of the authorized capital stock of MPGC was approved by the Philippine SEC on the same date.

Following these subscriptions, the Parent Company's ownership interest in MPGC further increased to 89.54% as at December 31, 2019. Non-controlling interests pertain to the remaining interests held by Meralco PowerGen Corporation (10.05%) and by Zygnet Prime Holdings, Inc. (0.41%) in MPGC as at December 31, 2020 and 2019.

The additional capital infusion will finance in part the power plant project of MPGC. As at December 31, 2020, the Parent Company has fully paid the total subscriptions made in 2019.

The acquisition of MPGC 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.

vi. MPPCL

In 2018, the Parent Company acquired the Masinloc Group including MPPCL which owns, operates and maintains the Masinloc Power Plant (Note 5).

Commercial operations of Unit 3 commenced on September 26, 2020, following the granting of a PAO by ERC in favor of MPPCL Unit 3 and the declaration with IEMOP of its commercial operations.

vii. 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. Consequently, the outstanding advances to DIPI prior to acquisition, amounting to P708,283, was eliminated upon consolidation.

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 on which the planned Pagbilao power plant project of CLPPC will be constructed (Note 13).

13. 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, 2019		P100,459,290	P6,027,692	P2,682,860	P1,488,404	P39,312,593	P149,970,839
Additions		233,741	1,936,527	151,892	36,888	7,758,439	10,117,487
Reclassifications/Disposals/Retirement		6,464,182	3,996,250	184,118	254,517	(8,612,138)	2,286,929
Currency translation adjustments		(1,797,767)	(27,912)	(92,459)	(36,607)	(1,043,641)	(2,998,386)
December 31, 2019		105,359,446	11,932,557	2,926,411	1,743,202	37,415,253	159,376,869
Additions		953,009	52,733	796,993	53,130	24,915,544	26,771,409
Acquisition of a subsidiary	*12*	-	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**
Accumulated Depreciation and Amortization							
January 1, 2019		4,328,909	152,314	587,089	47,858	-	5,116,170
Depreciation and amortization		4,261,418	117,065	142,049	66,756	-	4,587,288
Reclassifications/Disposals/Retirements		175,935	-	(158,048)	-	-	17,887
Currency translation adjustments		(735,867)	(17)	(50,767)	(4,259)	-	(790,910)
December 31, 2019		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**
Accumulated Impairment Losses							
January 1, 2019		-	-	70,265	-	-	70,265
Impairment	*27*	-	-	35,084	-	-	35,084
Currency translation adjustments		-	-	(2,947)	-	-	(2,947)
December 31, 2019		-	-	102,402	-	-	102,402
Impairment	27	-	-	35,018	-	-	35,018
Currency translation adjustments		-	-	(5,309)	-	-	(5,309)
December 31, 2020		**-**	**-**	**132,111**	**-**	**-**	**132,111**
Carrying Amount							
December 31, 2019		P97,329,051	P11,663,195	P2,303,686	P1,632,847	P37,415,253	P150,344,032
December 31, 2020		**P116,835,512**	**P12,714,695**	**P3,924,641**	**P3,669,809**	**P34,270,780**	**P171,415,437**

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 SCPC for the construction of Phases I and II Limay Greenfield Power Plant

      Following the completion of Unit 1, Unit 2, Unit 3 and Unit 4 and the ERC grant of a PAO and a Certificate of Compliance in favor of SCPC for the 4 units, all related CPIP costs were reclassified to the appropriate property, plant and equipment account.

      The Unit 4 started its commercial operations on July 26, 2019.

   ii. Project of MPPCL for the construction of Masinloc Power Plant Unit 3

      Following the granting of a PAO by ERC in favor of MPPCL Unit 3 and the declaration with IEMOP of the commercial operations date effective September 26, 2020, all related CPIP costs were reclassified to the appropriate property, plant and equipment account.

   iii. Expenditures of MPGC related to the construction of its power plant project in Mariveles, Bataan.

   iv. Project of UPSI for the construction of BESS facilities situated in various locations in the Philippines.

   v. Ongoing construction of a BESS facility of SMCGP Philippines Energy.

   vi. Project of SMEC for the installation of roller press and rotary separators of the Sual Power Plant.

   vii. Plant optimization and pumped-storage hydropower projects of SPDC.

   viii. Ongoing civil and structural works and electrical and data cabling being done on the new office space to be leased by the Parent Company.

   ix. Expenditures of CLPPC related to the development of its power plant project in Pagbilao, Quezon.

   x. Initial expenditures of EERI related to the development of its combined cycle power plant in Batangas.

   xi. Various construction works relating to the respective power plant facilities of SCPC, SMCPC and MPPCL.

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

	Note	**2020**	2019	2018
Cost of power sold	*25*	**P4,828,013**	P4,363,897	P9,068,086
Selling and administrative expenses	*26*	**387,256**	223,391	126,317
		P5,215,269	P4,587,288	P9,194,403

Total depreciation and amortization, recognized in the consolidated statements of income, include amortization of capitalized interest and decommissioning and dismantling costs amounting to P364,273, P99,307 and P93,670 in 2020, 2019 and 2018, respectively. The Group recognized impairment losses amounting to P35,018, P35,084 and P70,265 in 2020, 2019, and 2018, respectively, and presented as part of "Other income (charges) - net" account in the consolidated statements of income (Note 27).

The Group has borrowing costs amounting to P1,509,315, P2,360,582 and P1,830,949 which were capitalized in 2020, 2019 and 2018, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization 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 P7,135,770 and P5,990,728 as at December 31, 2020 and 2019, respectively (Notes 18 and 20).

Certain fully depreciated property, plant and equipment with aggregate costs of P4,149,495 and P4,270,320 as at December 31, 2020 and 2019, respectively, are still being used in the Group's operations.

14. Right-of-Use Assets

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

	Land	Buildings and Improvements	Power Plants	Total
Cost				
January 1, 2019	P1,347,957	P80,650	P167,387,089	P168,815,696
Additions	2,997,209	9,800	-	3,007,009
Reclassifications	(14,230)	-	-	(14,230)
Currency translation adjustments	(4,701)	-	-	(4,701)
December 31, 2019	4,326,235	90,450	167,387,089	171,803,774
Additions	983,315	4,192	-	987,507
Reclassifications	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**
Accumulated Depreciation and Amortization				
Depreciation and amortization	52,189	36,713	5,186,403	5,275,305
Reclassifications	11,173	-	-	11,173
December 31, 2019	63,362	36,713	5,186,403	5,286,478
Depreciation and amortization	59,409	36,657	5,186,403	5,282,469
Reclassifications	155,927	-	-	155,927
December 31, 2020	**278,698**	**73,370**	**10,372,806**	**10,724,874**
Carrying Amount				
December 31, 2019	P4,262,873	P53,737	P162,200,686	P166,517,296
December 31, 2020	**P5,277,529**	**P21,272**	**P157,014,283**	**P162,313,084**

The carrying amount of the power plants of the IPPAs under lease arrangements amounted to P157,014,283 and P162,200,686 as at December 31, 2020 and 2019, respectively (Note 7).

The carrying amount of MPPCL's land under lease arrangement amounted to P102,568 and P108,147 as at December 31, 2020 and 2019, respectively (Note 7).

The combined asset retirement costs of SCPC, SMCPC and MPPCL amounted to P652,588 and P469,543 as at December 31, 2020 and 2019, respectively. In 2020 and 2019, total adjustments due to remeasurements made on asset retirement costs amounted to P199,377 and P81,055, respectively.

15. Deferred Exploration and Development Costs

The movement in deferred exploration and development costs is as follows:

	Note	2020	2019
Balance at beginning of year		**P710,836**	P705,458
Additions		**3,390**	4,479
Reclassification	*7*	**500**	532
Adjustment due to adoption of PFRS 16		**-**	367
Balance at end of year	*4*	**P714,726**	P710,836

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 16).

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, 2020 and 2019.

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, 2020 and 2019, COC No. 134 has an In-situ coal resources (measured plus indicated coal resources) of about 35.01 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, 2020 and 2019.

<u>Status of Operations</u>
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 December 2018. In answer to these two requests, the DOE, in a letter dated January 11, 2019, required the submission of a new 5-year WPB which SEPC complied with.

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. In answer to these two requests, the DOE, in a letter dated January 11, 2019, required the submission of a 5-year WPB, consistent with the COC No. 138 status as a Development and Production Contract, which BERI had actually submitted earlier on January 9, 2019.

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.

As at report date, SEPC’s request for a 2-year extension of its present work program and the proposed DAMI and BERI Consolidated WPB are still under evaluation and are expected to be favorably considered and approved by the DOE.

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, 2020 and 2019.

16. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

	Note	**2020**	2019
Goodwill	*4, 5*	**P69,953,222**	P69,953,222
Mining rights	*4, 15*	**1,719,726**	1,719,726
Power concession assets - net	*4, 7*	**1,056,817**	1,009,785
Computer software and licenses - net		**128,432**	88,538
		P72,858,197	P72,771,271

Goodwill

In November 2009 and March 2010, the Parent Company acquired 60% ownership interest in SMEC and SPDC, respectively. As a result of these transactions, the Parent Company recognized goodwill amounting to P8,349 and P517, respectively.

In March 2018, the Parent Company acquired ownership interest in the Masinloc Group. As a result of this transaction, the Parent Company recognized goodwill amounting to P69,944,356 (Note 5).

Impairment of Goodwill from Masinloc Group

Goodwill arising from the acquisition of Masinloc Group, which accounts for almost 100% of the total goodwill in the consolidated statements of financial position as at December 31, 2020 and 2019, 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 2025 in 2020 and 2024 in 2019 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 2020 and 2019 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 4.0% and 3.0% in 2020 and 2019, 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 2020 are 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 of SMEC, SPDC and the Masinloc Group for which the goodwill was attributed still exceeds its carrying amount as at December 31, 2020 and 2019.

Computer Software and Licenses

The movements in computer software and licenses are as follows:

	Note	2020	2019
Cost			
Balance at beginning of year		**P353,586**	P318,720
Additions		**35,410**	5,070
Reclassifications	*13*	**21,049**	33,498
Cumulative translation adjustments		**(6,142)**	(3,702)
Balance at end of year		**403,903**	353,586
Accumulated Amortization			
Balance at beginning of year		**265,048**	259,588
Amortization	*26*	**12,377**	6,743
Cumulative translation adjustments		**(1,954)**	(1,283)
Balance at end of year		**275,471**	265,048
		P128,432	P88,538

17. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	2020	2019
Advances to suppliers and contractors		**P8,819,078**	P9,178,586
Restricted cash - net of current portion	*31, 32*	**3,916,087**	5,553,528
Deferred input VAT - net of current portion		**409,194**	795,448
Noncurrent receivables	*31, 32*	**369,350**	240,727
Amount owed by a related party	*21*	**139,304**	175,995
Derivative assets designated as cash flow hedge	*31, 32*	**18,863**	75,518
Other assets		**61,752**	7,558
		P13,733,628	P16,027,360

Advances to suppliers and contractors include advance payments to contractors for the construction of the Group's power plant and BESS projects (Note 13).

Restricted cash mainly comprises of: (a) SCPC's cash flow waterfall accounts, amounting to P1,144,350 and P1,130,680 as at December 31, 2020 and 2019, respectively (Notes 11 and 20); (b) MPPCL's cash flow waterfall accounts and environmental guarantee fund, totaling to P2,132,527 and P3,773,031 as at December 31, 2020 and 2019, respectively; (c) the amount received from IEMOP amounting to P491,242 as at December 31, 2020 and 2019, 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 34); and (d) APEC's reinvestment fund for sustainable capital expenditures and contributions collected from customers for bill deposits which are refundable amounting to P147,933 and P158,540 as at December 31, 2020 and 2019, respectively.

As at December 31, 2020 and 2019, the deferred input VAT mainly pertains to the input VAT relating to the construction of power plants and BESS projects of the Group.

Amount owed by a related party pertains to the loan granted by SPGC to OEDC which 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 (Note 21).

The methods and assumptions used to estimate the fair values of restricted cash, noncurrent receivables and derivative assets are discussed in Note 32.

18. Loans Payable

Loans payable amounting to P1,680,805 and P2,278,575 as at December 31, 2020 and 2019, respectively, mainly represents unsecured short-term US dollar-denominated amounts obtained by MPPCL from a local bank. Interest rates ranged from 3.75% to 4.00% and 3.64% to 4.30% in 2020 and 2019, respectively (Notes 31 and 32).

Interest expense on loans payable amounted to P79,211, P180,975 and P216,394, inclusive of P15,957 capitalized in CPIP in 2018, for the years ended December 31, 2020, 2019 and 2018, respectively (Note 13).

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 20).

19. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**2020**	2019
Trade	*7*	**P13,081,116**	P16,577,635
Non-trade	*7*	**18,108,889**	9,364,145
Output VAT		**6,633,894**	7,210,413
Accrued interest	*7, 18, 20*	**1,267,229**	1,338,520
Amounts owed to related parties	*21*	**794,298**	523,317
Withholding and other accrued taxes		**354,937**	323,355
Premium on option liabilities	*31, 32*	**29,559**	46,871
Derivative liabilities not designated as cash flow hedge	*31, 32*	**9,590**	18,636
	31, 32	**P40,279,512**	P35,402,892

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 power rate adjustments, payables to contractors, 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 9).

The methods and assumptions used to estimate the fair values of financial liabilities are discussed in Note 32.

20. Long-term Debt

Long-term debt consists of:

	Note	**2020**	2019
Bonds			
Parent Company			
Peso-denominated			
Fixed interest rate of 6.8350%, 7.1783% and 7.6000% maturing in 2022, 2024 and 2026, respectively (a)		**P29,759,411**	P29,669,514
Fixed interest rate of 6.7500% maturing in 2023 (b)		**14,890,505**	14,853,800
Fixed interest rate of 5.3750%, 6.2500% and 6.6250% maturing in 2022, 2024 and 2027, respectively (c)		**19,879,190**	19,844,789
Fixed interest rate of 4.3458%, 4.7575% and 5.1792% maturing in 2021, 2023 and 2026, respectively (d)		**14,940,675**	14,914,240
		79,469,781	79,282,343
Term Loans			
Parent Company			
Peso-denominated			
Fixed interest rate of 6.9265%, with maturities up to 2024 (e)		**14,468,244**	14,596,547
Foreign currency-denominated			
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, maturing in 2021 and 2023 (f)		**33,305,884**	34,924,385
Subsidiaries			
Peso-denominated			
Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (g)		**39,842,816**	41,273,836
Fixed interest rate of 7.7521% and 6.5077% with maturities up to 2030 (h)		**18,412,313**	19,669,115
Foreign currency-denominated			
Fixed interest rate of 4.7776% and 5.5959%, with maturities up to 2023 and 2030, respectively (i) (j)		**25,596,620**	27,835,019
Floating interest rate based on LIBOR plus margin, with maturities up to 2023 and 2030 (i) (j)		**8,457,124**	9,217,796
		140,083,001	147,516,698
	31, 32	**219,552,782**	226,799,041
Less current maturities		**22,721,660**	6,036,174
		P196,831,122	P220,762,867

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 P240,589 and P330,486 as at December 31, 2020 and 2019, respectively. Accrued interest amounted to P334,723 and P333,971 as at December 31, 2020 and 2019, respectively. Interest expense amounted to P2,135,156 and P1,470,885 in 2020 and 2019, respectively.

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 (Note 5).

   Unamortized debt issue costs amounted to P109,495 and P146,200 as at December 31, 2020 and 2019, respectively. Accrued interest amounted to P101,261 and P101,260 as at December 31, 2020 and 2019, respectively. Interest expense amounted to P1,012,500 in 2020 and 2019 and P376,875 in 2018.

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 P120,810 and P155,211 as at December 31, 2020 and 2019, respectively. Accrued interest amounted to P23,945 as at December 31, 2020 and 2019. Interest expense amounted to P1,176,795 in 2020 and 2019 and P1,170,258 in 2018.

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.

Unamortized debt issue costs amounted to P59,325 and P85,760 as at December 31, 2020 and 2019, respectively. Accrued interest amounted to P138,236 and P138,222 as at December 31, 2020 and 2019, respectively. Interest expense amounted to P708,349 in 2020, 2019 and 2018.

e. The amount represents the remaining balance of a 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 P81,756 and P103,453 as at December 31, 2020 and 2019, respectively. Accrued interest amounted to P181,069 and P182,936 as at December 31, 2020 and 2019, respectively. Interest expense amounted to P1,030,620, P1,038,326 and P1,043,088 in 2020, 2019 and 2018, respectively.

f. The amount represents 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 (Note 5).

   Unamortized debt issue costs amounted to P310,216 and P520,115 as at December 31, 2020 and 2019, respectively. Accrued interest amounted to P2,571 and P11,922 as at December 31, 2020 and 2019, respectively. Interest expense amounted to P757,196, P1,463,614 and P1,117,855 in 2020, 2019 and 2018, respectively.

   The Parent Company executed a facility agreement dated March 9, 2021 with a syndicate of foreign banks for the amount of US$200,000. Drawdown was completed on March 12, 2021. The funds were used as repayment of Facility A Loan that matured on March 12, 2021, pursuant to the existing terms and conditions of the US$700,000 facility agreement dated March 12, 2018.

g. 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 a 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 Limay Greenfield Power Plant which was then under construction; and

   iii. the repayment of advances from the Parent Company.

   Unamortized debt issue costs amounted to P547,184 and P626,164 as at December 31, 2020 and 2019, respectively. Accrued interest amounted to P18,499 and P25,575 as at December 31, 2020 and 2019, respectively. Interest expense amounted to P2,723,450, P2,786,827 and P2,840,950 in 2020, 2019 and 2018, respectively (inclusive of P437,109 and P948,070 capitalized in CPIP in 2019 and 2018, respectively).

h. 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 a 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 project;

   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 P295,903 and P334,993 as at December 31, 2020 and 2019, respectively. Accrued interest amounted to P149,557 and P159,917 as at December 31, 2020 and 2019, respectively. Interest expense amounted to P1,514,689, P1,574,840 and P595,144 (inclusive of P18,515, P28,198, and P7,029 capitalized in CPIP) in 2020, 2019 and 2018, respectively.

i. The amount represents the US$216,800 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 P6,584 and P2,195, and P15,167 and P5,055 as at December 31, 2020 and 2019, respectively. Accrued interest pertaining to fixed and floating interest tranches amounted to P64,249 and P13,448, and P80,992 and P23,676, as at December 31, 2020 and 2019, respectively. Interest expense on fixed and floating interest tranches amounted to P485,318 and P118,051 (inclusive of P282,882 and P68,809 capitalized in CPIP, respectively), P590,810 and P181,198 (inclusive of P336,666 and P103,253 capitalized in CPIP, respectively) and P498,955 and P166,318 (inclusive of P276,934 and P92,311 capitalized in CPIP, respectively) in 2020, 2019 and 2018, respectively.

j. The amount represents the balance drawn in tranches by MPPCL from its US$525,000 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.

   MPPCL drew US$43,000 (equivalent to P2,179,240) in March 2020 and made principal repayments totaling to US$24,548 (equivalent to P1,210,969) in April 2020 and in October 2020.

   Unamortized debt issue costs pertaining to fixed and floating interest tranches amounted to P271,492 and P89,352, and P338,757 and P96,487, as at December 31, 2020 and 2019, respectively. Accrued interest pertaining to fixed and floating interest tranches amounted to P174,113 and P30,720, and P171,354 and P39,495, as at December 31, 2020 and 2019, respectively. Interest expense on fixed and floating interest tranches amounted to P1,188,888 and P231,214, (inclusive of P914,351 and P177,874 capitalized in CPIP, respectively), P1,111,141 and P299,158 (all capitalized in CPIP) and P637,012 and P209,698, (inclusive of P353,560 and P116,389 capitalized in CPIP, respectively) in 2020, 2019 and 2018, 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 P89,459,884 and P86,716,963 as at December 31, 2020 and 2019, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques.

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, 2020 and 2019, 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:

	2020	2019
Balance at beginning of year	**P2,757,848**	P2,992,252
Additions	**1,200**	549,248
Currency translation adjustments	**(21,537)**	(18,272)
Capitalized amount	**(46,816)**	(46,464)
Amortization	**(555,794)**	(718,916)
Balance at end of year	**P2,134,901**	P2,757,848

Repayment Schedule
The annual maturities of the long-term debt are as follows:

	Gross Amount				
Year	**US Dollar**	**Peso Equivalent of US Dollar**	**Peso**	**Debt Issue Costs**	**Net**
2021	US$271,580	P13,042,087	P9,894,142	P214,569	P22,721,660
2022	52,058	2,499,957	27,729,564	317,937	29,911,584
2023	679,052	32,610,138	23,292,184	608,061	55,294,261
2024	31,920	1,532,894	34,259,804	283,540	35,509,158
2025	33,390	1,603,488	4,679,744	136,522	6,146,710
2026 and thereafter	348,810	16,750,903	53,792,778	574,272	69,969,409
	US$1,416,810	**P68,039,467**	**P153,648,216**	**P2,134,901**	**P219,552,782**

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 31.

21. 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	*24, 26*	**2020**	**P368,242**	**P697,679**	**P62,319**	**P57,437**	On demand or 30 days;	Unsecured;
		2019	453,498	777,521	135,865	74,397	non-interest bearing	no impairment
	11, 17	**2020**	**-**	**-**	**-**	**-**	1 year;	Unsecured;
		2019	-	-	676	-	non-interest bearing	no impairment
Entities under Common Control	*7, 9, 10, 19, 24, 25, 26*	**2020**	**2,871,919**	**1,489,646**	**711,975**	**4,430,474**	On demand or 30 days;	Unsecured;
		2019	3,036,199	1,667,408	633,217	4,294,378	non-interest bearing	no impairment
	19	**2020**	**-**	**-**	**-**	**492**	More than 1 year;	Unsecured
		2019	-	-	-	492	non-interest bearing	
Associates	*9, 12, 19, 24*	**2020**	**1,226,847**	**-**	**495,809**	**29,367**	On demand or 30 days;	Unsecured;
		2019	1,253,058	9,416	369,603	29,813	non-interest bearing	no impairment
	9, 17	**2020**	**12,259**	**-**	**181,833**	**-**	9 years;	Unsecured;
		2019	13,624	-	213,753	-	interest bearing	no impairment
Joint Venture	*9, 27*	**2020**	**29,796**	**940,531**	**19,688**	**428,490**	30 days;	Unsecured;
		2019	30,281	312,233	2,472	-	non-interest bearing	no impairment
	9, 12	**2020**	**5,165**	**-**	**130,434**	**-**	92 days;	Unsecured;
		2019	5,367	-	132,402	-	interest bearing	no impairment
Associates and Joint Ventures of Entities under Common Control	*7, 9, 10, 24*	**2020**	**567,658**	**-**	**6,705**	**1,155**	30 days;	Unsecured;
		2019	933,917	-	199,301	1,150	non-interest bearing	no impairment
Others	*9, 19, 24*	**2020**	**1,502,801**	**-**	**368,104**	**51,457**	On demand or 30 days;	Unsecured;
		2019	2,238,738	-	400,859	51,458	non-interest bearing	no impairment
		2020	**P6,584,687**	**P3,127,856**	**P1,976,867**	**P4,998,872**		
		2019	P7,964,682	P2,766,578	P2,088,148	P4,451,688		

a. Amounts owed by related parties consist of trade and other receivables, derivative assets and security deposits (Notes 9, 11 and 17).

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 12 and 19).

c. Amounts owed by associates 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 9 and 17).

d. Amounts owed by a joint venture consists of interest bearing loan granted and management fees charged to AHC by PVEI included as part of "Trade and other receivables" account in the consolidated statements of financial position (Notes 9, 12 and 27).

e. The compensation of key management personnel of the Group, by benefit type, follows:

	Note	2020	2019	2018
Short-term employee benefits		**P127,224**	P113,813	P103,911
Retirement cost (benefit)	*22*	**7,715**	4,171	(1,451)
		P134,939	P117,984	P102,460

22. 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, 2020. Valuations are obtained on a periodic basis.

The following table shows the reconciliation of the net defined benefit retirement obligation and its component:

	2020	2019
Balance at beginning of year	**P139,512**	P227,091
Recognized in Profit or Loss		
Current service cost	**17,799**	20,268
Interest expense	**7,296**	10,686
Settlement gain	**-**	(167,442)
	25,095	(136,488)
Recognized in Other Comprehensive Income		
Remeasurements:		
Actuarial (gains) losses arising from:		
Changes in financial assumptions	**4,201**	2,739
Experience adjustments	**(1,005)**	30,491
Changes in demographic assumptions	**(8,064)**	-
	(4,868)	33,230
Others		
Cumulative translation adjustment	**-**	17,412
Benefits paid	**(12,010)**	(1,733)
	(12,010)	15,679
Balance at end of year	**P147,729**	P139,512

Defined benefit retirement obligation included as part of "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P147,729 and P139,512 as at December 31, 2020 and 2019, respectively.

Settlement gain mainly pertains to the difference of the settlement price and the retirement benefits obligation of the resigned employees of a subsidiary. In 2019, the related reserve for retirement plan and translation reserve amounting to P28,626 and (P333), respectively, were charged to retained earnings due to the settlement of the retirement benefit obligation of a subsidiary.

Retirement costs recognized in the consolidated statements of income by the Parent Company amounted to P24,506, P16,563 and P13,400 in 2020, 2019 and 2018, respectively (Notes 25 and 26).

Retirement costs (benefits) recognized in the consolidated statements of income by the subsidiaries amounted to P589, (P153,051) and P19,125 in 2020, 2019 and 2018, respectively (Notes 25 and 26).

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 P59,057 and P63,403 as at December 31, 2020 and 2019, respectively.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2020	2019
Discount rate	**3.14% - 3.88%**	4.61% - 5.25%
Salary increase rate	**4.00%**	5.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of the defined benefit retirement obligation ranges from 7 to 8 years and 5.9 to 8.2 years as at December 31, 2020 and 2019, respectively.

Sensitivity Analysis
As at December 31, 2020 and 2019, 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			
	2020		2019	
	1% Increase	**1% Decrease**	1% Increase	1% Decrease
Discount rate	**(P10,823)**	**P12,708**	(P10,484)	P12,224
Salary increase rate	**12,559**	**(10,907)**	12,129	(10,599)

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.

23. Equity

Capital Stock
As at December 31, 2020 and 2019, the Parent Company's authorized capital stock is P2,000,000, divided into 2,000,000,000 common shares with par value of P1 per share.

Capital stock consists of subscribed capital stock, amounting to P1,250,004, and net of subscription receivable, amounting to P187,500, as at December 31, 2020 and 2019.

The number of shares subscribed is 1,250,004,000 common shares as at December 31, 2020 and 2019.

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 July 2018, PEGC acquired the 60% non-controlling ownership interest of ALCO in Alpha Water. 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, the Parent Company's equity ownership was further increased to 89.54% as a result of an additional subscription to the increase in the authorized capital stock of MPGC (Note 12). 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 P2,781,869 and P3,012,216 as at December 31, 2020 and 2019, 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 during the years ended December 31, 2020, 2019 and 2018.

Parent Company
In 2018, reversals of the remaining appropriated retained earnings from the appropriations that was approved by the BOD in 2015 for the debt servicing of redenominated US$700,000 loan, amounted to P3,580,000.

There were no appropriations of retained earnings of the Parent Company in 2020, 2019 and 2018.

SMEC, SPPC and SPDC
On December 21, 2018, the BOD of SPPC approved the appropriation of retained earnings amounting to P2,685,700 for the fixed monthly PSALM payments, pursuant to its IPPA Agreement. On the same date, the BOD of SPDC approved the

re-appropriation of its remaining P1,566,600 appropriated retained earnings, initially intended for San Roque Optimization pumped-storage project, for the fixed monthly PSALM payments of SPDC, pursuant to its IPPA Agreement.

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.

In 2018, the appropriations reversed by SMEC and SPDC amounted to P290,000 and P67,400, respectively.

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 and reversed by SPPC and SPDC amounted to P2,990,300 and P1,000,000, respectively.

Total combined appropriated retained earnings of SMEC, SPPC and SPDC amounted to P10,084,750, P14,075,050 and P29,408,550 as at December 31, 2020, 2019 and 2018, respectively.

USCS
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 as at December 31, 2019.

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 Second Securities was redeemed using in part the proceeds of the US$350,000 SPCS issued on December 15, 2020.

Distributions to USCS Holders

Details of distributions paid to USCS holders are as follows:

	2020	2019	2018
February	**P735,220**	P757,133	P746,068
May	**-**	837,321	830,491
August	**711,498**	758,435	767,981
November	**-**	830,478	870,750
	P1,446,718	P3,183,367	P3,215,290

RPS

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 (Note 5).

Distribution to RPS Holder

Details of distributions paid to RPS holder are as follows:

	2020	2019	2018
March	**P513,703**	P530,512	P -
June	**510,961**	527,363	543,156
September	**499,586**	525,992	536,758
December	**491,563**	512,891	541,277
	P2,015,813	P2,096,758	P1,621,191

On March 16, 2021, the Parent Company paid distributions amounting to US$10,156 to the Security Holder.

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
December 15, 2020	April 21 and October 21 of each year	7.00% per annum	October 21, 2025	102.457%	US$350,000	P17,000,077
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$2,650,000	P132,199,732

Amount in Philippine Peso pertains to proceeds, net of directly attributable transaction costs amounting to P2,016,577.

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 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 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 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 will be 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.

<u>Distributions to SPCS Holders</u>
Details of distributions paid to SPCS holder are as follows:

	2020	2019
April	**P1,882,400**	P -
May	**1,080,562**	-
July	**1,226,070**	-
October	**1,801,429**	1,732,869
November	**1,027,544**	-
	P7,018,005	P1,732,869

On January 21, 2021, the Parent Company paid distributions to holders of the US$600,000 SPCS issued in January 2020, amounting to US$17,100.

24. Revenues

Revenues consist of:

	Note	**2020**	2019	2018
Sale of power:				
Power generation and trading	*6, 21*	**P95,034,262**	P111,950,126	P101,294,837
Retail and other power-related services	*6, 7, 21*	**19,859,669**	23,095,136	18,808,010
Other services		**134,720**	14,817	-
		P115,028,651	P135,060,079	P120,102,847

Revenues from other services pertain to operations and maintenance services provided by a subsidiary to an entity under common control (Note 21).

25. Cost of Power Sold

Cost of power sold consist of:

	Note	**2020**	2019	2018
Coal, fuel oil and other consumables	*10, 21*	**P23,954,749**	P31,362,501	P32,563,689
Energy fees	*7*	**20,365,268**	26,417,124	25,423,530
Power purchases	*7*	**12,918,282**	21,434,786	11,181,239
Depreciation and amortization	*13, 14, 16*	**10,130,354**	9,651,522	9,108,899
Plant operations and maintenance, and other fees	*21, 22*	**4,526,895**	2,892,267	2,540,949
	6, 7	**P71,895,548**	P91,758,200	P80,818,306

26. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	Note	**2020**	2019	2018
Taxes and licenses		**P1,244,914**	P1,239,190	P1,171,370
Salaries, wages and benefits	*21, 22*	**824,428**	1,148,933	820,552
Management fees	*21*	**696,023**	780,902	798,039
Donations		**597,390**	486,702	231,992
Outside services		**535,906**	1,191,920	658,604
Depreciation and amortization	*6, 13, 14, 16*	**435,819**	266,134	231,336
Rent	*4, 7, 21*	**327,192**	323,373	356,606
Impairment losses on trade and other receivables	*9*	**305,829**	257,879	135,426
Corporate special program		**254,721**	376,454	309,220
Professional fees		**245,675**	131,296	524,726
Supplies		**190,352**	109,951	120,342
Advertising and promotions		**151,793**	150,300	51,821
Travel and transportation		**106,501**	234,156	184,140
Repairs and maintenance		**104,656**	424,624	292,251
Insurance		**12,036**	12,842	38,260
Miscellaneous		**177,002**	213,538	185,525
		P6,210,237	P7,348,194	P6,110,210

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.

27. Other Income (Charges)

Other income (charges) consist of:

	Note	**2020**	2019	2018
Settlement from third party contractors		**P3,825,537**	P -	P -
PSALM monthly fees reduction	*7*	**2,581,351**	1,170,542	1,615,181
Foreign exchange gains (losses) - net	*31*	**1,369,721**	2,839,579	(5,315,726)
Construction revenue	*4, 7*	**211,396**	206,397	140,212
Reversal of allowance on other receivables	*9*	**137,551**	-	-
Gain on sale of property, plant and equipment	*13*	**-**	1,402	-
Loss on retirement of machineries and equipment	*13*	**-**	(66)	(34,869)
Impairment losses on property, plant and equipment	*13*	**(35,018)**	(35,084)	(70,265)
Construction cost	*4, 7*	**(211,396)**	(206,397)	(140,212)
Miscellaneous income - net	*4, 7, 13, 21, 32*	**43,367**	222,882	259,077
		P7,922,509	P4,199,255	(P3,546,602)

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.

Miscellaneous income mostly pertains to marked-to-market gains (losses) on derivatives, management fee and rental income.

28. Income Taxes

The components of income tax expense are as follows:

	Note	**2020**	2019	2018
Current	*29*	**P2,220,270**	P2,256,733	P2,931,295
Deferred		**5,703,182**	5,006,383	970,237
		P7,923,452	P7,263,116	P3,901,532

The movements in deferred tax assets (liabilities) - net are as follows:

2020	**Balance at January 1**	**Adjustments Due to Adoption of PFRS 16**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Others**	**Balance at December 31**
Allowance for impairment losses on trade receivables	**P499,456**	**P -**	**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)	**P -**	**(P5,703,182)**	**(P523)**	**(P37,633)**	**(P17,810,242)**

2019	Balance at January 1	Adjustments Due to Adoption of PFRS 16	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Balance at December 31
Allowance for impairment losses on trade receivables	P422,117	P -	P77,339	P -	P -	P499,456
Defined benefit retirement obligation	95,299	-	(31,950)	-	-	63,349
Difference of amortization of borrowing costs over payment and others	53,067	-	38,709	-	(23,700)	68,076
Difference of depreciation and other related expenses over monthly lease payments	(7,623,074)	13,671	(5,090,481)	-	-	(12,699,884)
Equity reserve for retirement plan	9,247	-	-	(9,148)	-	99
Net loss on cash flow hedges	790	-	-	(790)	-	-
	(P7,042,554)	P13,671	(P5,006,383)	(P9,938)	(P23,700)	(P12,068,904)

The deferred taxes are reported in the consolidated statements of financial position as follows:

	2020	2019
Deferred tax assets	**P1,645,882**	P1,128,754
Deferred tax liabilities	**(19,456,124)**	(13,197,658)
	(P17,810,242)	(P12,068,904)

As at December 31, 2020, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax (CIT) due, respectively, are as follows:

Year Incurred/Paid	**Carryforward Benefits Up To**	**NOLCO**	**MCIT**
2020	December 31, 2025	P7,225,013	P115,075
2019	December 31, 2022	10,812,361	43,730
2018	December 31, 2021	5,757,421	60,666
		P23,794,795	P219,471

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:

	2020	2019	2018
Statutory income tax rate	**30.00%**	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Unrecognized deferred tax assets	**8.34%**	10.92%	15.11%
Availment of optional standard deduction and others	**(8.77%)**	(7.34%)	(13.13%)
Effective income tax rate	**29.57%**	33.58%	31.98%

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill

On November 26, 2020, the Senate approved on third and final reading Senate Bill No. 1357, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE, which seeks to reduce the CIT rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

The bill requires the approval of the Congress and by the President of the Philippines (the "President") to be enacted as a law. As at December 31, 2020, the bill is still pending with the bicameral committee of Congress and consequently was not yet submitted to the President. Upon submission to the President, he may either approve it or exercise his veto to stop the enactment of the bill.

Since the bill is not considered substantively enacted, the current and deferred taxes are measured using the applicable income tax rates as at December 31, 2020.

The bicameral committee approved the bill on February 1, 2021. As at March 9, 2021, the bill is yet to be approved by the President.

One of the key provisions of the bill that may affect the consolidated financial statements of the Group is an immediate 5% to 10% point cut in the CIT rate starting July 2020.

The estimated impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, 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

29. 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 (formerly LPPC) 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.

    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 for SMEC and SPDC and on a non-pioneer status for SPPC, 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.

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 20 MW BESS Phase 2 Project.

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. The request has been approved by BOI on July 10, 2020. 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 was registered with the BOI under EO No. 226 as new operator of 2 x 850 MW Batangas Combined Cycle Power Plant (Phase I and Phase II) on a non-pioneer status. As a registered entity, EERI is entitled to certain incentives that include, among others, an ITH for 4 years from April 2023 for Phase 1 and from October 2026 for Phase 2 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 specific terms and conditions of EERI's BOI registrations.

Registration with the Authority of the Freeport Area of Bataan (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 original project effective on the committed date or actual date of start of commercial operations, whichever is earlier. On January 4, 2021, MPGC has been granted a renewed certificate of registration with AFAB valid until December 31, 2021.

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 July 26, 2016, the ERC approved the renewal of MPPCL’s RES License, valid from August 2, 2016 to August 1, 2021.

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.

30. Basic and Diluted Earnings Per Share (EPS)

Basic and diluted EPS is computed as follows:

	2020	2019	2018
Net income attributable to equity holders of the Parent Company	**P18,840,154**	P14,370,482	P8,281,774
Distributions to USCS holders for the year	**(1,419,650)**	(2,887,771)	(3,229,781)
Distributions to RPS holder for the year	**(2,011,484)**	(2,094,049)	(1,710,194)
Distributions to SPCS holders for the year	**(8,156,397)**	(2,875,170)	-
Net income attributable to common shareholders of the Parent Company (a)	**7,252,623**	6,513,492	3,341,799
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)	**P5.80**	P5.21	P2.67

As at December 31, 2020, 2019 and 2018, the Parent Company has no dilutive debt or equity instruments.

31. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, 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 call spread swaps, currency forwards and commodity swaps, 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.

Interest Rate Risk

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

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

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

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

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

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

December 31, 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

December 31, 2019	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P2,955,892	P9,894,142	P27,729,564	P23,292,184	P34,259,804	P58,472,522	P156,604,108
Interest rate	6.2836% to 7.7521%	4.3458% to 7.7521%	5.3750% to 7.7521%	4.7575% to 7.7521%	6.2500% to 7.7521%	5.1792% to 7.7521%	
Foreign currency-denominated (expressed in Philippine peso)	2,467,402	2,637,690	1,891,416	6,708,224	1,116,430	13,367,781	28,188,943
Interest rate	4.7776% to 5.5959%	4.7776% to 5.5959%	4.7776% to 5.5959%	4.7776% to 5.5959%	4.7776% to 5.5959%	5.5959%	
Floating Rate							
Foreign currency-denominated (expressed in Philippine peso)	818,871	11,002,285	626,288	27,549,098	367,459	4,399,837	44,763,838
Interest rate	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	
	P6,242,165	P23,534,117	P30,247,268	P57,549,506	P35,743,693	P76,240,140	P229,556,889

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 P421,648, P447,638 and P539,286 in 2020, 2019 and 2018, 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, 2020		December 31, 2019	
	Note	**US Dollar**	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	*8*	**US$1,789,182**	**P85,921,896**	US$1,194,851	P60,501,300
Trade and other receivables	*9*	**153,745**	**7,383,312**	168,231	8,518,354
Investment in debt instruments	*11*	**15**	**694**	-	-
Noncurrent receivables	*17*	**1,460**	**70,099**	-	-
		1,944,402	**93,376,001**	1,363,082	69,019,654
Liabilities					
Loans payable	*18*	**35,000**	**1,680,805**	45,000	2,278,575
Accounts payable and accrued expenses	*19*	**455,003**	**21,850,624**	187,444	9,491,242
Long-term debt (including current maturities)	*20*	**1,416,810**	**68,039,467**	1,440,758	72,952,781
Lease liabilities (including current portion)	*7*	**1,040,248**	**49,955,816**	1,281,646	64,896,116
Other noncurrent liabilities		**45,234**	**2,172,269**	6,026	305,132
		2,992,295	**143,698,981**	2,960,874	149,923,846
Net foreign currency-denominated monetary liabilities		**US$1,047,893**	**P50,322,980**	US$1,597,792	P80,904,192

The Group reported net gains (losses) on foreign exchange amounting to P1,369,721, P2,839,579 and (P5,315,726) in 2020, 2019 and 2018, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 27).

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, 2020	**48.02**
December 31, 2019	50.64
December 31, 2018	52.58

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, 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)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2019	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P1,145,911)	(P851,078)	P1,145,911	P851,078
Trade and other receivables	(71,623)	(146,744)	71,623	146,744
	(1,217,534)	(997,822)	1,217,534	997,822
Loans payable	-	45,000	-	(45,000)
Accounts payable and accrued expenses	82,441	162,712	(82,441)	(162,712)
Long-term debt (including current maturities)	700,000	1,230,758	(700,000)	(1,230,758)
Lease liabilities (including current portion)	1,280,252	897,570	(1,280,252)	(897,570)
Other noncurrent liabilities	3,157	5,079	(3,157)	(5,079)
	2,065,850	2,341,119	(2,065,850)	(2,341,119)
	P848,316	P1,343,297	(P848,316)	(P1,343,297)

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

<u>Commodity Price Risk</u>
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.

<u>Liquidity Risk</u>
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, 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*

December 31, 2019	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	P79,954,187	P79,954,187	P79,954,187	P -	P -	P -
Trade and other receivables - net*	29,834,844	29,834,844	29,834,844	-	-	-
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	676	676	676	-	-	-
Derivative assets designated as cash flow hedge (included under "Other noncurrent assets" account)	75,518	75,518	-	18,303	57,215	-
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	454,481	476,180	37,758	49,348	148,402	240,672
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	7,339,757	7,339,757	1,786,229	4,264,273	25	1,289,230
Financial Liabilities						
Loans payable	2,278,575	2,285,429	2,285,429	-	-	-
Accounts payable and accrued expenses*	26,971,319	26,971,319	26,971,319	-	-	-
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	18,636	18,636	18,636	-	-	-
Long-term debt - net (including current maturities)	226,799,041	297,630,115	19,478,009	35,982,049	149,303,961	92,866,096
Lease liabilities (including current portion)	124,202,679	148,521,035	29,381,197	29,640,341	64,063,341	25,436,156
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	930,437	982,408	49,730	20,210	410,180	502,288

**Excluding statutory receivables and payables*

Credit Risk

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

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

Trade and Other Receivables

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

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

Financial information on the Group's maximum exposure to credit risk as at December 31, without considering the effects of other risk mitigation techniques, is presented below:

	Note	**2020**	2019
Cash and cash equivalents (excluding cash on hand)	*8*	**P110,715,432**	P79,951,936
Trade and other receivables - net*	*9*	**36,119,436**	29,834,844
Investment in debt instruments	*11*	**694**	-
Derivative assets not designated as cash flow hedge	*11*	**-**	676
Derivative assets designated as cash flow hedge	*17*	**18,889**	75,518
Noncurrent receivables	*9, 17*	**550,287**	454,481
Restricted cash	*11, 17*	**4,790,792**	7,339,757
		P152,195,530	P117,657,212

**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, 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**

	Financial Assets at Amortized Cost					
December 31, 2019	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)	P79,951,936	P -	P -	P -	P -	P79,951,936
Trade and other receivables	-	29,834,844	2,828,484	-	-	32,663,328
Derivative assets not designated as cash flow hedge	-	-	-	676	-	676
Derivative assets designated as cash flow hedge	-	-	-	-	75,518	75,518
Noncurrent receivables	-	454,481	-	-	-	454,481
Restricted cash	7,339,757	-	-	-	-	7,339,757
	P87,291,693	P30,289,325	P2,828,484	P676	P75,518	P120,485,696

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, 2020				December 31, 2019			
	Trade	**Non-trade**	**Amounts Owed by Related Parties**	**Total**	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	**P10,403,116**	**P1,417,383**	**P868,223**	**P12,688,722**	P11,055,287	P1,627,887	P852,680	P13,535,854
Past due:								
1-30 days	**4,625,818**	**29,645**	**302,178**	**4,957,641**	1,709,774	182,485	448,747	2,341,006
31-60 days	**1,232,496**	**50,065**	**75,759**	**1,358,320**	728,531	62,108	895	791,534
61-90 days	**625,699**	**64,070**	**3,262**	**693,031**	127,899	57,845	1,200	186,944
Over 90 days	**11,280,534**	**7,628,991**	**546,307**	**19,455,832**	7,899,428	7,339,194	569,368	15,807,990
	P28,167,663	**P9,190,154**	**P1,795,729**	**P39,153,546**	P21,520,919	P9,269,519	P1,872,890	P32,663,328

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's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has significant concentration of credit risk. Sale of power to Meralco accounts for 44%, 46% and 45% of the Group's total revenues for the years ended December 31, 2020, 2019 and 2018, respectively.

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

<u>Other Market Price Risk</u>
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.

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

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, distribution payment, pay-off existing debts, return capital to shareholders or issue new shares, subject to compliance with certain covenants of its long-term debts, SPCS, RPS and USCS (Notes 20 and 23).

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.

32. 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, 2020		December 31, 2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P110,717,686**	**P110,717,686**	P79,954,187	P79,954,187
Trade and other receivables - net*	**36,119,436**	**36,119,436**	29,834,844	29,834,844
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)	**-**	**-**	676	676
Derivative assets designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**18,889**	**18,889**	75,518	75,518
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**550,287**	**550,287**	454,481	454,481
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**4,790,792**	**4,790,792**	7,339,757	7,339,757
	P152,197,784	**P152,197,784**	P117,659,463	P117,659,463
Financial Liabilities				
Loans payable	**P1,680,805**	**P1,680,805**	P2,278,575	P2,278,575
Accounts payable and accrued expenses*	**33,248,504**	**33,248,504**	26,971,319	26,971,319
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	**9,590**	**9,590**	18,636	18,636
Long-term debt - net (including current maturities)	**219,552,782**	**253,364,991**	226,799,041	250,190,405
Lease liabilities (including current portion)	**99,511,094**	**99,511,094**	124,202,679	124,202,679
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	**2,237,416**	**2,237,416**	930,437	937,562
	P356,240,191	**P390,052,400**	P381,200,687	P404,599,176

**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 0.95% to 2.98% and 3.09% to 4.52% as at December 31, 2020 and 2019, respectively. Discount rates used for foreign currency-denominated loans range from 0.13% to 0.94% and 1.59% to 1.97% as at December 31, 2020 and 2019, 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, 2020 and 2019, the Group has outstanding call spread swaps designated as cash flow hedges with an aggregate notional amount of US$100,000 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 2021 and 2023. 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. As at December 31, 2019, the positive fair value of the call spread swaps amounted to P75,518, included under "Other noncurrent assets" account.

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:

	2020	2019
Balance at beginning of year	**(P39,910)**	(P1,844)
Changes in fair value of derivatives	**(56,630)**	(88,112)
Amount reclassified to profit or loss due to interest expense and other financing charges	**49,387**	50,836
Reversal of prior year income tax benefit	**-**	(790)
Balance at end of year	**(P47,153)**	(P39,910)

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, 2020 and 2019.

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$45,000 and US$90,000 as at December 31, 2020 and 2019, respectively. The negative fair value of these currency forwards amounted to P9,590 and P15,225 as at December 31, 2020 and 2019, respectively.

Commodity Swaps

The Group has entered into fixed swap agreements covering the coal requirements of a subsidiary with various maturities in 2020 and 2019. 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. All commodity swaps matured as at December 31, 2020. The outstanding notional quantity covered by the commodity swaps is 233,000 metric tons as at December 31, 2019. The net negative fair value of these commodity swaps amounted to P2,735 as at December 31, 2019.

The Group recognized marked-to-market gains (losses) from freestanding derivatives amounting to (P232,534), (P264,824) and P23,036 in 2020, 2019 and 2018, respectively (Note 27).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	2020	2019
Balance at beginning of year	**P57,558**	P258,850
Net change in fair value of derivatives:		
Designated as accounting hedge	**(56,630)**	(88,112)
Not designated as accounting hedge	**(232,534)**	(264,824)
	(231,606)	(94,086)
Less fair value of settled instruments	**(240,905)**	(151,644)
Balance at end of year	**P9,299**	P57,558

33. 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**	**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**

	Loans Payable	Long-term Debt	Lease Liabilities	USCS	SPCS	Total
Balance as at January 1, 2019	P8,675,700	P206,965,260	P142,007,061	P26,933,565	P -	P384,581,586
Changes from Financing Activities						
Proceeds from borrowings	9,179,550	34,834,600	-	-	-	44,014,150
Proceeds from issuance of SPCS	-	-	-	-	65,885,565	65,885,565
Payments of USCS redemption	-	-	-	(15,183,000)	-	(15,183,000)
Payments of borrowings	(15,436,350)	(12,406,504)	-	-	-	(27,842,854)
Payments of lease liabilities	-	-	(19,297,119)	-	-	(19,297,119)
Total Changes from Financing Activities	(6,256,800)	22,428,096	(19,297,119)	(15,183,000)	65,885,565	47,576,742
Adjustments Due to Adoption of PFRS 16	-	-	1,450,467	-	-	1,450,467
Effect of Changes in Foreign Exchange Rates	(140,325)	(2,810,443)	(2,689,374)	-	-	(5,640,142)
Other Changes	-	216,128	2,731,644	2,072,934	-	5,020,706
Balance as at December 31, 2019	P2,278,575	P226,799,041	P124,202,679	P13,823,499	P65,885,565	P432,989,359

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

34. 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 7).

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, 2020 and 2019.

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.

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 in March 2020.

On February 14, 2020, during the hearing of PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction, the RTC issued an Order that did not allow PSALM to present witnesses in support of the motion and directed the parties to submit pleadings and documents in support of their respective positions.

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

PSALM 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 the Amended Answer Ad Cautelam.

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.

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 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.

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

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

On December 13, 2019 the case was re-raffled to 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.

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, 2020 and 2019, 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.

c. Commitments
The outstanding purchase commitments of the Group amounted to P21,080,348 as at December 31, 2020.

Amount authorized but not yet disbursed for capital projects is approximately P95,664,086 as at December 31, 2020.

d. 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 enhanced community quarantine ("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.

The ECQ was eased starting May 16, 2020 with the Philippine government converting most cities, including the Metro Manila, to a modified enhanced community quarantine ("MECQ") until May 31, 2020 while some regions were placed under either a general community quarantine ("GCQ") or a modified general community quarantine ("MGCQ"). On June 1, 2020, the National Capital Region ("NCR") was placed under GCQ which allowed certain business 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. On August 4, 2020, Metro Manila was again placed on MECQ until August 18, 2020, in view of the continuing rise of COVID-19 cases. As at report date, Metro Manila is under GCQ.

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 but 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.

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 transition 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. Nevertheless, with the consolidated unrestricted cash and cash equivalents of P110,717,686 as at December 31, 2020, 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 during the community quarantine period.

ANNEX "B-1"

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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.
155 EDSA, Brgy. Wack-Wack
Mandaluyong City, 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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated March 19, 2021.

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

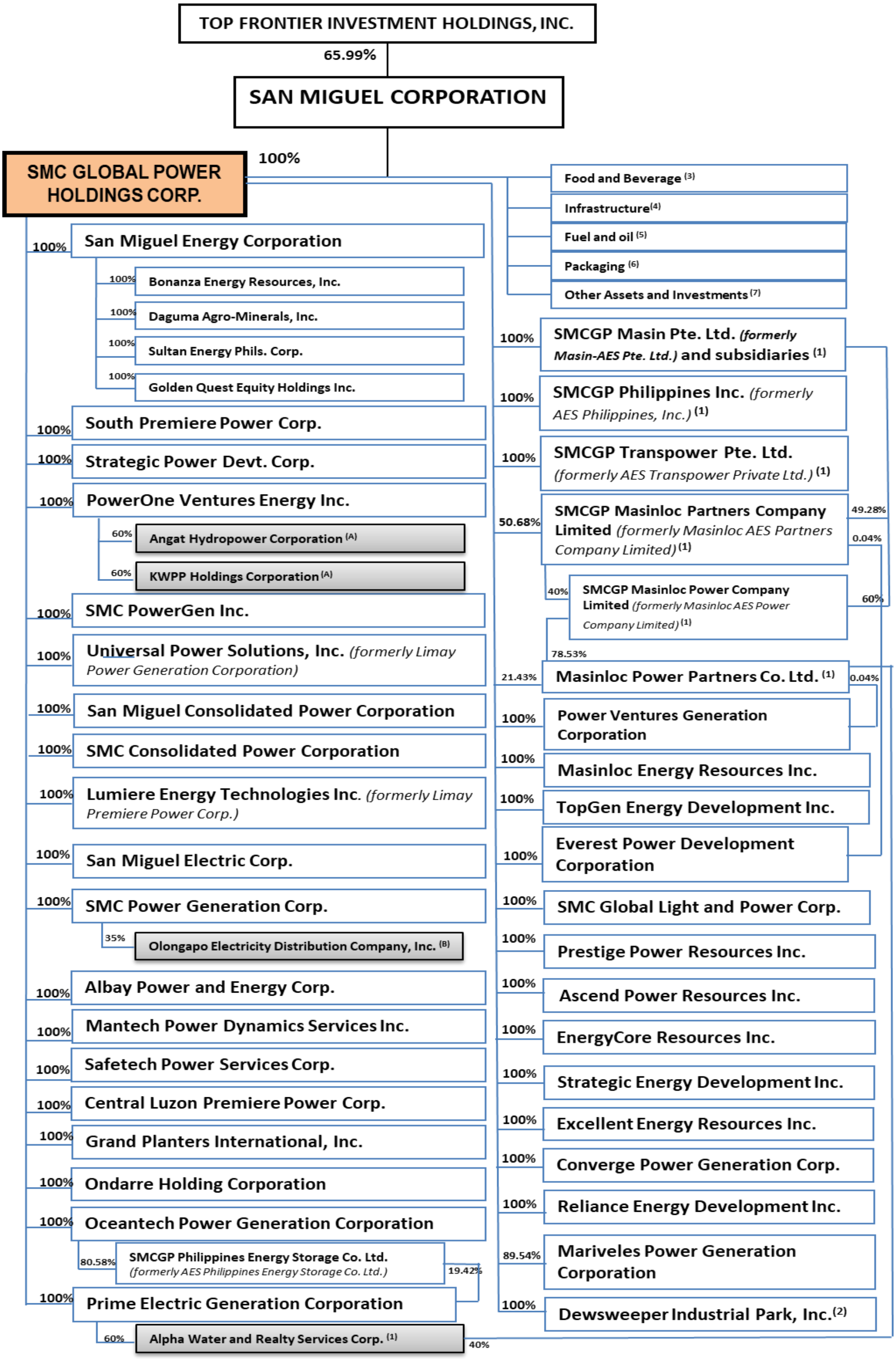
These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements. Such information have been subjected to the auditing 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 8533922
Issued January 4, 2021 at Makati City

March 19, 2021
Makati City, Metro Manila

SMC GLOBAL POWER HOLDINGS CORP.
GROUP STRUCTURE *
As of December 31, 2020



(1) Acquired in 2018; SMCGP Masin Pte. Ltd. owns 60% partnership interest in SMCGP Masinloc Power Company Limited (the remaining 40% partnership interest is owned by SMCGP Masinloc Partners Company Limited). SMCGP Masinloc Power Company Limited owns 78.53% partnership interest, and Power Ventures Generation Corporation owns 0.04% partnership interest, in Masinloc Power Partners Co. Ltd. (MPPCL). MPPCL owns 40% equity interest in Alpha Water and Realty Services Corp. SMCGP Masin Pte. Ltd. owns 49.28% partnership interest, and Everest Power Development Corporation owns 0.04% partnership interest, in SMCGP Masinloc Partners Company Limited. SMCGP Masinloc Partners Company Limited owns 40% partnership interest, and SMCGP Masin Pte. Ltd. 60% partnership interest, in SMCGP Masinloc Power Company Limited. 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 at December 31, 2020.

(2) Acquired in 2020.

(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, 2020.

(4) Infrastructure business include San Miguel Holdings Corp. and subsidiaries, 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 Atlantic Aurum Investments Philippines Corporation and subsidiaries including Stage 3 Connector Tollways Holding Corporation and subsidiary, Citra Central Expressway Corp., and Citra Metro Manila Tollways Corporation and subsidiary, Skyway O&M Corp., MTD Manila Expressways Inc. and subsidiaries, Alloy Manila Toll Expressways Inc., Manila Toll Expressway Systems Inc. and 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, Petrogen Insurance Corporation (Petrogen), 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 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, San Miguel Northern Cement, Inc. and First Stronghold Cement Industries Inc., SMC Asia Car Distributors Corp. and subsidiary, 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 and SMC Equivest 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, associates and joint ventures.

Note: [(A)] Joint Venture
[(B)] Associate

SMC GLOBAL POWER HOLDINGS CORP.
155 EDSA, Brgy. Wack-Wack, Mandaluyong 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, 2020)
Unappropriated Retained Earnings, beginning		**P4,143,070**
Adjustments in previous year's reconciliation		**(1,576,592)**
Unappropriated retained earnings, as adjusted, beginning		**2,566,478**
Net income based on the face of Audited Financial Statements	P15,088,178	
Non-actual gains arising from		
Unrealized foreign exchange, net of tax	(1,793,253)	
Equity in net earnings of an associate	(526,064)	
Sub-total	12,768,861	**12,768,861**
Net income actual/realized		**15,335,339**
Redemption of securities		**(2,072,934)**
Distributions paid during the year		**(10,480,536)**
Unappropriated retained earnings, as adjusted, ending		**P2,781,869**

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.
155 EDSA, Brgy. Wack-Wack
Mandaluyong City, 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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 19, 2021.

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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

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
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Issued January 4, 2021 at Makati City

March 19, 2021
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**

(in Million P)	Conventional **December 2020**	Conventional December 2019	Adjusted [1] **December 2020**	Adjusted [1] December 2019
(A) Current Assets	**177,378**	138,619	**177,378**	138,619
(B) Current Liabilities	**88,699**	67,018	**64,761**	44,026
Current Ratio (A)/(B)	**2.00**	2.07	**2.74**	3.15

[1] Current portion of lease liabilities, in relation to 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, 2020 and 2019, current portion of lease liabilities amounted to P23,938 million and P22,992 million, respectively.

SOLVENCY RATIO

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

Per relevant Loan Covenants of SMC Global Power

(in Million P)	**December 2020**	December 2019
(A) Net Debt [2]	**159,851**	217,523
(B) Total Equity [3]	**225,110**	150,590
Net Debt-to-Equity Ratio (A)/(B)	**0.71**	1.44

**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 Million P)	**December 2020**	December 2019	**December 2020**	December 2019
(A) Total Assets	**610,016**	557,119	**453,002**	394,918
(B) Total Equity	**226,304**	153,425	**226,304**	153,425
Asset-to-Equity Ratio (A)/(B)	**2.70**	3.63	**2.00**	2.57

(4) Net carrying amount of the IPPA power plants, in relation to IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at December 31, 2020 and 2019, the net carrying amount of the IPPA power plant assets amounted to P157,014 and P162,201 million, respectively.

PROFITABILTY RATIO

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

(in Million P)	**December 2020**	December 2019
(A) Net Income	**18,874**	14,364
(B) Total Equity	**226,304**	153,425
Return on Equity (A)/(B)	**8.3%**	9.4%

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

Per relevant Loan Covenants of SMC Global Power

(in Million P)	**December 2020**	December 2019
(A) EBITDA (5)	**41,451**	34,995
(B) Interest Expense (6)	**13,554**	14,865
Interest Coverage Ratio (A)/(B)	**3.06**	2.35

(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

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

(in GWh)	Years Ended December 31 **2020**	2019
(A) Current Period Offtake Volume	**26,116**	28,112
(B) Prior Period Offtake Volume	**28,112**	23,864
Volume Growth (Decline) [(A)/(B) – 1]	**(7.1%)**	17.8%

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

(in Millions P)	Years Ended December 31 **2020**	2019
(A) Current Period Revenue	**115,029**	135,060
(B) Prior Period Revenue	**135,060**	120,103
Revenue Growth (Decline) [(A)/(B) – 1]	**(14.8%)**	12.5%

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

(in Millions P)	Years Ended December 31 **2020**	2019
(A) Income from Operations	**36,923**	35,954
(B) Revenue	**115,029**	135,060
Operating Margin (A)/(B)	**32.1%**	26.6%

ANNEX "C"

BOARD OF DIRECTORS ATTENDANCE SUMMARY

	June 2, 2020 ASM	June 2, 2020 Org. Meeting	July 29, 2020 Regular Board Meeting	July 29, 2020 AROC Meeting	July 29, 2020 CG Meeting	October 8, 2020 Special Board Meeting	October 30, 2020 Regular Board Meeting	October 30, 2020 AROC Meeting	October 30, 2020 CG Meeting	Dec. 7, 2020 Special Board Meeting	Dec. 18, 2020 Special Board Meeting	January 25, 2021 Special Board Meeting	February 22, 2021 Special Board Meeting	March 9, 2021 Regular Board Meeting	March 9, 2021 AROC Meeting	March 9, 2021 CG Meeting	March 9, 2021 RPT Meeting
Ramon S. Ang	✓	✓	✓	N/A	N/A	✓	✓	N/A	N/A	✓	✓	✓	✓	✓	N/A	N/A	N/A
Ferdinand K. Constantino	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Aurora T. Calderon	✓	✓	✓	✓	N/A	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✓	N/A	✓
Virgilio S. Jacinto	✓	✓	✓	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

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

	Note	**2021 (Unaudited)**	2020 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*7, 19, 20*	**P93,927,703**	P110,717,686
Trade and other receivables - net	*8, 12, 19, 20*	**34,091,850**	36,162,259
Inventories		**5,434,281**	5,582,080
Prepaid expenses and other current assets	*9, 12, 19, 20*	**26,438,321**	24,916,061
Total Current Assets		**159,892,155**	177,378,086
Noncurrent Assets			
Investments and advances - net		**10,001,967**	9,956,798
Property, plant and equipment - net	*10*	**176,894,695**	171,415,437
Right-of-use assets - net	*6*	**161,053,009**	162,313,084
Deferred exploration and development costs		**715,503**	714,726
Goodwill and other intangible assets - net		**72,846,070**	72,858,197
Deferred tax assets	*18*	**1,353,581**	1,645,882
Other noncurrent assets	*19, 20*	**12,762,285**	13,733,628
Total Noncurrent Assets		**435,627,110**	432,637,752
		P595,519,265	P610,015,838
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*19, 20*	**P1,698,550**	P1,680,805
Accounts payable and accrued expenses	*11, 12, 19, 20*	**41,847,831**	40,279,512
Lease liabilities - current portion	*6, 19, 20*	**24,566,817**	24,006,629
Income tax payable		**169,547**	10,060
Current maturities of long-term debt - net of debt issue costs	*11, 19, 20, 21*	**13,226,684**	22,721,660
Total Current Liabilities		**81,509,429**	88,698,666
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*11, 19, 20, 21*	**206,043,548**	196,831,122
Deferred tax liabilities	*18*	**17,184,757**	19,456,124
Lease liabilities - net of current portion	*6, 19, 20*	**69,714,253**	75,504,465
Other noncurrent liabilities	*19, 20*	**3,562,469**	3,221,440
Total Noncurrent Liabilities		**296,505,027**	295,013,151
Total Liabilities		**378,014,456**	383,711,817

Forward

	Note	2021 (Unaudited)	2020 (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	*13*	**132,199,732**	132,199,732
Redeemable perpetual securities	*13*	**32,751,570**	32,751,570
Undated subordinated capital securities	*13*	**-**	13,823,499
Equity reserves		**(4,611,123)**	(4,228,092)
Retained earnings		**52,596,307**	47,178,853
		216,488,990	225,278,066
Non-controlling Interests		**1,015,819**	1,025,955
Total Equity		**217,504,809**	226,304,021
		P595,519,265	P610,015,838

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2021 AND 2020
(In Thousands, Except Per Share Data)

	Note	**2021 (Unaudited)**	2020 (Unaudited)
REVENUES	*5, 12, 14*	**P27,365,880**	P28,298,297
COST OF POWER SOLD	*12, 15*	**17,730,296**	18,964,834
GROSS PROFIT		**9,635,584**	9,333,463
SELLING AND ADMINISTRATIVE EXPENSES	*8, 10*	**1,212,425**	1,510,271
INCOME FROM OPERATIONS		**8,423,159**	7,823,192
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*6, 11*	**(4,595,202)**	(4,781,900)
INTEREST INCOME	*7*	**124,709**	466,342
EQUITY IN NET EARNINGS (LOSSES) OF AN ASSOCIATE AND JOINT VENTURES		**36,736**	(159,429)
OTHER INCOME - Net	*16*	**2,083,265**	1,723,019
INCOME BEFORE INCOME TAX		**6,072,667**	5,071,224
INCOME TAX EXPENSE (BENEFIT)	*18*	**(1,704,100)**	1,850,716
NET INCOME		**P7,776,767**	P3,220,508
Attributable to:			
Equity holders of the Parent Company		**P7,786,903**	P3,220,285
Non-controlling interests		**(10,136)**	223
		P7,776,767	P3,220,508
Earnings Per Common Share Attributable to Equity Holders of the Parent Company			
Basic/diluted	*17*	**P3.17**	P0.36

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2021 AND 2020
(In Thousands)

	Note	**2021 (Unaudited)**	2020 (Unaudited)
NET INCOME		**P7,776,767**	P3,220,508
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss			
Equity reserve for retirement plant	*18*	**(59)**	-
Items that may be reclassified to profit or loss			
Gain on exchange differences on translation of foreign operations		**354,947**	19,439
Net gain on cash flow hedges	*20*	**20,082**	42,168
		375,029	61,607
OTHER COMPREHENSIVE INCOME - Net of tax		**374,970**	61,607
TOTAL COMPREHENSIVE INCOME - Net of tax		**P8,151,737**	P3,282,115
Attributable to:			
Equity holders of the Parent Company		**P8,161,873**	P3,281,892
Non-controlling interests		**(10,136)**	223
		P8,151,737	P3,282,115

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2021 AND 2020
(In Thousands)

		Equity Attributable to Equity Holders of the Parent Company												
							Equity Reserves							
	Note	Capital Stock	Additional Paid-in Capital	Redeemable Perpetual Securities	Undated Subordinated Capital Securities	Senior Perpetual 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 (Audited)		**P1,062,504**	**P2,490,000**	**P32,751,570**	**P13,823,499**	**P132,199,732**	**(P1,621,661)**	**(P2,500,221)**	**(P59,057)**	**(P47,153)**	**P47,178,853**	**P225,278,066**	**P1,025,955**	**P226,304,021**
Net income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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	*13*	**-**	**-**	**-**	**(13,823,499)**	**-**	**(758,001)**	**-**	**-**	**-**	**-**	**(14,581,500)**	**-**	**(14,581,500)**
Distributions:														
Senior perpetual capital securities	*13*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,174,037)**	**(1,174,037)**	**-**	**(1,174,037)**
Undated subordinated capital securities	*13*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(703,037)**	**(703,037)**	**-**	**(703,037)**
Redeemable perpetual securities	*13*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(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**	**P32,751,570**	**P -**	**P132,199,732**	**(P2,379,662)**	**(P2,145,274)**	**(P59,116)**	**(P27,071)**	**P52,596,307**	**P216,488,990**	**P1,015,819**	**P217,504,809**
As at January 1, 2020, (Audited)		P1,062,504	P2,490,000	P32,751,570	P13,823,499	P65,885,565	(P1,621,661)	(P843,421)	(P63,403)	(P39,910)	P38,987,442	P152,432,185	P992,571	P153,424,756
Net income		-	-	-	-	-	-	-	-	-	3,220,285	3,220,285	223	3,220,508
Other comprehensive income - net of tax		-	-	-	-	-	-	19,439	-	42,168	-	61,607	-	61,607
Total comprehensive income		-	-	-	-	-	-	19,439	-	42,168	3,220,285	3,281,892	223	3,282,115
Issuance of senior perpetual capital securities	*13*	-	-	-	-	30,170,062	-	-	-	-	-	30,170,062	-	30,170,062
Share issuance costs		-	-	-	-	-	-	-	-	-	(14,950)	(14,950)	-	(14,950)
Distributions:														
Undated subordinated capital securities	*13*	-	-	-	-	-	-	-	-	-	(735,220)	(735,220)	-	(735,220)
Redeemable perpetual securities	*13*	-	-	-	-	-	-	-	-	-	(513,703)	(513,703)	-	(513,703)
Transactions with owners		-	-	-	-	30,170,062	-	-	-	-	(1,263,873)	28,906,189	-	28,906,189
As at March 31, 2020 (Unaudited)		P1,062,504	P2,490,000	P32,751,570	P13,823,499	P96,055,627	(P1,621,661)	(P823,982)	(P63,403)	P2,258	P40,943,854	P184,620,266	P992,794	P185,613,060

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2021 AND 2020
(In Thousands)

	Note	**2021 (Unaudited)**	2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P6,072,667**	P5,071,224
Adjustments for:			
Interest expense and other financing charges	*6, 11*	**4,595,202**	4,781,900
Depreciation and amortization	*10, 15*	**2,777,198**	2,568,690
Unrealized foreign exchange losses (gains) - net		**467,933**	(72,328)
Retirement cost		**11,729**	11,112
Equity in net losses (earnings) of an associate and joint ventures - net		**(36,736)**	159,429
Unrealized marked-to-market gain on derivatives	*20*	**(48,377)**	(27,889)
Reversal of allowance on trade and other receivables	*8, 16*	**(99,089)**	-
Interest income	*7*	**(124,709)**	(466,342)
Operating income before working capital changes		**13,615,818**	12,025,796
Decrease (increase) in:			
Trade and other receivables - net		**2,337,695**	(6,561,713)
Inventories		**169,024**	(45,834)
Prepaid expenses and other current assets		**(1,658,695)**	(632,767)
Increase (decrease) in:			
Accounts payable and accrued expenses		**300,812**	(507,774)
Other noncurrent liabilities and others		**380,630**	267,284
Cash generated from operations		**15,145,284**	4,544,992
Interest income received		**131,690**	438,052
Income taxes paid		**121,087**	62,201
Interest expense and other financing charges paid		**(4,463,035)**	(4,719,841)
Net cash flows provided by operating activities		**10,935,026**	325,404
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other noncurrent assets		**997,837**	(2,176,183)
Additions to deferred exploration and development costs		**(657)**	(691)
Additions to intangible assets		**(7,927)**	(45,752)
Additions to investments and advances		**(8,432)**	(42,492)
Additions to property, plant and equipment	*10*	**(5,404,954)**	(4,676,239)
Net cash flows used in investing activities		**(4,424,133)**	(6,941,357)

Forward

	Note	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	*11, 21*	**P9,691,000**	P2,179,240
Proceeds from short-term borrowings	*21*	**1,682,800**	2,287,350
Proceeds from issuance of senior perpetual capital shares		-	30,170,062
Payments of stock issuance costs		-	(14,950)
Distributions paid to redeemable perpetual securities holder	*13*	**(492,375)**	(513,703)
Distributions paid to undated subordinated capital securities holders	*13*	**(703,037)**	(735,220)
Distributions paid to senior perpetual capital securities holders	*13*	**(1,174,037)**	-
Payments of short-term borrowings	*21*	**(1,682,800)**	(2,287,350)
Payments of lease liabilities	*6, 21*	**(5,817,250)**	(5,585,988)
Payments of long-term debts	*12, 21*	**(10,559,973)**	(586,473)
Redemption of undated subordinated capital securities	*14, 21*	**(14,581,500)**	-
Net cash flows provided by (used in) financing activities		**(23,637,172)**	24,912,968
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**336,296**	(49,375)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(16,789,983)**	18,247,640
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**110,717,686**	79,954,187
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*7*	**P93,927,703**	P98,201,827

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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's registered office address is located at 155 EDSA, Brgy. Wack-Wack, Mandaluyong City, Metro Manila.

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

The Parent Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, the Parent Company shall have a perpetual corporate life.

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 condensed consolidated interim 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, 2020. They do not include all the information required for a complete set of Philippine Financial Reporting Standards (PFRS) financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual audited consolidated financial statements.

The condensed consolidated interim financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on May 4, 2021.

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

Items	Measurement Basis
Derivative financial instruments	Fair value
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 condensed consolidated interim financial statements are presented in Philippine peso, which is the functional currency of the Parent Company. All financial information are rounded off to the nearest thousand (P000), except when otherwise indicated.

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

	Percentage of Ownership	
	March 31, 2021	December 31, 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. (CLPPC)	**100**	100
Lumiere Energy Technologies Inc. (formerly Limay Premiere Power Corp. [LPPC]) [(c)]	**100**	100
PowerOne Ventures Energy Inc. (PVEI) [(d)]	**100**	100
Prime Electric Generation Corporation (PEGC)	**100**	100
Oceantech Power Generation Corporation (OPGC)	**100**	100
Masinloc Power Partners Co. Ltd. (MPPCL) [(e) (f)]	**100**	100
SMCGP Philippines Energy Storage Co. Ltd. (SMCGP Philippines Energy) [(e) (g)]	**100**	100
Masinloc Energy Resources Inc.	**100**	100
Power Ventures Generation Corporation	**100**	100
TopGen Energy Development Inc.	**100**	100
Universal Power Solutions, Inc. (formerly Limay Power Generation Corporation [LPGC]) [(h)]	**100**	100
Mariveles Power Generation Corporation (MPGC) [(i)]	**90**	90
Everest Power Development Corporation [(j)]	**100**	100
SMC Global Light and Power Corp. [(j)]	**100**	100
Prestige Power Resources Inc. [(j)]	**100**	100
Reliance Energy Development Inc. [(j)]	**100**	100

Forward

	Percentage of Ownership	
	March 31, 2021	December 31, 2020
Ascend Power Resources Inc. (j)	**100**	100
Converge Power Generation Corp. (j)	**100**	100
EnergyCore Resources Inc. (j)	**100**	100
Strategic Energy Development Inc. (j)	**100**	100
Excellent Energy Resources Inc. (EERI) (j)	**100**	100
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) (k)	**100**	100
Coal Mining		
Daguma Agro-Minerals, Inc. (l)	**100**	100
Sultan Energy Phils. Corp. (l)	**100**	100
Bonanza Energy Resources, Inc. (l)	**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. (l)	**100**	100
SMCGP Transpower Pte. Ltd. (e)	**100**	100
SMCGP Philippines Inc. (e)	**100**	100
Dewsweeper Industrial Park, Inc. (m)	**100**	100
Soracil Prime Inc.(n)	**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) On November 15, 2019, LPPC changed its name to Lumiere Energy Technologies Inc. (LETI).
(d) PVEI owns 60% of the outstanding capital stock of Angat Hydropower Corporation (AHC) and KWPP Holdings Corporation (KWPP) as joint ventures.
(e) Acquired in March 2018.
(f) Indirectly owned by the Parent Company, through its wholly-owned subsidiary SMCGP Masin Pte. Ltd. and owner of the Masinloc Power Plant.
(g) Indirectly owned by the Parent Company, through its wholly-owned subsidiaries OPGC and PEGC, and owner of the battery energy storage system (BESS) facility being constructed in Kabankalan, Negros Occidental.
(h) On September 24, 2019, LPGC changed its name to Universal Power Solutions, Inc. (UPSI).
(i) The Parent Company subscribed the remaining unissued common shares of MPGC in January and September 2019, thereby increasing its ownership interest from 49% to 89.5%. Non-controlling interests represent the 10.1% and 0.4% held by Meralco PowerGen Corporation and by Zygnet Prime Holdings, Inc., respectively.
(j) Incorporated in 2019 and have not yet started commercial operations as at March 31, 2021.
(k) SPGC owns 35% of the outstanding capital stock of Olongapo Electricity Distribution Company, Inc., (OEDC) as an associate.
(l) Indirectly owned by the Parent Company through SMEC and has not yet started commercial operations as at March 31, 2021.
(m) Acquired on November 3, 2020.
(n) 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim statements of income, condensed consolidated interim statements of comprehensive income and within equity in the condensed consolidated interim 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, 2021 and December 31, 2020.

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 condensed consolidated interim 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 condensed consolidated interim 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, 2020. 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, 2021.

Adoption of Amended Standards

The Financial Reporting Standards Council (FRSC) approved the adoption of a number of amended standards as part of PFRS.

Amended Standards Adopted in 2021

The Group has adopted the following PFRS effective January 1, 2021 and accordingly, changed its accounting policies in the following areas:

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9*, Financial Instruments,* PAS 39*, Financial Instruments: Recognition and Measurement*, PFRS 7*, Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16, *Leases*). To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

  - *Practical expedient for particular changes to contractual cash flows*. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

  - *Relief from specific hedge accounting requirements*. The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.

  - *Disclosure requirements*. To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The amendments apply retrospectively, but restatement of comparative information is not required. Reinstatement of a discontinued hedging relationship is required if the hedging relationship was discontinued solely because of changes required by the reform, and that discontinued hedging relationship meets all qualifying criteria for hedge accounting at the date of initial application.

  The amendments are still subject to the approval by the FRSC.

Except as otherwise indicated, the adoption of the amended standards did not have a material effect on the condensed consolidated interim financial statements.

Standards Issued But Not Yet Adopted

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

The Group will adopt the following new and 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 a company's ordinary activities, the amendments require the company 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 statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement 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 company first applies the amendments.

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

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). 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). 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 the company 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 a company'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.

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

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

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

Financial Instruments

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

The Group recognizes a financial asset or a financial liability in the condensed consolidated interim 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, and 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 condensed consolidated interim 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, noncurrent receivables and restricted cash are included under this category.

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

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 condensed consolidated interim statements of income. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the condensed consolidated interim statements of changes in equity are transferred to and recognized in the condensed consolidated interim statements of income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the condensed consolidated interim 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 condensed consolidated interim statements of changes in equity are never reclassified to the condensed consolidated interim statements of income.

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 condensed consolidated interim statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the condensed consolidated interim 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 condensed consolidated interim statements of income. Any dividend income from investment in equity instrument is recognized in the condensed consolidated interim 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.

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 condensed consolidated interim 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 condensed consolidated interim statements of changes in equity. Any interest expense incurred is recognized as part of “Interest expense and other financing charges” account in the condensed consolidated interim statements of income.

The Group’s derivative liabilities that are not classified as cash flow hedge are classified under this category.

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 condensed consolidated interim statements of income. Gains and losses are recognized in the condensed consolidated interim 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 condensed consolidated interim 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.

<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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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.

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.

4. Use of Judgments, Estimates and Assumptions

In preparing these condensed consolidated interim 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, 2020.

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 condensed consolidated interim 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.

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 P11,098,320 and P10,371,921 for the periods ended March 31, 2021 and 2020, respectively, represents more than 10% of the Group’s total revenues.

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

Operating Segments
Financial information about reportable segments follows:

	For the Periods Ended March 31											
	Power Generation		Retail and Other Power-related Services		Coal Mining		Others		Eliminations		Consolidated	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Revenues												
External	P22,622,658	P22,709,010	P4,710,518	P5,564,663	P -	P -	P32,704	P24,624	P -	P -	P27,365,880	P28,298,297
Inter-segment	5,126,382	6,476,101	3,975	51,099	-	-	203,136	181,864	(5,333,493)	(6,709,064)	-	-
	27,749,040	29,185,111	4,714,493	5,615,762	-	-	235,840	206,488	(5,333,493)	(6,709,064)	27,365,880	28,298,297
Costs and Expenses						-						
Cost of power sold	19,304,553	20,350,516	3,540,855	5,214,245	-	-	155,017	24,946	(5,270,129)	(6,624,873)	17,730,296	18,964,834
Selling and administrative expenses	1,049,786	1,462,662	208,277	168,395	1,934	1,869	313,283	421,514	(360,855)	(544,169)	1,212,425	1,510,271
	20,354,339	21,813,178	3,749,132	5,382,640	1,934	1,869	468,300	446,460	(5,630,984)	(7,169,042)	18,942,721	20,475,105
Segment Result	P7,394,701	P7,371,933	P965,361	P233,122	(P1,934)	(P1,869)	(P232,460)	(P239,972)	P297,491	P459,978	8,423,159	7,823,192
Interest income											124,709	466,342
Equity in net earnings (losses) of an associate and joint ventures - net											36,736	(159,429)
Interest expense and other financing charges											(4,595,202)	(4,781,900)
Other income - net											2,083,265	1,723,019
Income tax benefit (expense)											1,704,100	(1,850,716)
Consolidated Net Income											P7,776,767	3,220,508

	As at and For the Periods Ended											
	Power Generation		Retail and Other Power-related Services		Coal Mining		Others		Eliminations		Consolidated	
	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2021 (Unaudited))	December 31, 2020 (Audited)	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Other Information												
Segment assets	P424,690,758	P420,489,538	P11,782,064	P10,937,365	P732,137	P731,624	P103,791,094	P123,111,073	(P29,678,406)	(P29,714,639)	P511,317,647	P525,554,961
Investments and advances - net	9,532,027	9,481,855	200,674	213,308	-	-	249,298,025	247,012,017	(249,028,759)	(246,750,382)	10,001,967	9,956,798
Goodwill and other intangible assets - net											72,846,070	72,858,197
Deferred tax assets											1,353,581	1,645,882
Consolidated Total Assets											P595,519,265	P610,015,838
Segment liabilities	P176,569,366	P178,328,738	P7,079,109	P7,198,913	P830,933	P828,490	P5,560,998	P5,776,957	(P48,650,486)	(P47,440,247)	P141,389,920	P144,692,851
Long-term debt - net											219,270,232	219,552,782
Income tax payable											169,547	10,060
Deferred tax liabilities											17,184,757	19,456,124
Consolidated Total Liabilities											P378,014,456	P383,711,817
Capital expenditures	P5,352,152	P26,646,921	P -	P -	P -	P -	P63,061	P160,952	(P10,259)	(P36,464)	P5,404,954	P26,771,409
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	2,382,287	9,132,693	379,513	1,383,372	-	10	23,488	77,436	(8,090)	(27,338)	2,777,198	10,566,173
Noncash items other than depreciation and amortization	616,076	(3,188,415)	(2,615)	91,677	(1)	7	(269,623)	(27,049)	-	99,097	343,837	(3,024,683)

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

6. Significant Agreements and Lease Commitments

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

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

Subsidiary	Power Plant	Location
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 P4,794,620 and P5,752,669 for the periods ended March 31, 2021 and 2020, respectively (Note 15). SMEC and SPDC renewed their performance bonds amounting to US$58,187 and US$20,305, which will expire on November 3, 2021 and January 25, 2022, respectively.

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

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

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

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreement and recognized as part of "Interest expense and other financing charges" account in the condensed consolidated interim statements of income. Interest expense amounted to P1,294,880 and P1,641,439 for the periods ended March 31, 2021 and 2020, respectively.

SMEC, SPDC and SPPC's power plants under lease arrangement, presented under "Right-of-use assets - net" account in the condensed consolidated interim statements of financial position, amounted to P155,717,683 and P157,014,283 as at March 31, 2021 and December 31, 2020, respectively.

Maturity analysis of lease payments as at March 31, 2021 and December 31, 2020 are disclosed in Note 19.

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 and Realty Services Corp., another subsidiary, acquired 12,522 square meters out of the existing land currently being leased by MPPCL from PSALM for a total consideration of P15,653.

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 condensed consolidated interim statements of income which amounted to P750 and P786 for the periods ended March 31, 2021 and 2020, respectively.

MPPCL's land under lease arrangement, presented under "Right-of-use assets - net" account in the condensed consolidated interim statements of financial position, amounted to P103,651 and P102,568 as at March 31, 2021 and December 31, 2020, respectively.

Maturity analysis of lease payments as at March 31, 2021 and December 31, 2020 are disclosed in Note 19.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash in banks and on hand		**P35,576,822**	P28,838,242
Short-term investments		**58,350,881**	81,879,444
	19, 20	**P93,927,703**	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 P120,779 and P461,698 for the periods ended March 31, 2021 and 2020, respectively.

8. Trade and Other Receivables

Trade and other receivables consist of:

	Note	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade		**P25,975,807**	P28,167,718
Non-trade		**9,399,102**	9,191,288
Amounts owed by related parties	*12*	**1,650,330**	1,837,363
		37,025,239	39,196,369
Less allowance for impairment losses		**2,933,389**	3,034,110
	19, 20	**P34,091,850**	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 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, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period		**P3,034,110**	P2,828,484
Impairment losses during the period		**-**	305,829
Cumulative translation adjustment		**(1,632)**	37,348
Reversal during the period	*16*	**(99,089)**	(137,551)
Balance at end of period		**P2,933,389**	P3,034,110

No impairment loss was recognized in the condensed consolidated interim statements of income for the periods ended March 31, 2021 and 2020.

9. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	**March 31, 2021 (Unaudited)**	December 31, 2020 (Audited)
Input VAT		**P14,124,841**	P13,668,675
Prepaid tax		**7,511,298**	7,528,525
Restricted cash	*19, 20*	**2,095,007**	874,705
PSALM monthly fee outage credits	*6, 16*	**1,425,974**	1,681,464
Derivative assets not designated as cash flow hedge	*19, 20*	**20,925**	-
Investment in debt instruments	*19, 20*	**697**	694
Derivative assets designated as cash flow hedge	*19, 20*	**-**	26
Prepaid rent and others	*12*	**1,259,579**	1,161,972
		P26,438,321	P24,916,061

Input VAT consists of VAT on purchases of goods and services which can be offset against the output VAT payable.

Prepaid tax consists of local business taxes and permits, creditable withholding taxes 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 by SCPC, SMCPC and MPPCL, as cash flow waterfall accounts required under its respective credit facility (Note 11) and as environmental guarantee fund for remittance to the Department of Environment and Natural Resources and as financial benefits to host communities, as required by law.

PSALM monthly fee outage credits pertain to the approved reduction in the future monthly fees payable of SMEC 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 20.

10. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2021 and December 31, 2020

	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	Capital Projects in Progress (CPIP)	Total
Cost						
January 1, 2020 (Audited)	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	-	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 (Audited)	128,513,724	13,159,019	4,777,476	3,861,451	34,270,780	184,582,450
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, 2020 (Audited)	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 (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, 2020 (Audited)	-	-	102,402	-	-	102,402
Impairment	-	-	35,018	-	-	35,018
Currency translation adjustments	-	-	(5,309)	-	-	(5,309)
December 31, 2020 (Audited)	-	-	132,111	-	-	132,111
Currency translation adjustments	-	-	1,395	-	-	1,395
March 31, 2021 (Unaudited)	**-**	**-**	**133,506**	**-**	**-**	**133,506**
Carrying Amount						
December 31, 2020 (Audited)	P116,835,512	P12,714,695	P3,924,641	P3,669,809	P34,270,780	P171,415,437
March 31, 2021 (Unaudited)	**P116,153,821**	**P13,502,696**	**P3,976,384**	**P3,673,629**	**P39,588,165**	**P176,894,695**

March 31, 2020

	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	CPIP	Total
Cost						
January 1, 2020 (Audited)	P105,359,446	P11,932,557	P2,926,411	P1,743,202	P37,415,253	P159,376,869
Additions	477,072	34,100	160,943	48,713	3,955,411	4,676,239
Reclassifications	109,665	-	(44,518)	(4)	442,048	507,191
Currency translation adjustments	41,548	-	2,212	848	21,628	66,236
March 31, 2020 (Unaudited)	105,987,731	11,966,657	3,045,048	1,792,759	41,834,340	164,626,535
Accumulated Depreciation and Amortization						
January 1, 2020 (Audited)	8,030,395	269,362	520,323	110,355	-	8,930,435
Depreciation and amortization	1,130,934	42,404	41,909	17,904	-	1,233,151
Reclassifications	274	-	4,896	-	-	5,170
Currency translation adjustments	16,961	-	621	88	-	17,670
March 31, 2020 (Unaudited)	9,178,564	311,766	567,749	128,347	-	10,186,426
Accumulated Impairment Losses						
January 1, 2020 (Audited)	-	-	102,402	-	-	102,402
Currency translation adjustments	-	-	91	-	-	91
March 31, 2020 (Unaudited)	-	-	102,493	-	-	102,493
Carrying Amount						
March 31, 2020 (Unaudited)	P96,809,167	P11,654,891	P2,374,806	P1,664,412	P41,834,340	P154,337,616

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

b. CPIP pertains to the following:

   i. Project of MPPCL for the construction of Masinloc Power Plant Unit 3

      Following the granting of a Provisional Authority to Operate by the Energy Regulatory Commission (ERC) in favor of MPPCL Unit 3 and the declaration with Independent Electricity Market Operator of the Philippines of the commercial operations date 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. Project of UPSI for the construction of BESS facilities situated in various locations in the Philippines.

   iv. Ongoing construction of a BESS facility of SMCGP Philippines Energy.

   v. Project of SMEC for the installation of roller press and rotary separators of the Sual Power Plant.

   vi. Plant optimization and pumped-storage hydropower projects of SPDC.

   vii. Ongoing civil and structural works and electrical and data cabling being done on the new office space to be leased by the Parent Company.

   viii. Expenditures of CLPPC related to the development of its power plant project in Pagbilao, Quezon.

   ix. Initial expenditures of EERI related to the development of its combined cycle power plant in Batangas.

   x. Various construction works relating to the respective power plant facilities of SCPC, SMCPC and MPPCL.

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

		March 31	
	Note	**2021 (Unaudited)**	2020 (Unaudited)
Cost of power sold	*15*	**P1,350,553**	P1,176,697
Selling and administrative expenses		**86,681**	56,454
		P1,437,234	P1,233,151

Total depreciation and amortization recognized in the condensed consolidated interim statements of income include amortization of capitalized interest and decommissioning and dismantling costs amounting to P61,848 and P31,090 for the periods ended March 31, 2021 and 2020, respectively. No impairment loss was recognized for periods ended March 31, 2021 and 2020.

The Group has borrowing costs amounting to P26,351 and P1,509,315 which were capitalized for the period ended March 31, 2021 and for the year ended December 31, 2020, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization range from 0.03% to 7.47% and 7.75% to 12.96% as at March 31, 2021 and December 31, 2020, respectively. The unamortized capitalized borrowing costs amounted to P7,100,273 and P7,135,770 as at March 31, 2021 and December 31, 2021, respectively (Note 11).

11. Long-term Debt

Long-term debt consists of:

	Note	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Bonds			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.8350%, 7.1783% and 7.6000% maturing in 2022, 2024 and 2026, respectively (a)		**P29,782,829**	P29,759,411
Fixed interest rate of 6.7500% maturing in 2023 (b)		**14,899,937**	14,890,505
Fixed interest rate of 5.3750%, 6.2500% and 6.6250% maturing in 2022, 2024 and 2027, respectively (c)		**19,887,972**	19,879,190
Fixed interest rate of 4.3458%, 4.7575% and 5.1792% maturing in 2021, 2023 and 2026, respectively (d)		**14,947,375**	14,940,675
		79,518,113	79,469,781
Term Loans			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.9265%, with maturities up to 2024 (e)		**14,473,780**	14,468,244
Foreign currency-denominated:			
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, maturing in 2023 (f)		**23,998,373**	33,305,884
Floating interest rate based on LIBOR plus margin, maturing in 2026 (g)		**9,436,902**	-
Subsidiaries			
Peso-denominated:			
Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (h)		**39,317,453**	39,842,816
Fixed interest rate of 7.7521% and 6.5077% with maturities up to 2030 (i)		**18,097,775**	18,412,313
Foreign currency-denominated:			
Fixed interest rate of 4.7776% and 5.5959%, with maturities up to 2023 and 2030, respectively (j) (k)		**25,877,815**	25,596,620
Floating interest rate based on LIBOR plus margin, with maturities up to 2023 and 2030 (j) (k)		**8,550,021**	8,457,124
		139,752,119	140,083,001
	19, 20	**219,270,232**	219,552,782
Less current maturities		**13,226,684**	22,721,660
		P206,043,548	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 P217,171 and P240,589 as at March 31, 2021 and December 31, 2020, respectively. Accrued interest amounted to P325,004 and P334,723 as at March 31, 2021 and December 31, 2020, respectively. Interest expense amounted to P521,927 and P527,858 for the periods ended March 31, 2021 and 2020, respectively.

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 P100,062 and P109,495 as at March 31, 2021 and December 31, 2020, respectively. Accrued interest amounted to P96,659 and P101,261 as at March 31, 2021 and December 31, 2020, respectively. Interest expense amounted to P247,500 and P250,312 for the periods ended March 31, 2021 and 2020, respectively.

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 P112,028 and P120,810 as at March 31, 2021 and December 31, 2020, respectively. Accrued interest amounted to P23,950 and P23,945 as at March 31, 2021 and December 31, 2020, respectively. Interest expense amounted to P294,199 for the periods ended March 31, 2021 and 2020.

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.

Unamortized debt issue costs amounted to P52,625 and P59,325 as at March 31, 2021 and December 31, 2020, respectively. Accrued interest amounted to P134,823 and P138,236 as at March 31, 2021 and December 31, 2020, respectively. Interest expense amounted to P173,152 and P175,120 for the periods ended March 31, 2021 and 2020, respectively.

e. The amount represents the remaining balance of a 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 P76,220 and P81,756 as at March 31, 2021 and December 31, 2020, respectively. Accrued interest amounted to P175,582 and P181,069 as at March 31, 2021 and December 31, 2020, respectively. Interest expense amounted to P251,951 and P257,377 for the periods ended March 31, 2021 and 2020, respectively.

f. 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 P266,627 and P310,216 as at March 31, 2021 and December 31, 2020, respectively. Accrued interest amounted to nil and P2,571 as at March 31, 2021 and December 31, 2020, respectively. Interest expense amounted to P124,534 and P300,550 for the periods ended March 31, 2021 and 2020, respectively.

g. The amount represents 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.

   Unamortized debt issue costs and accrued interest amounted to P269,098 and P12,324 as at March 31, 2021, respectively. Interest expense amounted to P13,865 for the period ended March 31, 2021.

h. 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 a 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 Limay Greenfield Power Plant which was then under construction; and

   iii. the repayment of advances from the Parent Company.

   Unamortized debt issue costs amounted to P527,548 and P547,184 as at March 31, 2021 and December 31, 2020, respectively. Accrued interest amounted to P12,167 and P18,499 as at March 31, 2021 and December 31, 2020, respectively. Interest expense amounted to P652,704 and P684,471 for the periods ended March 31, 2021 and 2020, respectively.

i. 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 a 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 project;

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 P286,468 and P295,903 as at March 31, 2021 and December 31, 2020, respectively. Accrued interest amounted to P140,287 and P149,557 as at March 31, 2021 and December 31, 2020, respectively. Interest expense amounted to P356,989 and P386,125 (inclusive of P4,582 and P9,000 capitalized in CPIP) for the periods ended March 31, 2021 and 2020, respectively.

j. The amount represents the US$216,800 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 P5,438 and P1,813, and P6,584 and P2,195 as at March 31, 2021 and December 31, 2020, respectively. Accrued interest pertaining to fixed and floating interest tranches amounted to P159,176 and P33,317, and P64,249 and P13,448, as at March 31, 2021 and December 31, 2020, respectively. Interest expense on fixed and floating interest tranches amounted to P104,207 and P21,812 (inclusive of P4,799 and P1,004 capitalized in CPIP, respectively) and P132,594 and P38,761 (inclusive of P99,978 and P29,227 capitalized in CPIP, respectively) for the periods ended March 31, 2021 and 2020, respectively.

k. The amount represents the balance drawn in tranches by MPPCL from its US$525,000 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.

MPPCL drew US$43,000 (equivalent to P2,179,240) in March 2020 and made principal repayments totaling to US$24,548 (equivalent to P1,210,969) in April 2020 and in October 2020.

Unamortized debt issue costs pertaining to fixed and floating interest tranches amounted to P264,614 and P87,088, and P271,492 and P89,352 as at March 31, 2021 and December 31, 2020, respectively. Accrued interest pertaining to fixed and floating interest tranches amounted to P431,362 and P76,109, and P174,113 and P30,720, as at March 31, 2021 and December 31, 2020, respectively. Interest expense on fixed and floating interest tranches amounted to P282,397 and P49,825 (inclusive of P13,004 and P2,294 capitalized in CPIP, respectively) and P289,449 and P62,471 (all capitalized in CPIP) for the periods ended March 31, 2021 and 2020, 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 P87,118,861 and P89,459,884 as at March 31, 2021 and December 31, 2020, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques.

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 March 31, 2021 and December 31, 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:

	Note	**March 31, 2021 (Unaudited)**	December 31, 2020 (Audited)
Balance at beginning of period		**P2,134,901**	P2,757,848
Additions		**271,700**	1,200
Currency translation adjustments		**3,832**	(21,537)
Capitalized amount	*10*	**(669)**	(46,816)
Amortization		**(142,964)**	(555,794)
Balance at end of period		**P2,266,800**	P2,134,901

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, 2021 to March 31, 2022	US$71,580	P3,473,777	P9,951,855	P198,948	P13,226,684
April 1, 2022 to March 31, 2023	700,608	34,000,482	27,787,064	562,655	61,224,891
April 1, 2023 to March 31, 2024	30,502	1,480,286	23,391,684	296,432	24,575,538
April 1, 2024 to March 31, 2025	31,920	1,549,078	34,317,304	266,698	35,599,684
April 1, 2025 to March 31, 2026	233,390	11,326,417	4,737,244	404,100	15,659,561
April 1, 2026 and thereafter	348,810	16,927,749	52,594,092	537,967	68,983,874
	US$1,416,810	**P68,757,789**	**P152,779,243**	**P2,266,800**	**P219,270,232**

Contractual terms of the Group's interest bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 19.

12. 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 March 31, 2021 (Unaudited) and December 31, 2020 (Audited):

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
SMC	**2021**	**P97,274**	**P178,018**	**P109,980**	**P68,437**	On demand or 30 days;	Unsecured;
	2020	368,242	697,679	62,319	57,437	non-interest bearing	no impairment
Entities under Common Control	**2021**	**860,127**	**232,437**	**740,725**	**4,399,404**	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	
Associates	**2021**	**329,977**	**-**	**399,224**	**28,101**	On demand or 30 days;	Unsecured;
	2020	1,226,847	-	495,809	29,367	non-interest bearing	no impairment
	2021	**2,598**	**-**	**166,252**	**-**	9 years;	Unsecured;
	2020	12,259	-	181,833	-	interest bearing	no impairment
Joint Venture	**2021**	**7,318**	**604.578**	**18,669**	**178,623**	30 days;	Unsecured;
	2020	29,796	940,531	19,688	428,490	non-interest bearing	no impairment
	2021	**1,242**	**-**	**133,019**	**-**	92 days;	Unsecured;
	2020	5,165	-	130,434	-	interest bearing	no impairment
Associates and Joint Ventures of Entities under Common Control	**2021**	**12,372**	**-**	**9,972**	**1,155**	30 days;	Unsecured;
	2020	567,658	-	6,705	1,155	non-interest bearing	no impairment
Others	**2021**	**556,397**	**-**	**215,520**	**51,457**	On demand or 30 days;	Unsecured;
	2020	1,502,801	-	368,104	51,457	non-interest bearing	no impairment
	2021	**P1,867,305**	**P1,015,033**	**P1,793,361**	**P4,727,669**		
	2020	P6,584,687	P3,127,856	P1,976,867	P4,998,872		

a. Amounts owed by related parties consist of trade and other receivables 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 associates mainly consist of interest bearing loan granted to OEDC included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the condensed consolidated interim statements of financial position (Notes 8).

d. Amounts owed by a joint venture consists of interest bearing loan granted and management fees charged to AHC by PVEI included as part of "Trade and other receivables" account in the condensed consolidated interim statements of financial position (Note 8).

e. The compensation of key management personnel of the Group, by benefit type, follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Short-term employee benefits	**P37,461**	P127,224
Retirement cost	**-**	7,715
	P37,461	P134,939

13. Distributions

Distributions to Undated Subordinated Capital Securities (USCS) Holders
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 of the US$300,000 USCS, dated January 25, 2021. The redemption price of the US$300,000 USCS 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 US$300,000 USCS amounted to P758,001 and was recognized as part of the "Equity reserves" account in the condensed consolidated interim statements of financial position.

The US$300,000 USCS was redeemed using in part the proceeds of the US$350,000 Senior Perpetual Capital Securities (SPCS) issued on December 15, 2020.

In February 2021 and 2020, the Parent Company paid distributions amounting to P703,037 and P735,220 inclusive of tax, respectively, to holders of the US$300,000 USCS issued in August 2015.

Distributions to Redeemable Perpetual Securities (RPS) Holder
In March 2021 and 2020, the Parent Company paid distributions amounting to P492,375 and P513,703, respectively, to the RPS Holder.

Distributions to SPCS Holders
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
December 15, 2020	April 21 and October 21 of each year	7.00% per annum	October 21, 2025	102.457%	US$350,000	P17,000,077
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$2,650,000	P132,199,732

Amount in Philippine Peso pertains to proceeds net of directly attributable transaction costs amounting to P2,016,577.

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 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 will be 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.

On January 21, 2021, the Parent Company paid distributions to holders of the US$600,000 SPCS issued in January 2020, amounting to P1,174,037 inclusive of tax.

In April 2021, 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.

14. Revenues

Revenues consist of:

		March 31	
	Note	**2021 (Unaudited)**	2020 (Unaudited)
Sale of power:			
Power generation		**P22,622,658**	P22,709,010
Retail and other power-related services		**4,710,518**	5,564,663
Other services		**32,704**	24,624
	5, 12	**P27,365,880**	P28,298,297

15. Cost of Power Sold

Cost of power sold consist of:

		March 31	
		2021	2020
	Note	**(Unaudited)**	(Unaudited)
Coal, fuel oil and other consumables	*12*	**P5,327,348**	P6,659,474
Energy fees	*6*	**4,794,620**	5,752,669
Power purchases		**3,948,480**	2,997,245
Depreciation and amortization	*10*	**2,676,802**	2,501,498
Plant operations and maintenance, and other fees		**983,046**	1,053,948
	5, 12	**P17,730,296**	P18,964,834

16. Other Income - net

Other income (charges) consist of:

		March 31	
		2021	2020
	Note	**(Unaudited)**	(Unaudited)
PSALM monthly fees reduction	*9*	**P2,156,428**	P -
Reversal of allowance on other receivables	*8*	**11,463**	-
Construction revenue		**7,927**	27,779
Settlement from third party contractors		**-**	1,931,250
Construction cost		**(7,927)**	(27,779)
Foreign exchange losses - net	*19*	**(161,301)**	(240,297)
Miscellaneous income - net		**76,675**	32,066
		P2,083,265	P1,723,019

In 2020, the Group recognized an amount to be recovered 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 marked-to-market gains (losses) on derivatives, management fee and rental income.

17. Basic and Diluted Earnings Per Share

Basic and diluted earnings per share is computed as follows:

	March 31	
	2021 (Unaudited)	2020 (Unaudited)
Net income attributable to equity holders of the Parent Company	**P7,786,903**	P3,220,285
Distributions to USCS holders for the period	**(234,346)**	(367,248)
Distributions to RPS holder for the period	**(492,460)**	(513,872)
Distributions to SPCS holders for the period	**(3,096,034)**	(1,892,355)
Net income attributable to common shareholders of the Parent Company(a)	**3,964,063**	446,810
Weighted average number of common shares outstanding (in thousands) (b)	**1,250,004**	1,250,004
Basic/Diluted Earnings Per Share (a/b)	**P3.17**	P0.36

As at March 31, 2021 and 2020, the Parent Company has no dilutive debt or equity instruments.

18. Income Taxes

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

	March 31	
	2021 (Unaudited)	2020 (Unaudited)
Current	**P543,970**	P451,389
Deferred	**1,191,700**	1,399,327
Adjustments due to Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act	**(3,439,770)**	-
	(P1,704,100)	P1,850,716

The movements in deferred tax assets (liabilities) - net are as follows:

2021 (Unaudited)	**Balance at January 1**	**Adjustments Due to CREATE**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Others**	**Balance at March 31**
Allowance for impairment losses on trade and other receivables	**P671,329**	**(P101,098)**	**(P22,710)**	**P -**	**P -**	**P547,521**
Defined benefit retirement obligation	**63,526**	**(215)**	**-**	**-**	**-**	**63,311**
Difference of amortization of borrowing costs over payment and others	**305,522**	**(78,081)**	**40,411**	**-**	**11,589**	**279,441**
Difference of depreciation and other related expenses over monthly lease payments	**(18,850,195)**	**3,141,052**	**(1,011,823)**	**-**	**-**	**(16,720,966)**
Equity reserve for retirement plan	**(424)**	**(59)**	**-**	**-**	**-**	**(483)**
	(P17,810,242)	**P2,961,599**	**(P994,122)**	**P -**	**P11,589**	**(P15,831,176)**

2020 (Audited)	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 and other 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 condensed consolidated interim statements of financial position as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred tax assets	**P1,353,581**	P1,645,882
Deferred tax liabilities	**(17,184,757)**	(19,456,124)
	(P15,831,176)	(P17,810,242)

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 corporate income tax rate starting July 2020. As a result, the Group has taken up in the books the effect of the application of reduced corporate income tax rate from 30% to 25% and 20%. Income tax expense (current and deferred) for the period ended March 31, 2021 decreased by P3,439,770 of which P3,151,916 pertains to the adjustment for 2020 and P287,854 million for the first quarter of 2021.

The impact on the December 31, 2020 consolidated financial statements of the Group were recognized as at and for the period ended March 31, 2021 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. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, 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 call spread swaps, currency forwards and commodity swaps 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.

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, 2021 (Unaudited)	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P9,951,855	P27,787,064	P23,391,684	P34,317,304	P4,737,244	P52,594,092	P152,779,243
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)	2,608,439	7,304,905	1,113,739	1,165,497	1,219,171	12,736,116	26,147,867
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)	865,338	26,695,577	366,547	383,581	10,107,246	4,191,633	42,609,922
Interest rate	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	
	P13,425,632	P61,787,546	P24,871,970	P35,866,382	P16,063,661	P69,521,841	P221,537,032

December 31, 2020 (Audited)	< 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 P106,525 and P421,648 for the period ended March 31, 2021 and for the year ended December 31, 2020, 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.

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

		March 31, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Note	**US Dollar**	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	*7*	**US$1,333,000**	**P64,690,475**	US$1,789,182	P85,921,896
Trade and other receivables	*8*	**167,359**	**8,121,946**	153,745	7,383,312
Investment in debt instruments	*9*	**14**	**697**	15	694
Noncurrent receivables		**1,596**	**77,479**	1,460	70,099
		1,501,969	**72,890,597**	1,944,402	93,376,001
Liabilities					
Loans payable		**35,000**	**1,698,550**	35,000	1,680,805
Accounts payable and accrued expenses		**461,450**	**22,394,165**	455,003	21,850,624
Long-term debt (including current maturities)	*11*	**1,416,810**	**68,757,789**	1,416,810	68,039,467
Lease liabilities (including current portion)	*6*	**962,693**	**46,719,495**	1,040,248	49,955,816
Other noncurrent liabilities		**39,756**	**1,929,358**	45,234	2,172,269
		2,915,709	**141,499,357**	2,992,295	143,698,981
Net foreign currency-denominated monetary liabilities		**US$1,413,740**	**P68,608,760**	US$1,047,893	P50,322,980

The Group reported net losses on foreign exchange amounting to P161,301 and P240,297 for the periods ended March 31, 2021 and 2020, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 16).

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

	US Dollar to Philippine Peso
March 31, 2021	**48.53**
December 31, 2020	48.02
March 31, 2020	50.68
December 31, 2019	50.64

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, 2021 (Unaudited)	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P1,175,153)**	**(P1,319,403)**	**P1,175,153**	**P1,319,403**
Trade and other receivables	**(64,440)**	**(151,989)**	**64,440**	**151,989**
Investment in debt instruments	**-**	**(14)**	**-**	**14**
Noncurrent receivables	**-**	**(1,596)**	**-**	**1,596**
	(1,239,593)	**(1,473,002)**	**1,239,593**	**1,473,002**
Loans payable	**-**	**35,000**	**-**	**(35,000)**
Accounts payable and accrued expenses	**351,498**	**396,330**	**(351,498)**	**(396,330)**
Long-term debt (including current maturities)	**700,000**	**1,409,810**	**(700,000)**	**(1,409,810)**
Lease liabilities (including current portion)	**962,693**	**722,020**	**(962,693)**	**(722,020)**
Other noncurrent liabilities	**38,377**	**30,282**	**(38,377)**	**(30,282)**
	2,052,568	**2,593,442**	**(2,052,568)**	**(2,593,442)**
	P812,975	**P1,120,440**	**(P812,975)**	**(P1,120,440)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2020 (Audited)	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.

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, 2021 (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	P93,927,703	P93,927,703	P93,927,703	P -	P -	P -
Trade and other receivables - net*	33,821,990	33,821,990	33,821,990	-	-	-
Investment in debt instruments	697	697	697	-	-	-
Derivative asset not designated as a cash flow hedge (included under "Prepaid expenses and other current assets" account)	20,925	20,925	20,925	-	-	-
Derivative assets designated as cash flow hedge (included under "Other noncurrent assets" account)	27,452	27,452	-	27,452	-	-
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	549,775	560,649	50,046	127,525	85,950	297,128
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	5,983,095	5,983,095	2,095,007	2,586,914	15	1,301,159
Financial Liabilities						
Loans payable	1,698,550	1,699,258	1,699,258	-	-	-
Accounts payable and accrued expenses*	34,591,864	34,591,864	34,591,864	-	-	-
Long-term debt - net (including current maturities)	219,270,232	273,363,203	25,376,249	72,137,827	95,614,697	80,234,430
Lease liabilities (including current portion)	94,281,070	111,752,900	29,191,752	22,415,515	38,915,966	21,229,667
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	2,544,210	2,557,826	37,490	231,656	1,943,919	344,761

**Excluding statutory receivables and payables*

December 31, 2020 (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	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*

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, 2021 (Unaudited)**	December 31, 2020 (Audited)
Cash and cash equivalents (excluding cash on hand)	*7*	**P93,925,262**	P110,715,432
Trade and other receivables - net*	*8*	**33,821,990**	36,119,436
Investment in debt instruments	*9*	**697**	694
Derivative assets not designated as cash flow hedge	*9*	**20,925**	-
Derivative assets designated as cash flow hedge	*9*	**27,452**	18,889
Noncurrent receivables		**549,775**	550,287
Restricted cash		**5,983,095**	4,790,792
		P134,329,196	P152,195,530

**Excluding statutory receivables and payables*

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, 2021 (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)	**P93,925,262**	**P -**	**P -**	**P -**	**P -**	**P93,925,262**
Trade and other receivables	**-**	**33,821,990**	**2,933,389**	**-**	**-**	**36,755,379**
Investment in debt instruments	**697**	**-**	**-**	**-**	**-**	**697**
Derivative assets not designated as cash flow hedge	**-**	**-**	**-**	**20,925**	**-**	**20,925**
Derivative assets designated as cash flow hedge	**-**	**-**	**-**	**-**	**27,452**	**27,452**
Noncurrent receivables	**-**	**549,775**	**-**	**-**	**-**	**549,775**
Restricted cash	**5,983,095**	**-**	**-**	**-**	**-**	**5,983,095**
	P99,909,054	**P34,371,765**	**P2,933,389**	**P20,925**	**P27,452**	**P137,262,585**

December 31, 2020 (Audited)	Financial Assets at Amortized Cost 12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P110,715,432	P -	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	P -	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:

	March 31, 2021 (Unaudited)				December 31, 2020 (Audited)			
	Trade	**Non-trade**	**Amounts Owed by Related Parties**	**Total**	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	**P11,692,920**	**P1,524,431**	**P797,251**	**P14,014,602**	P10,403,116	P1,417,383	P868,223	P12,688,722
Past due:								
1-30 days	**1,345,535**	**44,194**	**44,303**	**1,434,032**	4,625,818	29,645	302,178	4,957,641
31-60 days	**760,827**	**47,244**	**75,486**	**883,557**	1,232,496	50,065	75,759	1,358,320
61-90 days	**670,111**	**15,853**	**142,554**	**828,518**	625,699	64,070	3,262	693,031
Over 90 days	**11,287,031**	**7,758,033**	**549,606**	**19,594,670**	11,280,534	7,628,991	546,307	19,455,832
	P25,756,424	**P9,389,755**	**P1,609,200**	**P36,755,379**	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. There are no significant changes in the credit quality of the counterparties during the period.

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 41% and 37% of the Group's total revenues for the periods ended March 31, 2021 and 2020, respectively.

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

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 11 and 13).

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 condensed consolidated interim statements of financial position.

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

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

20. Financial Assets and Financial Liabilities

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

	March 31, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P93,927,703**	**P93,927,703**	P110,717,686	P110,717,686
Trade and other receivables - net*	**33,821,990**	**33,821,990**	36,119,436	36,119,436
Investment in debt instruments (included under "Prepaid expenses and other current assets" account)	**697**	**697**	694	694
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**20,925**	**20,925**	-	-
Derivative assets designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**27,452**	**27,452**	18,889	18,889
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**549,775**	**549,775**	550,287	550,287
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**5,983,095**	**5,983,095**	4,790,792	4,790,792
	P134,331,637	**P134,331,637**	P152,197,784	P152,197,784
Financial Liabilities				
Loans payable	**P1,698,550**	**P1,698,550**	P1,680,805	P1,680,805
Accounts payable and accrued expenses*	**34,591,864**	**34,591,864**	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)	**219,270,232**	**244,629,289**	219,552,782	253,364,991
Lease liabilities (including current portion)	**94,281,070**	**94,281,070**	99,511,094	99,511,094
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	**2,544,210**	**2,544,210**	2,237,416	2,237,416
	P352,385,926	**P377,744,983**	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 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 1.06% to 4.34% and 0.95% to 2.98% as at March 31, 2021 and December 31, 2020, respectively. Discount rates used for foreign currency-denominated loans range from 0.11% to 1.72% and 0.13% to 0.94% as at March 31, 2021 and December 31, 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, 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, 2021 and December 31, 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 outstanding call spread swaps are designated to hedge foreign currency exposure on US dollar-denominated loans maturing in March 2023. As at March 31, 2021, the positive fair value of the call spread swaps, included under "Other noncurrent assets" accounts amounted to P27,452. 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.

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, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	**(P47,153)**	(P39,910)
Changes in fair value of derivatives	**8,563**	(56,630)
Amount reclassified to profit or loss due to interest expense and other financing charges	**11,519**	49,387
Ending balance	**(P27,071)**	(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 condensed consolidated interim statements of income for the periods ended March 31, 2021 and for the year ended December 31, 2020.

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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the condensed consolidated interim 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 condensed consolidated interim statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim statements of income. Details are as follows:

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

Currency Forwards
The Group entered into short-term foreign currency forward contracts with aggregate notional amount of US$45,000 as at March 31, 2021 and December 31, 2020. The positive (negative) fair value of these currency forwards amounted to P20,925 and (P9,590) as at March 31, 2021 and December 31, 2020, respectively.

Commodity Swaps
The Group has entered into fixed swap agreements covering the coal requirements of a subsidiary with various maturities in 2020. 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. All commodity swaps matured as at December 31, 2020.

The Group recognized marked-to-market gains (losses) from freestanding derivatives amounting to P35,030 and (P6,286) for the periods ended March 31, 2021 and 2020, respectively.

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	**P9,299**	P57,558
Net change in fair value of derivatives:		
Not designated as accounting hedge	**35,030**	(232,534)
Designated as accounting hedge	**8,563**	(56,630)
	52,892	(231,606)
Less fair value of settled instruments	**4,515**	(240,905)
Ending balance	**P48,377**	P9,299

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 condensed consolidated interim 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 condensed consolidated interim financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

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

21. Other Matters

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

i. *Temporary Restraining Order (TRO) Issued to Meralco*
SMEC, SPPC, SPDC, MPPCL and other generation companies became parties to a Petition for Certiorari and Prohibition with prayer for TRO and/or Preliminary Injunction ("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.

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 in March 2020.

On February 14, 2020, during the hearing of PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction, the RTC issued an Order that did not allow PSALM to present witnesses in support of the motion and directed the parties to submit pleadings and documents in support of their respective positions.

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

PSALM 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 court 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 court also denied SPPC's Motion for Summary Judgment and referred the case to mediation.

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 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.

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

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

On December 13, 2019 the case was re-raffled to 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.

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, 2021 and December 31, 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.

b. Effect of Corona Virus Disease 2019 (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 enhanced community quarantine ("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.

The ECQ was eased starting May 16, 2020 with the Philippine government converting most cities, including the Metro Manila, to a modified enhanced community quarantine ("MECQ") until May 31, 2020 while some regions were placed under either a general community quarantine ("GCQ") or a modified general community quarantine ("MGCQ"). On June 1, 2020, the National Capital Region ("NCR") was placed under GCQ which allowed certain business 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. As of the date of this report, the Metro Manila is under MECQ.

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 but 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.

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 transition 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. Nevertheless, with the consolidated unrestricted cash and cash equivalents of P93,927,703 as at March 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 during the community quarantine period and for the rest of the year.

c. Events After the Report Date
The Parent Company executed a facility agreement dated October 12, 2020 with a foreign bank amounting to US$50,000. The drawdown was completed on April 12, 2021. The proceeds will be used for the payment of capital expenditures of 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.

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

	Loans Payable	Long-term Debt	Lease Liabilities	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**

	Loans Payable	Long-term Debt	Lease Liabilities	SPCS	Total
Balance as at January 1, 2020 (Audited)	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 (Audited)	P1,680,805	P219,552,782	P99,511,094	P132,199,732	P452,944,413

e. Others

i. 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.

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

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

iv. 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 other than the aforesaid effect of the COVID-19 pandemic.

v. 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.

vi. 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.

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

viii. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as at March 31, 2021. These consist of construction of power plants 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 quarter until its completion. The fund to be used for these projects will come from available cash and proceeds of availed long-term loans and issued bonds and SPCS.

The outstanding purchase commitments of the Group amounted to P30,406,349 as at March 31, 2021. Amount authorized but not yet disbursed for capital projects is approximately P124,183,951 as at March 31, 2021.

ANNEX "E"

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, 2020. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2020 and 2019, 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, 2020. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2020 and the financial performance and cash flows for the year ended December 31, 2020, and for all the other periods presented, have been made.

I. 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).

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
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fai 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.

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 and Framework

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

The Group has adopted the following PFRS effective January 1, 2020 and accordingly, changed its accounting policies in the following areas:

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and make other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of a Business (Amendments to PFRS 3, *Business Combinations*). The amendments narrowed and clarified the definition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments: (a) confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs; (b) narrowed the definition of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

- Interest Rate Benchmark Reform *(*Amendments to PFRS 9*, Financial Instruments,* PAS 39*, Financial Instruments: Recognition and Measurement* and PFRS 7*, Financial Instruments: Disclosures)*. The amendments provide temporary exceptions to all hedging relationships directly affected by interest rate benchmark reform - the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'. The exceptions relate to the following requirements:

  - *The Highly Probable Requirement.* When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

  - *Prospective Assessments.* When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

  - *PAS 39 Retrospective Assessment.* An entity is not required to undertake the PAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other PAS 39 hedge accounting requirements, including the prospective assessment.

  - *Separately Identifiable Risk Components*. For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

  An entity shall cease applying the exceptions when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows or the hedging relationship is discontinued. End of application does not apply to the test for separately identifiable risk components.

  Specific disclosure requirements apply to hedging relationships affected by the amendments including information about the significant interest rate benchmarks, extent of risk exposure directly affected by the reform, how the entity manages the process to transition to alternative benchmark rates, significant assumptions and judgements made in applying the exceptions, and the nominal amount of the hedging instruments in those hedging relationships.

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

The Group has early adopted the amendments to PFRS 16, *Leases*, effective June 1, 2020 and accordingly, changed its accounting policy:

- Coronavirus Disease 2019 (COVID-19)-Related Rent Concessions (Amendments to PFRS 16). The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before June 30, 2021; and
- no other substantive changes have been made to the terms of the lease.

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

Except as otherwise indicated, the adoption of the new and amended standards and interpretation did not have a material effect on the consolidated financial statements.

Additional disclosures required by the amended standards were considered in the consolidated financial statements, where applicable.

II. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last three years are summarized in the following table:

	Years Ended December 31		
(In Millions)	**2020**	2019	2018
Revenues	**P115,029**	P135,060	P120,103
Cost of power sold	**(71,896)**	(91,758)	(80,819)
Selling and administrative expenses	**(6,210)**	(7,348)	(6,110)
Income from operations	**36,923**	35,954	33,174
Other income (charges):			
Interest expense and other financing charges	**(18,583)**	(19,721)	(17,616)
Interest income	**1,007**	1,586	661
Equity in net losses of associates and joint ventures	**(473)**	(391)	(471)
Others	**7,923**	4,199	(3,547)
Income before income tax	**26,797**	21,627	12,201
Income tax expense	**(7,923)**	(7,263)	(3,901)
Net income	**18,874**	14,364	8,300

2020 vs. 2019

Revenues

The Group's consolidated revenues for year 2020 registered at P115,029 million, 15% or P20,031 million lower than last year's P135,060 million as offtake volume of 26,116 gigawatt hours ("GWh") posted a 7% decline from same period last year. This was primarily due to the: (i) deferral of the commencement of the supply to Manila Electric Company ("Meralco") under the 260 megawatts ("MW") extended contract of Masinloc Power Partners Co. Ltd ("MPPCL") pending Energy Regulatory Commission's ("ERC") approval, and under the 290 MW Mid-merit Power Supply Agreement ("PSA") of South Premiere Power Corp. ("SPPC"), where the provisional approval of the ERC was posted and distributed to the parties only on March 16, 2020, (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 the ECQ restrictions, and compensated by improved utility demand as household consumption 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 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; (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 last year's P35,954 million to P36,923 million in 2020.

Other Income (Charges)

Interest income decreased by 37% or P579 million from last year's P1,586 million 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 Independent Power Producer Administrator ("IPPA") entities' finance 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 associates and joint ventures registered at P473 million loss in 2020 due to the share in higher net losses of Angat Hydropower Corporation ("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 recognized Power Sector Assets and Liabilities Management Corporation ("PSALM") monthly fees reduction by P1,411 million due to longer forced outages of Units 1 and 2 of Sual Power Plant in 2020 versus in 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 during the year.

Income Before Income Tax

As a result of the foregoing factors, income before income tax increased by 24% or P5,170 million from P21,627 million in 2019 to P26,797 million 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 the finance lease liability-related expenses.

Net Income

Consequently, the consolidated net income of the Group for the year increased by 31% or P4,510 million from P14,364 million in 2019 to P18,874 million in 2020.

2019 vs. 2018

Revenues

The Group's consolidated revenues in 2019 reached P135,060 million, 12% or P14,957 million higher than the P120,103 million posted in 2018, reflecting the sale of power registering at 28,112 GWh in 2019 and 23,864 GWh in 2018. The increase was driven by: (i) revenues contributed by the full-year generation from the 660 MW Masinloc Power Plant acquired on March 20, 2018, (ii) revenues from the full-year operations of San Miguel Consolidated Power Corporation's ("SMCPC") Unit 2-Davao Greenfield Power Plant and of SCPC Unit 3-Limay Greenfield Power Plant, which commenced commercial operations on February 26, 2018 and March 26, 2018, respectively, (iii) additional revenues from SCPC's Unit 4 which started commercial operations on July 26, 2019, (iv) increase in revenues of SPPC brought by higher plant dispatch of Ilijan Power Plant due to higher Meralco nominations coupled with higher average realization price, and partly offset by (v) the decline in revenues of San Miguel Energy Corporation ("SMEC") on account of lower average realization price for its bilateral sales, and (vi) the decline in spot sales volume of the Group.

Cost of Power Sold

Cost of power sold likewise increased by 14% or P10,939 million, from P80,819 million in 2018 to P91,758 million in 2019. The increase was attributable mainly to the following: (i) costs incurred by the Masinloc Power Plant during its full-year operations in 2019, (ii) higher costs incurred from the full-year operations of the Unit 2-Davao Greenfield Power Plant and Unit 3-Limay Greenfield Power Plant, with a combined capacity of 300 MW, (iii) costs incurred for the five-month operations of SCPC's Unit 4, (iv) higher spot purchases of MPPCL, SMEC and SCPC, and (v) higher energy fees due to longer operating hours resulting from lower outages of the Sual Power Plant and higher average natural gas price for the Ilijan Power Plant.

Selling and Administrative Expenses

Selling and administrative expenses increased by 20% or P1,238 million, from P6,110 million in 2018 to P7,348 million in 2019. The increase was due mainly to: (i) full-year operations of the Masinloc Power Plant (acquired in March 2018), (ii) higher personnel expenses, and (iii) contributions to registered donee institutions for various programs on education and environment.

Income from Operations

As a result, consolidated income from operations grew by 8% or P2,780 million, from P33,174 million in 2018 to P35,954 million in 2019.

Other Income (Charges)

Interest expense and other financing charges increased by 12% or P2,105 million, from P17,616 million in 2018 to P19,721 million in 2019, due mainly to higher interest expense recognized on: (i) the long and short-term borrowings obtained by SMC Global Power to partially finance the Masinloc acquisition, to fund the capital expenditures of Mariveles Power Generation Corporation ("MPGC) and for its battery energy storage system ("BESS") projects, (ii) project financing of SCPC and SMCPC, (iii) existing long-term borrowings of MPPCL, and partially offset by (iv) lower interest expense on the IPPA entities' finance lease liabilities.

Interest income increased by 140% or P925 million, from P661 million in 2018 to P1,586 million in 2019, resulting from higher average balance of cash and cash equivalents with the net proceeds received from the issuances of the P30,000 million fixed rate bonds and US$1,300 million SPCS by SMC Global Power in 2019.

Equity in net losses of associates and joint ventures posted lower losses by P80 million during the current year from the operations of AHC.

Other income significantly increased due primarily to the net foreign exchange differential, recognized on the Group's US dollar-denominated liabilities, which made a complete turnaround from the P5,316 million loss in 2018 to P2,840 million gain in 2019, as a result of the appreciation of the Philippine peso against the US dollar in 2019.

Income Before Income Tax

As a result of the foregoing factors, income before income tax substantially increased by 77% or P9,426 million, from P12,201 million in 2018 to P21,627 million in 2019.

Income Tax Expense

Income tax expense increased by 86% or P3,362 million, from P3,901 million in 2018 to P7,263 million in 2019. The net increase mainly resulted from the following: (i) higher provision for deferred income tax expenses recognized by the IPPA entities on the temporary differences of monthly fixed payments to PSALM over the finance lease liability-related expenses, particularly on foreign exchange differential, (ii) higher deferred income tax expenses of MPPCL, SCPC and SMCPC due to movements on their temporary differences such as foreign exchange translations and capitalized borrowing costs, and (iii) lower provision for current income tax due mainly to the decline of the operating income of SMEC.

Net Income

Consequently, the consolidated net income of the Group grew by 73% or P6,064 million, from P8,300 million in 2018 to P14,364 million in 2019.

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

1. **POWER GENERATION**

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 last year 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 during the year. Total offtake volume decreased to 9,120 GWh from last year's 9,374 GWh on account of lower demand from industrial and retail electricity supplier ("RES") customers during the quarantine period.

Revenues of P37,638 million was 8% lower than last year's P40,994 million mainly attributable to lower average realization price for bilateral sales driven primarily by the lower contract rate of the new baseload PSA with Meralco which was effective starting December 26, 2019 and the impact of lower wholesale electricity spot market ("WESM") prices and decline in offtake volume.

Nevertheless, operating income of P10,902 million was 71% higher than last year's P6,390 million 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 during the year. Total offtake volume of 7,765 GWh likewise fell by 5% compared to last year 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 PSA with Meralco, which became effective on December 26, 2019, (ii) decline in WESM 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 last year due to the decrease in replacement power supplied to affiliate generators.

Revenues for the period decreased by 62% from P7,835 million last year to P2,973 million this year 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 last year’s 3,464 GWh 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 last year by 18% due to lower replacement power sold to related parties and lower nominations from distribution utilities.

For 2020, revenues decreased by 20% from P11,174 million last year to P8,896 million in the current year due primarily to lower offtake volume. Decline in operating income at 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 the same period last year due to longer outages in 2020.

Revenues at P11,012 million surpassed the previous year's 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 last year.

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 6,091 GWh exceeded last year by 12% 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 due to the deferment of the supply to Meralco under the 260 MW extended contract that is pending ERC approval. Year-to-date revenues inclusive of ancillary revenues from the 10 MW BESS, and operating income registered lower at P23,352 million and P3,792 million, respectively, compared to last year on account of lower average realization prices for spot and bilateral offtake volumes.

2019 vs. 2018

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

In 2019, net generation of 6,748 GWh at 77% net capacity factor rate was 10% higher than in 2018 mainly due to higher operating hours and lower outages of the Sual Power Plant in 2019 as compared to 2018. In 2018, outages were mainly attributable to the annual maintenance outage of Unit 1 for 56 days from September 1 to October 26, 2018 and maintenance outage of Unit 2 for the installation of main unit of transformer from January 18 to February 9, 2018. Total offtake volume likewise increased to 9,374 GWh from 8,416 GWh in 2018 on account of higher Meralco nominations and bilateral sales volume.

Revenues of P40,994 million was 2% lower than the previous year due mainly to lower average realization price for bilateral sales despite higher offtake volumes.

On the other hand, the decline in operating income registered at 36%, from P10,028 million in 2018 to P6,390 million in 2019, on account of higher average cost of replacement power purchases supplied to bilateral customers.

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

The net generation of Ilijan Power Plant for 2019 grew by 4% attributable to higher plant dispatch as a result of high demand in the market, caused by the unexpected outages of other power stations during the year, despite the plant's higher outages in 2019. In 2019, Block 1 combustor inspection was conducted from September 21 to October 10 and planned major inspection of Block 2 was conducted from July 25 to August 31.

Revenues of P38,251 million for the year ended December 31, 2019 was 7% higher than 2018. The increase was driven by higher offtake volume, which surged by 3% to 8,133 GWh in 2019, coupled with higher average spot and bilateral prices.

Consequently, operating income of P10,916 million in 2019 was 16% higher than the P9,390 million posted in 2018.

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

The San Roque Power Plant's net generation of 793 GWh for 2019, at 26% net capacity factor rate, fell by 22% as compared to 1,018 GWh for 2018. This was attributable to low reservoir level at an average of 261 meters above sea level (masl) in 2019 vs 264 masl in 2018. In 2018, the power plant was tagged as a Must Run Unit for 20 days due to high water level resulting from frequent monsoons and typhoons. Total offtake volume of 1,187 GWh likewise decreased by 12% compared to 2018.

Nevertheless, revenues increased by 12% or P830 million, from P7,005 million in 2018 to P7,835 million in 2019, due to higher average realization price and increase in revenue from ancillary services by 58% in 2019.

The foregoing factors contributed to the improvement of operating income by 23% from P2,777 million in 2018 to P3,417 million in 2019.

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

Unit 1, Unit 2 and Unit 3 of the Limay Greenfield Power Plant, with a capacity of 150 MW each, commenced commercial operations on May 26, 2017, September 26, 2017 and March 26, 2018, respectively, following the completion of the testing and commissioning phase and the issuance of a Provisional Authority to Operate ("PAO") by the ERC. On July 26, 2019, Unit 4, with 150 MW capacity, commenced commercial operations following the completion of its testing and commissioning. The ERC also issued a Certificate of Compliance ("COC") in favor of SCPC for its four units.

Total net generation of 3,464 GWh, at 86% net capacity factor rate, for 2019 was 37% higher than the 2,529 GWh in 2018. This was due to the full-year operations of Unit 3 and five-month operations of Unit 4 in 2019. SCPC dispatched 1,898 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 2,433 GWh was 30% higher than the previous year due to higher offtake volume sold to various customers (that were obtained to fully contract the capacity of Unit 3 and Unit 4) and as replacement power to SMEC and MPPCL.

For 2019, revenues increased by 31% to P11,174 million from P8,550 million in 2018 driven primarily by higher offtake volumes.

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

Unit 1 and Unit 2 of the Davao Greenfield Power Plant, with a combined capacity of 300 MW, started commercial operations on July 26, 2017 and February 26, 2018, respectively, following the completion of its testing and commissioning phase and the ERC issuance of a PAO and a COC in favor of SMCPC for its two units.

For the year 2019, a total of 1,908 GWh was generated by the plant at a capacity factor rate of 82%. This was 32% higher as compared to the previous year due to the full-year operations of Unit 2 as well as the high demand during the summer season, notwithstanding the 14-day combined shutdown of Unit 1 and Unit 2 due to tube leak and the 6.9 magnitude earthquake experienced on December 15, 2019.

Revenues of P10,942 million in 2019 topped the revenues posted in 2018 by 40% on account of additional bilateral customers and the increase in nominations and load following demand from its existing bilateral customers. This is despite the slight decrease in average realization price due to the effect of capacity-based contracts, i.e., take or pay.

Accordingly, operating income registered at P4,130 million which was 46% higher than 2018.

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

The Masinloc Power Plant operating Unit 1 and Unit 2, with a combined net capacity of 619 MW, contributed a total net generation of 4,252 GWh for 2019, 27% higher compared to the net generation of 3,349 GWh in 2018, for the period starting March 20, 2018 (the acquisition of the Masinloc Power Plant) to December 31, 2018.

As a result of the full-year operations of the Masinloc Power Plant, MPPCL registered an increase in its total offtake volume of 5,448 GWh by 38% (sold to distribution utilities and electric cooperatives), revenues of P25,570 million by 32% (inclusive of ancillary revenues from its 10 MW BESS) and operating income of P4,587 million by 1%.

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

<u>2020 vs. 2019</u>

a. **San Miguel Electric Corp. ("SMELC"), RES**

SMELC realizes its profits from its RES contracts with various San Miguel Corporation ("SMC") subsidiaries and other contestable customers. Power supply for its existing RES contracts was sourced from the Sual and Limay Greenfield Power Plants.

Offtake volume of 746 GWh for 2020 fell compared to last year's 2,028 GWh. The 63% decrease was attributable to the transfer of majority of its RES contracts to SCPC and MPPCL, the expiration of several contracts during the year and lower energy requirement from its contestable customers during the quarantine period. This led to the decrease of 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.

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

Revenues of P3,171 million was 10% lower than last year's 3,511 million on account of lower offtake volume during quarantine period and 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.

c. **SCPC, RES**

On August 24, 2016, SCPC was granted a RES license by the ERC. RES customers include various SMC subsidiaries and other 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 last year's 1,779 GWh due to new RES customers and the transfer of contestable customers from SMELC following the increase in the power plant's capacity.

Revenues at P10,516 million topped the previous year as offtake volumes increased. Consequently, operating income at P1,435 million in 2020 was 1% higher than the previous year.

d. **MPPCL, RES**

MPPCL has various RES contracts.

For 2020, total offtake volume and revenues significantly increased compared to last year, registering at 419 GWh and P2,340 million, respectively, on account of additional RES customers, including those whose contracts were transferred from SMELC. Meanwhile, operating income increased from P381 million in 2019 to P1,179 million in 2020 due mainly to higher nominations resulting from the entry of new retail customers.

2019 vs. 2018

a. **SMELC, RES**

SMELC realizes its profits from its RES contracts with various SMC subsidiaries and other contestable customers. Power supply for its existing RES contracts was sourced from the Sual and Limay Greenfield Power Plants.

Total offtake volume of 2,028 GWh in 2019 exceeded the 1,973 GWh offtake volume in 2018 by 3%. The increase was attributable to the following: (i) higher electricity requirements of existing customers, and (ii) additional contestable customers contracted in 2019. The average realization price, however, was lower due to downward adjustments to rates based on current indices. This led to the 10% decrease in revenues in 2019 which registered at P10,567 million.

Operating income amounting to P71 million for 2019 still improved from the P68 million posted in 2018 buoyed mainly by the increase in offtake volume and better margin.

b. **APEC, Concessionaire for the rehabilitation, operations and maintenance of ALECO**

Revenues of P3,511 million in 2019 was 13% higher than the P3,108 million posted in 2018 primarily driven by higher offtake volumes and increase in average selling prices due to higher pass-through generation costs.

On the other hand, operating loss of P365 million in 2019 further ballooned from the P59 million recognized in 2018 due primarily to the increase in cost of spot purchases.

c. **SCPC, RES**

On August 24, 2016, SCPC was granted a RES license by the ERC. RES customers include various SMC subsidiaries and other contestable customers. The power supply for its RES contracts was sourced from the Limay Greenfield Power Plant.

For 2019, the total offtake volumes registered at 1,779 GWh. This was 135% higher than the total offtake volume of 756 GWh registered in 2018 due to higher bilateral sales from additional contestable customers. Revenues increased by 120% from P3,945 million in 2018 to P8,675 million in 2019 as offtake volume increased.

d. **MPPCL, RES**

MPPCL has various retail sale agreements.

On account of the full-year contribution of MPPCL (acquired in March 2018) and additional contestable customers in 2019, the total offtake volume increased by 779% from 42 GWh in 2018 to 369 GWh in 2019, while revenues and operating income, amounting to P591 million and P381 million, increased by 132% and 289%, respectively.

III. FINANCIAL POSITION

A. MAJOR DEVELOPMENTS IN 2020

ISSUANCE OF A TOTAL OF US$1,350 MILLION SENIOR PERPETUAL CAPITAL SECURITIES (‘SPCS”) BY SMC GLOBAL POWER

On various dates in 2020, SMC Global Power issued and listed on the Singapore Exchange Securities Trading Limited (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 (“OEFA”) dated December 1, 2015 to finance the construction of the additional 335 MW Unit 3-Masinloc Power Plant coal-fired plant within its existing facilities. The loan is divided into fixed interest tranche of 5.5959% per annum and floating interest tranche based on a 6-month London Interbank Offered Rate plus margin 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.

B. MAJOR DEVELOPMENTS IN 2019

INVESTMENTS

- *Additional capital infusion in MPGC*

On January 25, 2019, SMC Global Power subscribed to the remaining unissued 18,314,898 common shares of MPGC, thereby increasing SMC Global Power's ownership interest in MPGC from 49% to 74%. SMC Global Power then subscribed to an additional 58,000,000 common shares out of the proposed increase in the authorized capital stock of MPGC at the subscription price of P100 per share, or total subscription amount of P5,800 million on September 6, 2019, when the increase of the authorized capital stock of MPGC was approved by the Philippine Securities and Exchange Commission ("SEC") on the same date. Following these subscriptions, SMC Global Power's ownership interest in MPGC further increased to 90%. Consequently, SMC Global Power has obtained control over MPGC and has started consolidating MPGC as at January 25, 2019.

As at December 31, 2019, SMC Global Power paid P6,530 million of the total subscriptions. The additional capital infusion will finance in part the power plant project of MPGC.

LONG-TERM DEBT

- *Availment of long-term debt to finance capital expenditures/projects*

SMCPC

On July 31, 2019, SMCPC drew the remaining P978 million from a P21,300 million, 12-year Omnibus Loan and Security Agreement ("OLSA") with a syndicate of local banks dated August 9, 2018. The loan is subject to a fixed interest rate of 6.5077% and payable in quarterly installments up to August 2030. Proceeds of the loan were used mainly to finance the remaining payables from the construction works for the Davao Greenfield Power Plant.

MPPCL

On January 11, 2019 and November 22, 2019, MPPCL drew US$35 million (P1,824 million) and US$40 million (P2,032 million), respectively, from its US$525 million OEFA dated December 1, 2015 to finance the ongoing construction of the additional 335 MW Unit 3-Masinloc Power Plant within the existing facilities of MPPCL. The loan is divided into fixed interest tranche and floating interest tranche with maturities up to December 2030.

- *Payment of long-term debt*

In 2019, SMC Global Power, MPPCL, SMCPC and SCPC have paid a total of P12,407 million of its outstanding long-term debts, pursuant to the terms and conditions of their respective facility agreements.

FIXED-RATE PESO-DENOMINATED BONDS

- *Shelf-registration of P60,000 million worth of fixed-rate Peso-denominated bonds by SMC Global Power and issuance of P30,000 million bonds*

On March 29, 2019, the Philippine SEC approved the shelf-registration of up to P60,000 million worth of fixed-rate Peso-denominated bonds of SMC Global Power.

On April 24, 2019, SMC Global Power issued and listed on the Philippine Dealing & Exchange Corp. the first tranche of the fixed-rate Peso-denominated bonds amounting to P30,000 million. The Bonds were issued 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 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 SMC Global Power for partial refinancing of existing loan obligations and/or re-denomination of US dollar-denominated obligations (remaining US$150 million term loan, used for Masinloc acquisition, and US$120 million short-term loan), investments in power-related assets and for payment of transaction-related fees, costs and expenses.

ISSUANCE OF A TOTAL OF US$1,300 MILLION SPCS BY SMC GLOBAL POWER

On April 25, 2019, SMC Global Power issued US$500 million SPCS (the “Original Securities”) at an issue price of 100%, with an initial rate of distribution of 6.5% per annum.

On July 3, 2019, SMC Global Power issued an additional US$300 million SPCS (the “Additional Securities”) at an issue price of 102.052% plus an amount corresponding to accrued distributions from (and including) April 25, 2019 to (and excluding) July 3, 2019. The Additional Securities are consolidated into and form a single series with the Original Securities issued in April 2019, bringing its total securities to US$800 million (the “Securities”). The Additional Securities are identical in all respects with the Original Securities, other than with respect to the date of issuance and issue price.

On November 5, 2019, SMC Global Power issued US$500 million SPCS (the “2nd Original Securities”), at an issue price of 100%, with an initial rate of distribution of 5.95% per annum.

Proceeds from SPCS issuances were used for the redemption of the US$300 million Undated Subordinated Capital Securities (“USCS”) issued in May 2014 in November 2019, repayment of indebtedness and for general corporate purposes, including capital expenditures and investments in power-related assets, and for the development of BESS projects.

The US$1,300 million SPCS are all listed on the SGX-ST.

REDEMPTION OF US$300 MILLION USCS BY SMC GLOBAL POWER

On November 7, 2019, SMC Global Power completed the redemption of the US$300 million USCS issued on May 7, 2014, equivalent to P15,183 million 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 of the US$300 million USCS, dated September 27, 2019. The redemption price of the US$300 million USCS 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$500 million SPCS issued on April 25, 2019.

C. MATERIAL CHANGES PER LINE OF ACCOUNT

2020 vs. 2019

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 issuance of US$1,350 million SPCS 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 (i) of lease liabilities, comprising largely of the IPPAs' lease payments to PSALM (P22,630 million), (ii) of distributions to the holders of USCS, Redeemable Perpetual Securities ("RPS") and SPCS by SMC Global Power (P10,480 million), and (iii) of 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 Universal Power Solutions Inc. ("UPSI"), MPPCL, and SMCGP Philippines Energy Storage Co. Ltd. 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 (i) elimination of outstanding advances to Dewsweeper Industrial Park, Inc. (P708 million) which was consolidated to the Group upon its acquisition on November 3, 2020, and (ii) 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 tax 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 into during the year.

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 the finance lease-related expenses, particularly on the foreign exchange gain recognized on its US dollar-denominated finance 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, SMPC, 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.

2019 vs. 2018

The Group's consolidated total assets as at December 31, 2019 amounted to P557,119 million, higher by 13% or P63,269 million than the December 31, 2018 balance of P493,850 million. The net increase is attributable to the following factors:

a. Higher cash and cash equivalents was due mainly to: (i) the issuances by SMC Global Power of Fixed Rate Peso Bonds in April 2019 amounting to P30,000 million, and of SPCS in April, July and November 2019 amounting to US$500 million, US$300 million and US$500 million, respectively (equivalent to P65,886 million, net of transaction costs), (ii) additional US$75 million drawn by MPPCL from its OEFA credit facility (equivalent to P3,857 million), and (iii) P978 million drawn by SMCPC from its OLSA credit facility, partly offset by: (iv) partial payments of long-term debts by SMC Global Power, MPPCL, SMCPC and SCPC (P12,407 million), (v) redemption in November 2019 of the US$300 million USCS issued in May 2014 (P15,183 million), (vi) down payments to contractors of the Mariveles Power Plant and BESS Projects (P5,903 million and P1,680 million, respectively), (vii) additions to property, plant and equipment (P10,117 million) and (viii) full settlement by SMC Global Power of its US$120 million short-term loan (P6,257 million).

b. Increase in prepaid expenses and other current assets by P1,828 million was mainly due to higher excess tax credits and prepayments for real property and local business taxes of the Group and higher restricted cash balances of SCPC, SMCPC and MPPCL.

c. Increase in other noncurrent assets by P9,713 million was due mainly to: (i) down payments made to contractors for the construction of the Mariveles Power Plant and BESS Projects (P7,583 million), and (ii) increase in MPPCL's restricted cash due to the remaining proceeds from the loan drawn in January and November 2019 (P1,525 million).

d. Decrease in trade and other receivables by P3,057 million was primarily due to collections of advances made to certain related party land holding companies by SMC Global Power.

e. Decrease in investments and advances by P1,148 million was attributable to the derecognition of the investment in MPGC as the latter was consolidated to the Group when the Parent Company increased its percentage of ownership in MPGC from 49% to 90% through capital infusion in 2019.

f. Decrease in property, plant and equipment by P161,971 million was primarily due to the reclassification of the Group's IPPA power plants to right-of-use assets account as a result of the adoption of the PFRS 16 (P167,387 million) in 2019.

The Group's consolidated total liabilities as at December 31, 2019 amounted to P403,694 million, 1% or P5,601 million slightly higher than the December 31, 2018 balance of P398,093 million. The major items accounting for the increase are as follows:

a. Higher long-term debt due to issuance of P30,000 million Fixed Rate Peso Bonds by SMC Global Power in April 2019, additional loan drawn by MPPCL and SMCPC in 2019 from its credit facilities to finance its projects, amounting to US$75 million (equivalent to P3,857 million) and P978 million, respectively, and offset by settlements of long-term borrowings of the Group amounting to P12,407 million and the effect of the foreign exchange gain, amounting to P2,829 million, recognized on the outstanding US dollar-denominated debts of MPPCL and SMC Global Power.

b. Full settlement of the US$120 million (equivalent to P6,257 million) short-term loan of SMC Global Power using in part the proceeds of the P30,000 million Fixed Rate Peso Bonds.

c. Increase in deferred tax liabilities by P5,018 million was primarily attributable to higher provision for deferred income tax expense recognized by the IPPA entities on the temporary differences arising from the foreign exchange translation of their US dollar-denominated finance lease liabilities.

d. Increase in accounts payable and accrued expense was due mainly to higher payables to suppliers and contractors recognized by MPGC for its Mariveles Power Plant Project (P2,122 million), remaining balance of GPII for its land acquisition (P1,231 million), and higher trade payables of MPPCL, SMCPC, SCPC and SMEC (P1,555 million).

e. Increase in other noncurrent liabilities by P755 million was due to the additional distribution wheeling services and bill deposits collected from SCPC, MPPCL and APEC customers and recognition of additional asset retirement obligation of SCPC for its Unit 4-Limay Greenfield Power Plant.

f. Decrease in income tax payable by P96 million mainly pertain to the decline in taxable income tax for the year of MPPCL.

g. Lower lease liabilities (including current portion) was due to payments made by the IPPA entities (P22,081 million) and offset by the additional lease liabilities recognized for the lease of land by SMCPC, SCPC, MPGC and MPPCL as a result of the adoption of PFRS 16 (P4,296 million).

Equity

The increase in equity is due to:

(in Millions)	**December 31**	
	2020	2019
Issuances of SPCS	**P66,314**	P65,886
Net income for the year attributable to equity holders of the Parent Company	**18,840**	14,370
Non-controlling interests	**33**	992
Redemption of USCS	**-**	(13,110)
Distributions paid to USCS holders	**(1,446)**	(3,183)
Equity reserves	**(1,660)**	(3,186)
Distributions paid to RPS holder	**(2,016)**	(2,097)
Distributions paid to SPCS holders	**(7,018)**	(1,733)
Share issuances costs and others	**(168)**	(253)
	P72,879	P57,686

IV. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	**December 31**		
	2020	2019	2018
Net cash flows provided by operating activities	**P28,968**	P29,959	P15,259
Net cash flows used in investing activities	**(25,129)**	(18,515)	(102,035)
Net cash flows provided by financing activities	**28,455**	40,283	86,529

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

Net cash flows used in investing activities are as follows:

(in Millions)	**December 31**		
	2020	2019	2018
Decrease (increase) in other noncurrent assets	**P1,989**	(P7,986)	P2,499
Proceeds from sale of property, plant and equipment	-	1	-
Acquisition of non-controlling interests	-	-	(532)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-	-	(97,334)
Additions to deferred exploration and development costs	**(3)**	(5)	(7)
Additions to investments and advances	**(97)**	(197)	(471)
Additions to intangible assets	**(247)**	(211)	(140)
Additions to property, plant and equipment	**(26,771)**	(10,117)	(6,050)

Net cash flows provided by financing activities are as follows:

(in Millions)	December 31		
	2020	2019	2018
Proceeds from issuance of SPCS	**P66,314**	P65,886	P -
Proceeds from short-term borrowings	**5,728**	9,179	41,937
Proceeds from long-term debt	**2,179**	34,835	106,026
Proceeds from issuance of RPS	-	-	32,751
Cash dividends paid to previous holder of non-controlling interest	-	-	(4)
Redemption of USCS	-	(15,183)	-
Payment of stock issuance costs	**(168)**	(281)	(8)
Distributions paid to USCS holders	**(1,446)**	(3,183)	(3,215)
Distributions paid to RPS holder	**(2,016)**	(2,097)	(1,621)
Payments of short-term borrowings	**(6,227)**	(15,436)	(41,510)
Payments of long-term debts	**(6,261)**	(12,407)	(22,112)
Distributions paid to SPCS holders	**(7,018)**	(1,733)	-
Payments of lease liabilities	**(22,630)**	(19,297)	(25,715)

The effect of exchange rate changes on cash and cash equivalents amounted to (P1,531) million, (P284) million and P103 million on December 31, 2020, 2019 and 2018, respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The consolidated unappropriated retained earnings of the Group include the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

VI. KEY PERFORMANCE INDICATORS

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

LIQUIDITY RATIO

Current Ratio = **Current Assets** / **Current Liabilities**

	Conventional		*Adjusted* [1]	
(in Millions P)	**December 2020**	December 2019	**December 2020**	December 2019
(A) Current Assets	**177,378**	138,619	**177,378**	138,619
(B) Current Liabilities	**88,699**	67,018	**64,761**	44,026
Current Ratio (A) / (B)	**2.00**	2.07	**2.74**	3.15

(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, 2020 and 2019, current portion of lease liabilities to PSALM amounted to P23,938 million and P22,992 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 2020**	December 2019
(A) Net Debt [2]	**159,851**	217,523
(B) Total Equity [3]	**225,110**	150,590
Net Debt-to-Equity Ratio (A) / (B)	**0.71**	1.44

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

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

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

(in Millions P)	Conventional December 2020	Conventional December 2019	Adjusted [(4)] December 2020	Adjusted [(4)] December 2019
(A) Total Assets	**610,016**	557,119	**453, 002**	394,918
(B) Total Equity	**226, 304**	153,425	**226,304**	153,425
Asset-to-Equity Ratio (A) / (B)	**2.70**	3.63	**2.00**	2.57

(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, 2020 and 2019, the net carrying amount of IPPA power plant assets amounted to P157,014 million and P162,201 million, respectively.

PROFITABILTY RATIO

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

(in Millions P)	**December 2020**	December 2019
(A) Net Income	**18,874**	14,364
(B) Total Equity	**226, 304**	153,425
Return on Equity (A) / (B)	**8.3%**	9.4%

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

Per relevant Loan Covenants of SMC Global Power

(in Millions P)	**December 2020**	December 2019
(A) EBITDA [(5)]	**41,451**	34,995
(B) Interest Expense [(6)]	**13,554**	14,865
Interest Coverage Ratio (A) / (B)	**3.06**	2.35

(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

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

	Years Ended December 31	
(in GWh)	**2020**	2019
(A) Current Period Offtake Volume	**26,116**	28,112
(B) Prior Period Offtake Volume	**28,112**	23,864
Volume Growth (Decline) [(A / B) – 1]	**(7.1%)**	17.8%

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

	Years Ended December 31	
(in Millions P)	**2020**	2019
(A) Current Period Revenue	**115,029**	135,060
(B) Prior Period Revenue	**135,060**	120,103
Revenue Growth (Decline) [(A / B) – 1]	**(14.8%)**	12.5%

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

	Years Ended December 31	
(in Millions P)	**2020**	2019
(A) Income from Operations	**36,923**	35,954
(B) Revenues	**115,029**	135,060
Operating Margin (A) / (B)	**32.1%**	26.6%

VII. OTHER MATTERS

- Event After the Reporting Date

<u>Redemption of US$300 million USCS by SMC Global Power</u>
On February 26, 2021, SMC Global Power completed the redemption of the US$300 million USCS issued on August 26, 2015, equivalent to P14,582 million 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 of the US$300 million USCS, dated January 25, 2021. The redemption price of the US$300 million USCS that was paid 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 SPCS issued on December 15, 2020.

- 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 enhanced community quarantine ("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.

The ECQ was eased starting May 16, 2020 with the Philippine government converting most cities, including the Metro Manila, to a modified enhanced community quarantine ("MECQ") until May 31, 2020 while some regions were placed under either a general community quarantine ("GCQ") or a modified general community quarantine ("MGCQ"). On June 1, 2020, the National Capital Region was placed under GCQ which allowed certain business 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. On August 4, 2020, Metro Manila was again placed on MECQ until August 18, 2020, in view of the continuing rise of COVID-19 cases. As at report date, Metro Manila is under GCQ.

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 but 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 the bilateral volume commitments to its customers notwithstanding economic and logistical challenges faced during the community quarantine period.

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 transition 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 Republic Act No. 11494, otherwise known as 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. Nevertheless, with the consolidated unrestricted cash and cash equivalents of P110,718 million as at December 31, 2020, 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 during the community quarantine period.

- 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.

- 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 other than the aforesaid effects of the COVID-19 pandemic.

- 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.

- Commitments

  The outstanding purchase commitments of the Group amounted to P21,080 million as at December 31, 2020.

  Amount authorized but not yet disbursed for capital projects is approximately P95,664 million as at December 31, 2020.

ANNEX "F"

SMC GLOBAL POWER

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

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of SMC Global Power Holdings Corp. ("SMC Global Power" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as of and for the period ended March 31, 2021 (with comparative figures as of December 31, 2020 and for the period ended March 31, 2020). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as of March 31, 2021, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. 2021 SIGNIFICANT TRANSACTIONS

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, equivalent to P14,582 million 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 of the US$300 million USCS, dated January 25, 2021. The redemption price of the US$300 million USCS 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 (equivalent to P9,691 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 based on London Interbank Offered Rate plus margin and to mature in March 2026.

PAYMENT OF MATURING LONG-TERM DEBT

In 2021, SMC Consolidated Power Corporation ("SCPC") and San Miguel Consolidated Power Corporation ("SMCPC") paid a total of P869 million of its outstanding long-term debts pursuant to the terms and conditions of their respective credit facility agreements.

II. FINANCIAL PERFORMANCE

2021 vs. 2020

Revenues

The Group's consolidated revenues for the first quarter of 2021 registered at P27,366 million, 3% or P932 million lower than last year's P28,298 million for the same period. 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 for the same period of 2021. 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 during the period, (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 P298 million, from P1,510 million for the first quarter of 2020 to P1,212 million for the same period of 2021. The decrease was mainly due to: (i) contributions of P200 million for Corona Virus Disease 2019 (COVID-19) community response initiatives incurred in the first quarter last year, and (ii) lower taxes and licenses due to the decline in local business taxes of San Miguel Electric Corp. ("SMELC") and Strategic Power Devt. Corp. ("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 last year's P7,823 million to P8,423 million for the first quarter of 2021.

Other Income (Charges)

Interest income decreased by 73% or P341 million, from last year's P466 million to P125 million for the first quarter of 2021, mainly due to lower average interest rate and shorter placement periods as funds were utilized for capital expenditures relating to the ongoing construction projects.

Interest expense and other financing charges decreased by 4% or P187 million, from last year's P4,782 million to P4,595 million for the first quarter of 2021, due primarily to lower interest expense recognized on the declining principal balances of the Independent Power Producer Administrator ("IPPA") entities' finance lease liabilities.

Equity in net earnings (losses) of an associate and joint ventures had a turnaround from P159 million loss last year to P37 million gain this year due mainly to the improvement in the financial performance results of Angat Hydropower Corporation ("AHC").

Other income increased by 21% or P360 million from last year's P1,723 million to P2,083 million for the same period in 2021. This was due to (i) the recognition of income from reduction of Power Sector Assets and Liabilities Management Corporation (“PSALM”) fixed fee charges 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 during the period, 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

Provision for income tax had a complete turnaround from P1,851 million expense for 2020 to P1,704 million benefit for 2021. This resulted primarily from the recording in the first quarter of 2021 the impact of the Corporate Recovery and Tax Incentives for Enterprises (“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. Income tax expense (current and deferred) for the period ended March 31, 2021 decreased by P3,440 million, of which P3,152 million pertains to the adjustment for 2020 and P288 million for the first quarter of 2021.

Net Income

Consequently, the consolidated net income of the Group for the first quarter grew by 141% or P4,556 million, from P3,221 million in 2020 to P7,777 million in 2021. Nevertheless, without the effect of the CREATE Law, consolidated net income would still have increased by 35% to P4,337 million.

2020 vs. 2019

Revenues

The Group’s consolidated revenues for the first quarter of 2020 registered at P28,298 million, 18% or P6,378 million lower than previous year's P34,676 million for the same period. This was mainly due to: (i) deferral of the commencement to supply Meralco under Masinloc Power Partners Co. Ltd.’s (“MPPCL”) 260 MW extended contract pending Energy Regulatory Commission’s (“ERC) approval, and under the 290 MW Mid-merit Power Supply Agreement (“PSA”) of South Premiere Power Corp. (“SPPC”), where the provisional approval of the ERC was posted and distributed to the parties only on March 16, 2020, (ii) lower contract rates for the new baseload PSAs of SPPC and San Miguel Energy Corporation (“SMEC”) with Meralco that took effect on December 26, 2019 compared to the power supply contracts that expired on December 25, 2019, (iii) lower average spot prices for Luzon-based power plants, and softened by (iv) higher revenues of SMCPC and SCPC mainly on account of the increase in its bilateral offtake volume.

Cost of Power Sold

Cost of power sold likewise decreased by 17% or P3,959 million, from P22,924 million for the first quarter of 2019 to P18,965 million. The decrease was mainly attributable to the following: (i) 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, (ii) lower average cost of coal prices for Sual and Masinloc Power Plants as coal indices continue to decline, (iii) lower average cost of spot purchases, and offset by (iv) higher power purchases of SCPC and SMCPC to meet its customer requirements, and (v) higher costs incurred by SCPC on account of the full-quarter operations of its 150 MW

Unit 4-Limay Greenfield Power Plant which commenced commercial operations on July 26, 2019.

Selling and Administrative Expenses

Selling and administrative expenses decreased by 21% or P402 million, from P1,912 million for the first quarter of 2019 to P1,510 million for the same period of 2020. The decrease was due mainly to (i) lower contributions to registered donee institutions for programs on education and environment, and (ii) lower business taxes paid by MPPCL, SMEC and SMC Global Power.

Income from Operations

As a result, consolidated income from operations of P7,823 million for the first quarter of 2020, declined by 21% or P2,018 million, from the P9,841 million posted in 2019.

Other Income (Charges)

Interest income surged by 220% or P320 million, from P146 million in 2019 to P466 million in 2020, driven primarily by higher average balance of cash and cash equivalents from the net proceeds of the US$600 million SPCS issuance in January 2020.

Interest expense and other financing charges decreased by 2% or P92 million from P4,874 million in 2019 to P4,782 million in 2020 due mainly to lower interest expense recognized (i) on the declining principal balances of IPPA entities' finance lease liabilities, (ii) on loans payable since SMC Global Power settled its US$120 million short-term loan in April 2019, and partially offset by higher interest expense (iii) on long-term borrowings due to the issuance of another P30,000 million fixed rate bonds in April 2019 by SMC Global Power, and (iv) with SCPC's cessation of the capitalization of borrowing costs related to the construction of Unit 4-Limay Greenfield Power Plant which started commercial operations in July 2019.

Equity in net losses of associates and joint ventures declined from P163 million earnings for the first quarter of 2019 to P159 million loss due to the negative bottom line of AHC for the first quarter of 2020.

Other income significantly increased by P1,595 million due primarily to (i) 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, and offset by (ii) the net foreign exchange loss of P240 million recognized in 2020, a turnaround from the P23 million gain in 2019, arising mainly from the revaluation of the Group's US dollar-denominated liabilities with the depreciation of the Philippine peso against the US dollar during the first quarter of 2020 by P0.04 (from P50.64 to P50.68) vs the appreciation of Philippine peso experienced in 2019 by P0.08 (from P52.58 to P52.50).

Income Tax Expense

Income tax expense slightly increased by 1%, or P27 million, from P1,824 million in 2019 to P1,851 million in 2020. The increase was due to (i) higher provision for deferred income tax expense recognized by (a) the IPPA entities' on the temporary difference of monthly fixed payments to PSALM over the finance lease liability-related expenses, and (b) MPPCL on its unrealized foreign exchange gain, (ii) higher provision for final tax driven by the increase in interest income on cash and cash equivalents, and offset by (iii) lower provision for current income tax recognized by SPPC and MPPCL due to the decline in taxable income.

Net Income

Consequently, the consolidated net income of the Group for the first quarter decreased by 10%, or P358 million, from P3,579 million in 2019 to P3,221 million in 2020.

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

1. **POWER GENERATION**

2021 vs. 2020

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 last year 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 last year's 2,302 GWh on account of lower demand from industrial and retail electricity supplier ("RES") customers during the quarantine period.

Revenues of P8,474 million was 9% lower than last year's P9,291 million mainly attributable to the decline in offtake volume and moderated by the increase in average realization prices for bilateral offtake volume.

Operating income of P1,590 million was 37% lower than last year's P2,518 million due to the aforementioned 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 during the period. Total offtake volume of 1,993 GWh increased by 5% compared to last year 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 quarter ended March 31, 2021 was at par with last year 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 last year due to 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 last year at 784 GWh 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 from last year by 24% due to decline in demand from industrial customers and distribution utilities due to continuous imposition of quarantine during the period.

For the first quarter of 2021, revenues decreased by 27% from P2,803 million last year to P2,058 million in the current period due to the decline in offtake volume and replacement power average selling price to affiliate generators. Consequently, operating income registered at P869 million in 2021, which was 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 last year. 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 last year.

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 1,411 GWh for the first quarter of 2021. This was 11% higher compared to last year wherein the operations of the plant resulted to 1,273 GWh attributable to higher combined operating hours of Units 1 and 2 and lower outage days of Unit 1 in 2021. The start of commercial operations of Unit 3 was on September 26, 2020.

Total offtake volume of 1,640 GWh fell from last year by 2% on account of lower spot sales volume. Nonetheless, year-to-date revenues inclusive of ancillary revenues from the 10 MW battery energy storage system (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 during the period.

2020 vs. 2019

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

For the first quarter of 2020, net generation of 1,492 GWh, at 68% net capacity factor rate, was 20% lower than the same period in 2019 mainly due to lower operating hours (4,143 hours vs 4,202 hours) with higher outages (225 hours vs 118 hours) resulting from tube leaks in certain parts of the power plant and other mechanical issues during the period. Total offtake volume likewise decreased to 2,302 GWh from the 2,379 GWh in 2019 on account of lower spot sales volume.

Revenues of P9,291 million was 14% lower than the P10,762 million in 2019 mainly attributable to lower average realization price for bilateral sales driven by the new PSA with Meralco effective December 26, 2019 at a lower rate, and the impact of lower spot market prices and decline in overall offtake volume.

Operating income of P2,518 million was 40% higher than the P1,800 million posted in 2019 on account of lower cost for coal, decline in cost of replacement power supplied to bilateral customers, and lower operating expenses, partly offset by lower average realization prices for bilateral and spot sales.

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

The net generation of Ilijan Power Plant for the first quarter of 2020 fell by 12% due to lower plant dispatch under the new PSA with Meralco which became effective on December 26, 2019. Total offtake volume of 1,905 GWh fell by 12% compared to the same period in 2019 due mainly to lower Meralco nominations and spot sales volume.

Revenues of P7,575 million for the quarter ended March 31, 2020 was 32% lower than 2019 due to lower average realization price from bilateral and spot sales and decline in offtake volume.

Consequently, operating income of P1,507 million in 2020 was 58% lower than the P3,567 million posted in 2019.

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

The San Roque Power Plant's net generation of 138 GWh, at 18% net capacity factor rate, for the first quarter of 2020 declined by 12% attributable to shorter operating hours as a result of low reservoir level due to unfavorable hydrological conditions. Total offtake volume of 175 GWh likewise decreased by 33% compared to 261 GWh for 2019.

Revenues for the period decreased by 58% from P1,839 million in 2019 to P765 million in 2020 mainly due to lower average realization price and decline in offtake volume.

The foregoing factors resulted to a drop in operating income by 79% from P746 million in 2019 to P159 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 784 GWh, at 67% net capacity factor rate, for the first quarter of 2020. This was 26% higher than the 622 GWh in 2019 due to the output of Unit 4, offset by the higher combined outages in 2020 of Units 1, 2 and 3. SCPC dispatched 375 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 601 GWh exceeded the previous year by 12% attributed to higher bilateral customers.

Revenues increased by 13% from P2,472 million in 2019 to P2,803 million in 2020 due primarily to higher offtake volume and average realization price. Consequently, operating income of P960 million in 2020 was 49% higher than the P645 million posted in 2019 driven also by the decline in generation costs and average power purchase prices.

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

Units 1 and 2 of the Davao Greenfield Power Plant, with a combined capacity of 300 MW, started commercial operations on July 26, 2017 and February 26, 2018, respectively, following the completion of its testing and commissioning phase and the issuance of a Provisional Authority to Operate ("PAO") by the ERC in favor of both units.

For the first quarter of 2020, a total of 477 GWh was generated by the plant at a capacity factor rate of 83%. This was 13% higher compared to the same period of 2019. Revenues at P2,946 million slightly topped the previous year by 9% on account of increase in nominations and load following demand from its existing bilateral customers. This was despite the slight decrease in average realization price due to the effect of capacity-based contracts, i.e., take or pay. Accordingly, operating income registered at P1,214 million, almost the same level as the previous year.

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

The Masinloc Power Plant operating Units 1 and 2, with a combined net capacity of 619 MW, contributed a total net generation of 1,273 GWh for the first quarter of 2020 compared to 2019 wherein the operations of the plant resulted to 986 GWh. The increase was attributable to lower outages in 2020 compared to 2019.

Total offtake volume of 1,679 GWh exceeded the previous year by 25% due primarily to the increase in spot sales volume, which doubled in 2020. However, year-to-date revenues inclusive of ancillary revenues from the 10 MW BESS, and operating income registered only at P5,778 million and P1,037 million, respectively, posting a decrease from the previous year by 9% and 23%, respectively, on account of lower average realization prices for spot and bilateral sales.

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

<u>2021 vs. 2020</u>

a. **SMELC, RES**

Offtake volume significantly declined from 389 GWh last year to 1 GWh this year attributable to the transfer of most RES contracts to SCPC RES and MPPCL RES. This led to the decrease in revenues in 2021 which registered at P3 million compared to P2,037 million posted in the same period last year.

Lower volume and depressed margin resulted to an operating loss amounting to P11 million for the first quarter of 2021, a turnaround from the P12 million operating income posted in 2020.

b. **Albay Power and Energy Corp. ("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 last year 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.

c. **SCPC, RES**

For the first quarter of 2021, the total offtake volume registered at 663 GWh. This was 28% higher than last year's 518 GWh due to increase in nominations from contestable customers and the transfer of contestable customers from SMELC. Revenues increased by 27% from P2,474 million last year to P3,154 million as offtake volume increased. Consequently, operating income registered at P565 million in 2021 was 150% higher than the P226 million posted in 2020.

d. **MPPCL, RES**

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

For the first quarter of 2021, the total offtake volume and revenues more than doubled compared to last year, 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.

2020 vs. 2019

a. **SMELC, RES**

SMELC realizes its profits from its RES contracts with various SMC subsidiaries and other contestable customers. Power supply for its existing RES contracts was sourced from the Sual and Limay Power Plants.

Offtake volume of 389 GWh for the first quarter of 2020 fell compared to the previous year's 526 GWh. The 26% decrease was attributable to lower electricity requirements of existing customers partly offset by full-quarter recognition of nominations from contestable customers contracted by 2nd quarter of 2019 onwards. This led to the decline of 29% in revenues in 2020 which registered at P2,037 million.

Lower volume and depressed margin resulted to an operating income amounting to P12 million for the first quarter of 2020, a drop from the P21 million posted in 2019.

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

Revenues of P849 million was 18% higher than the previous year's P721 million primarily driven by higher offtake volume and pass-through generation charges. Consequently, operating loss of P36 million in 2020 was an improvement compared to the P128 million operating loss recognized in 2019 for the same period on account of the increase in revenues.

c. **SCPC, RES**

For the first quarter of 2020, total offtake volume registered at 518 GWh. This was 69% higher than the previous year's 307 GWh due to new RES customers following the increase in the plant's capacity. Revenues increased by 65% from P1,498 million in 2019 to P2,474 million in 2020 as offtake volume increased. Consequently, operating income registered at P226 million in 2020, a 115% increase from the P105 million posted in 2019.

d. **MPPCL, RES**

For the first quarter of 2020, total offtake volume and revenues more than doubled compared to 2019, registering at 55 GWh and P255 million, respectively, on account of the new RSCs entered into during the period, resulting to higher operating income from P9 million in 2019 to P37 million in 2020.

III. FINANCIAL POSITION

<u>2021 vs. 2020</u>

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 (equivalent to P14,582 million) on February 26, 2021 by SMC Global Power, and payments of (ii) distributions to the holders of Redeemable Perpetual Securities (RPS), USCS and SPCS (P2,369 million) by SMC Global Power, and (iii) maturing long-term borrowings of SCPC and SMCPC (P869 million).

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 P971 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 by P9,495 million was mainly attributable to the settlement of the US$200 million (equivalent to P9,691 million) term loan upon its maturity in March 2021 by SMC Global Power.

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 finance lease-related expenses.

d. Increase in long-term debt, net of current maturities, by P9,212 million was mainly due to the US$200 million (equivalent to P9,691 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 income tax payable by P159 million was attributable mainly to the first quarter income tax payable of MPPCL.

<u>2020 vs. 2019</u>

The Group's consolidated total assets as at March 31, 2020 amounted to P587,401 million, higher by 5% or P30,282 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 P18,248 million was due mainly to (i) the net proceeds from the issuance of US$600 million SPCS on January 21, 2020 by SMC Global Power (P30,170 million), offset by payments (ii) to PSALM for the finance lease liabilities of IPPA entities (P7,255 million), (iii) to contractors for the Mariveles Power Plant construction (P3,853 million), (iv) of distributions to the holders of USCS and RPS of SMC Global Power (P1,249 million), and (v) for maturing obligations of SMCPC and SCPC (P586 million).

b. Increase in trade and other receivables by P6,656 million was due primarily to the deferred collections of February 2020 Power Bills of SMEC, SPPC and MPPCL following the ERC advisory dated March 17, 2020 directing Distribution Utilities in Luzon to provide a one-month extension of payments for customer bills falling due on March 15 to April 14, 2020. This was in line with the declaration of the President of the Philippines, under Proclamation No. 929 dated March 16, 2020, placing the entire Luzon under Enhanced Community Quarantine ("ECQ) due to the spread of the COVID-19.

c. Increase in property, plant and equipment by P3,994 million was due mainly to the additional construction costs incurred for the Mariveles Power Plant project, BESS projects, and by MPPCL for its expansion project.

d. Increase in other noncurrent assets by P2,238 million was due mainly to higher restricted cash balance by P2,144 million arising from the remaining proceeds of MPPCL's US$43 million loan drawn from its credit facility in March 2020.

The Group's consolidated total liabilities as at March 31, 2020 amounted to P401,788 million, 0.5% or P1,906 million slightly lower than the December 31, 2019 balance of P403,694 million. The major items accounting for the decrease are as follows:

a. Lower lease liabilities by P5,366 million was due primarily to payments made by the IPPA entities (P5,546 million).

b. Increase in income tax payable was attributable mainly to the first quarter income tax payable of MPPCL.

c. Additional loan drawn by MPPCL from its credit facility, amounting to US$43 million (P2,179 million) in March 2020, net of partial settlements by SMCPC and SCPC of their maturing long-term borrowings (P586 million).

d. Increase in deferred tax liabilities by P1,281 million was primarily attributable to higher provision for deferred income tax expense recognized by the IPPA entities on the difference of their monthly fixed payments to PSALM over their finance lease-related expenses.

Equity

The increase (decrease) in equity is due to:

(in Millions)	**March 31**	
	2021	2020
Net income for the period attributable to equity holders of the Parent Company	**P7,787**	P3,221
Issuance of SPCS	**-**	30,170
Distributions paid to RPS holder	**(492)**	(514)
Distributions paid to USCS holders	**(703)**	(735)
Distributions paid to SPCS holders	**(1,174)**	-
Redemption of USCS	**(14,582)**	-
Others	**365**	46
	(P8,799)	P32,188

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	March 31	
	2021	2020
Net cash flows provided by operating activities	**P10,935**	P325
Net cash flows used in investing activities	**(4,424)**	(6,941)
Net cash flows provided by (used in) financing activities	**(23,637)**	24,913

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

Net cash flows used in investing activities included the following:

(in Millions)	March 31	
	2021	2020
Decrease (increase) in other noncurrent assets	**P998**	(P2,176)
Additions to deferred exploration and development costs	**(1)**	(1)
Additions to intangible assets	**(8)**	(46)
Additions to investments and advances	**(8)**	(42)
Additions to property, plant and equipment	**(5,405)**	(4,676)

Net cash flows provided by (used in) financing activities included the following:

(in Millions)	March 31	
	2021	2020
Proceeds from long-term debt	**P9,691**	P2,179
Proceeds from short-term borrowings	**1,683**	2,287
Proceeds from issuance of SPCS	-	30,170
Payment of stock issuance costs	-	(15)
Distributions paid to RPS holder	**(492)**	(514)
Distributions paid to USCS holders	**(703)**	(735)
Distributions paid to SPCS holders	**(1,174)**	-
Payments of short-term borrowing	**(1,683)**	(2,287)
Payments of lease liabilities	**(5,817)**	(5.586)
Payments of long-term debts	**(10,560)**	(586)
Redemption of USCS	**(14,582)**	-

The effect of exchange rate changes on cash and cash equivalents amounted to P336 million and (P49) million on March 31, 2021 and 2020, respectively.

V. KEY PERFORMANCE INDICATORS

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

LIQUIDITY RATIO

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

	Conventional		*Adjusted* [(1)]	
(in Millions Peso)	**March 2021**	December 2020	**March 2021**	December 2020
(A) Current Assets	**159,892**	177,378	**159,892**	177,378
(B) Current Liabilities	**81,509**	88,699	**57,016**	64,761
Current Ratio (A) / (B)	**1.96**	2.00	**2.80**	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 March 31, 2021 and December 31, 2020, current portion of lease liabilities to PSALM amounted to P24,493 million and P23,938 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 2021**	December 2020
(A) Net Debt [(2)]	**169,327**	159,851
(B) Total Equity [(3)]	**214,890**	225,110
Net Debt-to-Equity Ratio (A) / (B)	**0.79**	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**

(in Millions Peso)	Conventional: March 2021	Conventional: December 2020	Adjusted [4]: March 2021	Adjusted [4]: December 2020
(A) Total Assets	**595,519**	610,016	**439,801**	453,002
(B) Total Equity	**217,505**	226,304	**217,505**	226,304
Asset-to-Equity Ratio (A) / (B)	**2.74**	2.70	**2.02**	2.00

(4) Net carrying amount of the IPPA power plants, in relation to IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at March 31, 2021 and December 31, 2020, the net carrying amount of the IPPA power plant assets amounted to P155,718 million and P157,014 million, respectively.

PROFITABILTY RATIO

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

(in Millions Peso)	March 2021	December 2020
(A) Net Income [5]	**23,430**	18,874
(B) Total Equity	**217,505**	226,304
Return on Equity (A) / (B)	**10.8%**	8.3%

(5) Annualized for quarterly reporting.

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

Per relevant Loan Covenants of SMC Global Power

(in Millions Peso)	March 2021	December 2020
(A) EBITDA [6]	**42,479**	41,451
(B) Interest Expense [7]	**13,416**	13,554
Interest Coverage Ratio (A) / (B)	**3.17**	3.06

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

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

OPERATING EFFICIENCY

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

	Periods Ended March 31	
(in GWh)	**2021**	**2020**
(A) Current Period Offtake Volume	**6,344**	**6,644**
(B) Prior Period Offtake Volume	**6,644**	**6,826**
Volume Decline [(A / B) – 1]	**(4.5%)**	**(2.7%)**

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

	Periods Ended March 31	
(in Millions Peso)	**2021**	**2020**
(A) Current Period Revenue	**27,366**	**28,298**
(B) Prior Period Revenue	**28,298**	**34,676**
Revenue Decline [(A / B) – 1]	**(3.3%)**	**(18.4%)**

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

	Periods Ended March 31	
(in Millions Peso)	**2021**	**2020**
(A) Income from Operations	**8,423**	**7,823**
(B) Revenues	**27,366**	**28,298**
Operating Margin (A) / (B)	**30.8%**	**27.6%**

VI. OTHER MATTERS

a. 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. 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.

The ECQ was eased starting May 16, 2020 with the Philippine government converting most cities, including the Metro Manila, to a modified enhanced community quarantine ("MECQ") until May 31, 2020 while some regions were placed under either a general community quarantine ("GCQ") or a modified general community quarantine ("MGCQ"). On June 1, 2020, the National Capital Region ("NCR") was placed under GCQ which allowed certain business 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. As of the date of this report, the Metro Manila is under MECQ.

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 but 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.

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 transition 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. Nevertheless, with the consolidated unrestricted cash and cash equivalents of P93,927,703 as at March 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 during the community quarantine period and for the rest of the year.

b. 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.

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

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

e. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation other than the aforesaid effect of the COVID-19 pandemic.

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

g. There 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.

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

i. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as at March 31, 2021. These consist of construction of power plants 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 quarter until its completion. The fund to be used for these projects will come from available cash and proceeds of availed long-term loans and issued bonds and SPCS.

   The outstanding purchase commitments of the Group amounted to P30,406 million as at March 31, 2021. Amount authorized but not yet disbursed for capital projects is approximately P124,184 million as at March 31, 2021.

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
OF

SMC GLOBAL POWER HOLDINGS CORP.

Held on 02 June 2020, 2:00 p.m.
via remote communication
with the Chairman presiding at
40 San Miguel Avenue, Mandaluyong City

PRESENT:	No. of Common Shares
San Miguel Corporation (By Proxy)	1,250,000,500
Ramon S. 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
Harold M. Abrenica
Jose Mari R. Valte
Julie Ann B. Domino
Beatriz Irina Denise A. Garcia
Irene M. Cipriano

I. CALL TO ORDER

Mr. Ramon S. Ang, the Chairman of the Board, 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.

III. APPROVAL OF THE PREVIOUS MEETING MINUTES

The Minutes of the Annual Stockholders' Meeting held on 04 June 2019 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. 2020-06-02-01**
> ***Approval of Previous Meeting Minutes***
>
> "**RESOLVED**, as it is hereby resolved, that the stockholders approve the Minutes of the Annual Stockholders' Meeting held on 04 June 2019."

IV. APPROVAL OF THE 2019 AUDITED FINANCIAL STATEMENTS

Mr. Paul D. Causon, the Chief Finance Officer of the Corporation, presented to the Board the 2019 Audited Financial Statements, summarized as follows:

The Corporation increased its consolidated revenues in 2019 to ₱135.1 Billion which was 12% or ₱15.0B higher than last year's ₱120.1 Billion, reflecting the sale of power of 28,112 GWh in 2019 compared to 23,864 GWh in 2018. The increase was primarily driven by:

(i) full-year contribution from Units 1 and 2 of Masinloc Power Plant acquired last March 2018;

(ii) full-year operations of Davao Unit 2 and Limay Unit 3 Greenfield Power Plants, which commenced commercial operations last February 26 and March 26, 2018, respectively;

(iii) the additional revenues contributed by Limay Unit 4 which started commercial operations last July 26, 2019; and

(iv) the increase in revenues from SPPC brought by higher plant dispatch of Ilijan Power Plant due to higher Meralco nominations coupled with higher average realization price.

Consequently, Gross Profit at ₱43.3 Billion improved by 10% or ₱4.0 Billion and Operating Income at ₱36.0 Billion improved by 8% or ₱2.8 Billion mainly as a result of the additional capacities from the new power plants.

Net income for 2019 was higher by 73% at ₱14.4 Billion. This includes ₱2.8 Billion in forex gains which was a complete turnaround from the forex loss of ₱5.3B in the same period last year due to Philippine Peso appreciation against US Dollar.

Moving on to the Group's financial position, consolidated assets stood at ₱557.1 Billion which was 13% higher than the December 31, 2018 balance while the consolidated total liabilities went up by 1% to ₱403.7 Billion.

Total shareholder's equity reached ₱153.4 Billion, which was 60% higher than last year as a net result of the following:

(i) issuance of US$1.3 Billion in Senior Perpetual Capital Securities, less redemption of the US$300 Million Undated Subordinated Capital Securities;

(ii) consolidated net income for the year at ₱14.4 Billion;

(iii) less distributions paid to perpetual securities for ₱7.0 Billion.

The 2019 Group's Net Debt-to-Equity Ratio of 1.44x and Interest Coverage Ratio of 2.35x are both in compliant with the financial covenant ratios. The Group needs to comply with a maximum Net Debt-to-Equity Ratio of 3.25x and a minimum Interest Coverage Ratio of 2.25x.

The Corporation's external auditors, R.G. Manabat & Co., a member firm of KPMG International, rendered an Unqualified Opinion on the 2019 Audited Financial Statements of the Corporation and subsidiaries, as presented.

The 2019 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.

Dr. Jack G. Arroyo, Jr. commended the San Miguel Group for all its donations and efforts during the COVID-19 pandemic and expressed his gratitude for all the continuous contributions being provided by the San Miguel Group. To this, Management expressed their sincerest thanks to Dr. Arroyo's statement.

After giving sufficient time and opportunity for any other 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 2019 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. 2020-06-02-02
Approval of 2019 Audited Financial Statements

"**RESOLVED**, as it is hereby resolved, that the stockholders approve the Audited Financial Statements of the Corporation for the year ended 31 December 2019."

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	
Ferdinand K. Constantino	
Aurora T. Calderon	
Virgilio S. Jacinto	
Jack G. Arroyo, Jr.	*(Independent Director)*
Consuelo M. Ynares-Santiago	*(Independent Director)*
Josefina Guevara-Salonga	*(Independent Director)*

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 of the Corporation for the ensuing year 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 resolution:

Stockholders' Resolution No. 2020-06-02-03
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. Ferdinand K. Constantino
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)*."

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. 2020-06-02-04
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 04 June 2019 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. 2020-06-02-05
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 2020."

VIII. ADJOURNMENT

There being no other matters to be discussed, the meeting was adjourned.

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 02 June 2020

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 04 June 2019	100%
Approval of the 2019 Audited Financial Statements	100%
Election of the Board of Directors For each of Ramon S. Ang, Ferdinand K. Constantino, Aurora T. Calderon, Virgilio S. Jacinto, Jack G. Arroyo, Jr., Consuelo M. Ynares-Santiago, and Josefina Guevara-Salonga	100%
Ratification of All Acts and Proceedings of the Board of Directors and Corporate Officers	100%
Appointment of External Auditors	100%

ANNEX "H"

2020 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 5;

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 4.95;

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 5;

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 5; 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 5.

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 4.8;

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 5;

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 5;

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 4.9;

e. under the category Reporting Process, comprised of one question, the average rating given by the members of the Corporate Governance Committee is 5; 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 5.

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 5;

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 5; 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 4.8.

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 4.8;

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 4.9; 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 4.9.

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 5;

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 5;

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 5;

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 4.8;

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 5;

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 5; 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 5.

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 4.85;

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;
   (iv) prudent management of the Company's resources and maintenance of a proper balance of the same; and
   (v) 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.